

Report No. 2022-161
March 2022

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**HARDEE COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2020-21 fiscal year, Bob Shayman served as Superintendent of the Hardee County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Paul Samuels, Vice Chair from 11-17-20	1
Mildred Smith, Chair from 11-17-20	2
Claire Cornell from 11-17-20	3
Dr. Teresa Crawford through 11-16-20, Chair	3
Garry McWhorter	4
Mark Gilliard, Vice Chair through 11-16-20	5

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

The team leader was Gregory J. Lemieux, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Hardee County District School Board (District) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards, with the exception of the school internal funds, which comprise a significant portion of the aggregate remaining fund information.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below.

Material Weakness

Finding No. 2021-001: District accountability over school internal funds needs to be enhanced.

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

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Education Stabilization Fund 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:

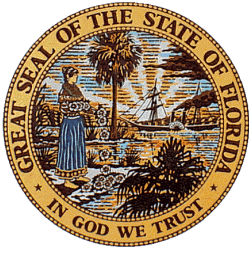
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the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

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2021. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board, as of and for the fiscal year ended June 30, 2021, 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 discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report 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 unmodified and qualified audit opinions.

Basis for Qualified Opinion on the Aggregate Remaining Funds Information

The Board is required, pursuant to Chapter 8 of the *Financial and Program Cost Accounting and Reporting for Florida Schools*, to provide for an annual audit of the school internal funds. While the Board entered into a contract with other auditors to conduct that audit for the 2020-21 fiscal year, the audit was not completed.

According to District personnel, the school internal funds audit was delayed because of inconsistencies between reported amounts and underlying records. The school internal funds financial activities are included in the District's basic financial statements as an other governmental fund and represent 18 percent, 0 percent, 18 percent, 17 percent, and 17 percent, respectively, of the assets, liabilities, fund balance, revenues, and expenditures of the aggregate remaining fund information.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Hardee County District School Board, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Hardee County District School Board, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which is a change in accounting principle that

addresses accounting and financial reporting for fiduciary activities. This affects the comparability of amounts reported for the 2020-21 fiscal year with amounts reported for the 2019-20 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, 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 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hardee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2021. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

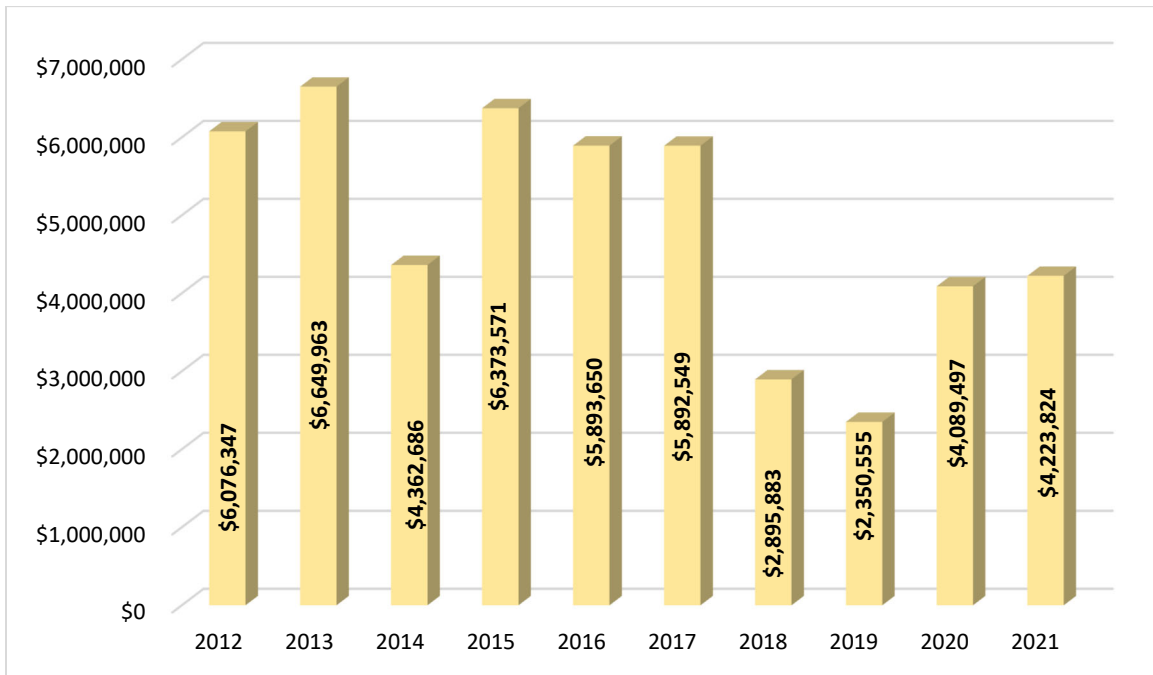
FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-21 fiscal year are as follows:

- Net position decreased by \$2,502,390. The decrease was primarily due to the net effect of capital assets depreciation expense exceeding capital asset additions and the changes in net pension liability and deferred outflows of resources related to pensions.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$8,043,104, which is \$1,531,538 more than the prior fiscal year balance. The General Fund unassigned fund balance totals \$4,223,824, or 10.5 percent of total General Fund revenues. The increase is primarily due to an increase in State revenues from Florida Education Finance Program (FEFP) funding.

The following chart shows General Fund's Unassigned Fund Balance for the past 10 years:

General Fund Unassigned Fund Balance at June 30



OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

- **Governmental activities** – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component unit** – The District presents one separate legal entity in this report. The Hardee County Education Foundation, Inc. is a legally separate organization and component unit that is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2021, compared to net position as of June 30, 2020:

Net Position, End of Year

	Governmental Activities		Increase (Decrease)
	6-30-21	6-30-20	6-30-21
Current and Other Assets	\$ 13,376,255	\$ 10,423,532	\$ 2,952,723
Capital Assets	52,746,552	54,888,799	(2,142,247)
Total Assets	66,122,807	65,312,331	810,476
Deferred Outflows of Resources	10,288,180	10,154,927	133,253
Long-Term Liabilities	38,835,755	36,980,145	1,855,610
Other Liabilities	1,821,406	1,449,163	372,243
Total Liabilities	40,657,161	38,429,308	2,227,853
Deferred Inflows of Resources	4,618,193	3,724,971	893,222
Net Position:			
Net Investment in Capital Assets	50,826,552	52,835,299	(2,008,747)
Restricted	5,554,206	4,467,853	1,086,353
Unrestricted (Deficit)	(25,245,125)	(23,990,173)	(1,254,952)
Total Net Position	\$ 31,135,633	\$ 33,312,979	\$ (2,177,346)

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. Net position is restricted for State required carryover programs, food service, capital projects, etc. The deficit unrestricted net position was primarily the result of accruing the District's proportionate share of net pension liability and related pension amounts for the Florida Retirement System (FRS) pension plan and Health Insurance Subsidy (HIS) pension plan.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2021, and June 30, 2020, are as follows:

- Capital assets and net investment in capital assets decreased because depreciation expense (\$3,284,547) in the 2020-21 fiscal year exceeded capital outlay expenditures for capital assets and other additions (\$1,142,301).
- Long-term liabilities increased primarily due to an increase in the net pension liability by \$2,863,100 during the 2020-21 fiscal year. The District's share of the FRS net pension liability increased by \$2,868,737 while the District's share of the HIS pension plan net pension liability decreased by \$5,637.
- Deferred inflows of resources increased by \$814,864 primarily due to changes in the OPEB assumptions.

Operating Results for the Fiscal Year Ended

	Governmental Activities		Increase (Decrease)
	6-30-21	6-30-20	
Program Revenues:			
Charges for Services	\$ 75,520	\$ 85,227	\$ (9,707)
Operating Grants and Contributions	2,622,955	3,005,730	(382,775)
Capital Grants and Contributions	270,703	288,735	(18,032)
General Revenues:			
Property Taxes, Levied for Operational Purposes	8,106,874	7,963,452	143,422
Property Taxes, Levied for Capital Projects	2,745,738	2,552,429	193,309
Florida Education Finance Program	24,733,707	24,241,656	492,051
Other Federal Sources	6,772,920	4,585,232	2,187,688
Other State Sources	5,780,968	5,875,690	(94,722)
Unrestricted Investment Earnings	20,316	61,637	(41,321)
Miscellaneous	2,150,169	1,329,835	820,334
Total Revenues	53,279,870	49,989,623	3,290,247
Functions/Program Expenses:			
Instruction	29,586,997	28,636,732	950,265
Student Support Services	3,339,616	3,337,609	2,007
Instructional Media Services	850,704	972,148	(121,444)
Instruction and Curriculum Development Services	1,042,636	866,040	176,596
Instructional Staff Training Services	1,064,348	1,065,867	(1,519)
Instruction-Related Technology	1,229,148	1,346,241	(117,093)
Board	470,370	433,852	36,518
General Administration	796,079	712,855	83,224
School Administration	2,348,606	2,402,443	(53,837)
Facilities Acquisition and Construction	356,822	163,094	193,728
Fiscal Services	470,162	454,091	16,071
Food Services	2,931,014	3,311,559	(380,545)
Central Services	289,531	391,831	(102,300)
Student Transportation Services	2,363,572	2,642,762	(279,190)
Operation of Plant	4,061,950	3,700,790	361,160
Maintenance of Plant	1,992,542	2,096,348	(103,806)
Administrative Technology Services	203,876	211,973	(8,097)
Community Services	925,737	217,038	708,699
Unallocated Interest on Long-Term Debt	94,850	100,446	(5,596)
Unallocated Depreciation Expense	1,363,701	1,883,352	(519,651)
Total Functions/Program Expenses	55,782,261	54,947,071	835,190
Change in Net Position	(2,502,391)	(4,957,448)	2,455,057
Net Position - Beginning	33,312,979	38,270,427	(4,957,448)
Adjustment to Beginning Balance (1)	325,045	-	325,045
Net Position - Beginning, as Restated	33,638,024	38,270,427	(4,632,403)
Net Position - Ending	\$ 31,135,633	\$ 33,312,979	\$ (2,177,346)

(1) In the 2020-21 fiscal year, the adjustment to beginning net position is due to the District implementing GASB Statement No. 84 and reporting the school internal funds as part of governmental activities.

The largest revenue source is the State of Florida (57.9 percent). Revenues from State sources for current operations are primarily received through the FEFP funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Other Federal sources revenues increased by \$2,187,688, or 47.7 percent, primarily due to new Federal Education Stabilization funds awarded in response to the COVID-19 pandemic.

Instruction expenses represent 53 percent of total governmental expenses in the 2020-21 fiscal year. Instruction expenses increased by \$950,265, or 3.3 percent, from the previous fiscal year due mainly from an increase in instructional staff compensation related to the Teacher Salary Increase Allocation.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Governmental Funds

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

As of June 30, 2021, the District’s governmental funds reported combined ending fund balances of \$11,649,699, an increase of \$2,249,839 in comparison to the prior fiscal year. Of the total fund balance, \$4,223,824, or 36.2 percent, is unassigned fund balance, which is available for spending at the District’s discretion; \$300,667 is nonspendable, \$5,534,412 is restricted, and \$1,590,796 is assigned.

Fund Balances

	Unassigned Fund Balance	Nonspendable, Restricted, and Assigned Fund Balance	Total Fund Balance	Change in Total Fund Balance
Major Governmental Funds:				
General	\$ 4,223,824	\$ 3,819,280	\$ 8,043,104	\$ 1,531,538
Special Revenue - Other	-	5,142	5,142	-
Capital Projects - Local Capital Improvement	-	1,706,708	1,706,708	557,775
Nonmajor Governmental Funds	-	1,894,745	1,894,745	160,526
Total	\$ 4,223,824	\$ 7,425,875	\$ 11,649,699	\$ 2,249,839
Percentage of Total Fund Balance	36%	64%	100%	

Major Governmental Funds

The General Fund is the District’s chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$4,223,824, while the total fund balance is \$8,043,104. As a measure of the General Fund’s liquidity, it may be useful to compare the total assigned and unassigned fund balances to General

Fund total revenues. The total assigned and unassigned fund balance is 14.5 percent of the total General Fund revenues, while total fund balance represents 20.1 percent of total General Fund revenues.

The Special Revenue – Other Fund has total revenues and expenditures of \$4,991,446 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Education Stabilization Fund has total revenues and expenditures of \$1,682,823 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$1,706,708. These funds are restricted, in part, for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$218,603 has been encumbered for various projects. The fund balance increased in the current fiscal year due to an increase in property tax revenues and less costly projects than the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund lists original budget, final budget, and actual amounts.

- Instruction had a positive variance of \$797,321 primarily due to unspent funds for supplies and hourly at-will employees. Additionally, there were unspent funds in the Instructional Materials (Textbook categorical) in preparation for the next curriculum adoption.
- Facilities Acquisition and Construction had a positive variance of \$983,092 primarily due to unspent funds for the renovations at the recreation complex and the tennis courts. Both renovations will be funded with grants from the Hardee County Economic Development Authority.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, is \$52,746,552 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software. The total decrease in capital assets for the current fiscal year was 3.9 percent.

Capital Assets, Net of Depreciation

	Balance 6-30-21	Balance 6-30-20	Increase (Decrease)
Land	\$ 2,046,222	\$ 2,046,222	\$ -
Land Improvements	140,182	140,182	-
Construction in Progress	19,607	19,040	567
Improvements Other Than Buildings	1,696,809	1,987,426	(290,617)
Buildings and Fixed Equipment	45,772,022	47,372,938	(1,600,916)
Furniture, Fixtures, and Equipment	1,305,858	1,645,921	(340,063)
Motor Vehicles	1,698,049	1,626,716	71,333
Computer Software	67,803	50,354	17,449
Total Capital Assets, Net of Depreciation	\$52,746,552	\$54,888,799	\$ (2,142,247)

Most capital assets decreased because depreciation expense exceeded capital asset additions during the 2020-21 fiscal year. Capital asset additions for Buildings and Fixed Equipment included replacing air handlers at Hardee Senior High School and renovating student bathrooms at Wauchula Elementary School. Additional Information on the District's capital assets are in Notes I.F.4. and III.C. to the financial statements.

Long-Term Debt

Bonds payable is the only long-term debt related to capital assets. At June 30, 2021, the District had total bonded debt outstanding of \$1,920,000, comprised of \$1,890,000 for District Revenue Bonds, Series 2009, that matures in November 2035 and \$30,000 for a State School Bond, Series 2020A, that matures in January 2022. Additional information on the District's long-term debt is in Note III.H. to the financial statements.

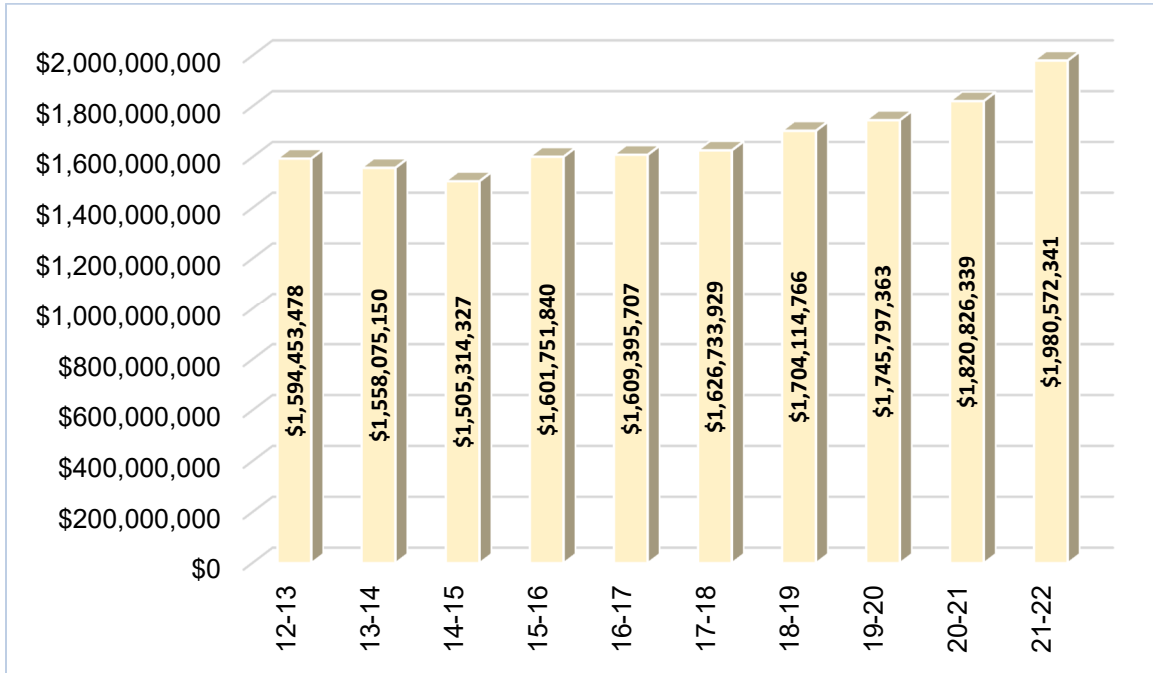
OTHER MATTERS OF SIGNIFICANCE

Hardee County

Hardee County's population was estimated to be 25,327 in 2020 with 6.7 percent of the population under age 5 and 25.5 percent of the population under age 18. Between 2010 and 2020, Hardee County's population decreased by 8.7 percent. Because funding is largely based on the number of enrolled students, any decrease in population, particularly of school-aged children, may decrease District enrollment and related funding.

Taxable values for Hardee County increased by \$159,746,002 (8.8 percent) to \$1,980,572,341 for the 2021-22 fiscal year. Taxable value in Hardee County is comprised of real property and tangible property. The biggest components of real property are agricultural, single family residential, and improved commercial and industrial property. Tangible property includes power generation, utilities, and other tangible property. The following chart represents Hardee County taxable property values:

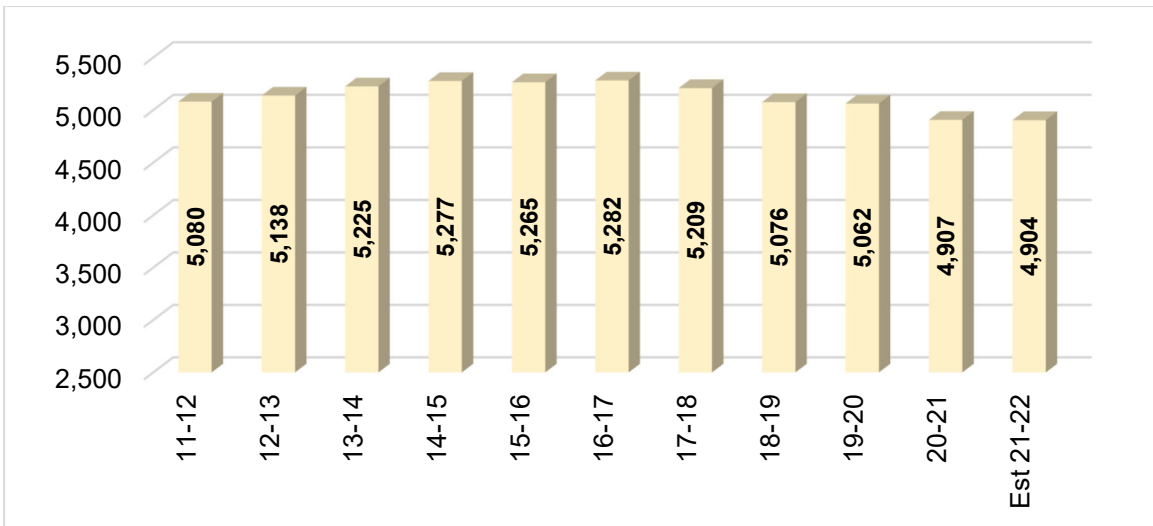
Hardee County Taxable Property Value



Hardee County School District

The Hardee County School District is comprised of five elementary schools, a junior high school, a senior high school, an adult education program, various preschool programs, and an alternative school. The District's number of unweighted full-time equivalent students (UFTE) in the 2020-21 fiscal year decreased by 155 students to 4,907. The District projects to serve 4,904 UFTE students in the 2021-22 fiscal year. The following chart shows the number of UFTE students:

Number of Unweighted Full-time Equivalent Students



On July 26, 2021, the Board adopted the proposed millage rates, the tentative budget for the 2021-22 fiscal year, and the projects to be funded with capital outlay taxes. The following schedule compares total fund balances at June 30, 2021 and projected fund balances for June 30, 2022:

	Projected Fund Balance 6/30/22	Actual Fund Balance 6/30/21	Projected Changed in Fund Balance FY 2021-22
Major Governmental Funds:			
General	\$ 6,328,563	\$ 8,043,104	\$ (1,714,541)
Special Revenue - Other	5,142	5,142	-
Capital Projects - Local Capital Improvement	743,548	1,706,708	(963,160)
Nonmajor Governmental Funds	<u>1,243,910</u>	<u>1,894,745</u>	<u>(650,835)</u>
Total	<u>\$ 8,321,163</u>	<u>\$ 11,649,699</u>	<u>\$ (3,328,536)</u>

The fund balance in the General Fund is expected to decrease because unspent funds at June 30, 2021, are expected to be spent during the 2021-22 fiscal year in the following General Fund projects: Digital Classroom Program, Advanced Placement Additional Funding, Unrestricted, Supplemental Academic Instruction, and Medicaid direct billing. Salaries and benefits for General Fund employees are budgeted at the 2020-21 fiscal year levels, except that bonuses are not budgeted in the 2021-22 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to:

Greg Harrelson, CPA, CGFO
 Finance Director
 Hardee County School Board
 P.O. Box 1678
 Wauchula, Florida 33873
 (863) 773-9058 ext. 1217
 gharrelson@hardee.k12.fl.us

BASIC FINANCIAL STATEMENTS

**Hardee County District School Board
Statement of Net Position
June 30, 2021**

	Primary Government	Component Unit
	Governmental Activities	Unit
ASSETS		
Cash and Cash Equivalents	\$ 9,848,472.78	\$ 334,190.00
Investments	2,264,737.26	9,235,943.00
Accounts Receivable	10,099.00	-
Due from Other Agencies	926,760.19	-
Due from Insurer	25,519.04	-
Inventories	300,666.82	-
Capital Assets:		
Nondepreciable Capital Assets	2,206,011.13	-
Depreciable Capital Assets, Net	50,540,541.03	-
TOTAL ASSETS	66,122,807.25	9,570,133.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	10,288,180.00	-
LIABILITIES		
Accrued Salaries and Benefits	688,977.26	-
Accounts Payable	549,982.25	22,394.00
Due to Other Agencies	113,360.21	-
Matured Interest Payable	1,817.50	-
Accrued Interest Payable	94,850.00	-
Unearned Revenue	372,418.58	-
Long-Term Liabilities:		
Portion Due Within 1 Year	502,573.00	-
Portion Due After 1 Year	38,333,182.04	-
TOTAL LIABILITIES	40,657,160.84	22,394.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,243,800.00	-
OPEB	1,374,393.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,618,193.00	-
NET POSITION		
Net Investment in Capital Assets	50,826,552.16	-
Restricted for:		
State Required Carryover Programs	1,782,091.58	-
Debt Service	68,443.46	-
Capital Projects	2,109,026.62	-
Food Service	989,529.71	-
Other Purposes	605,115.22	9,547,739.00
Unrestricted	(25,245,125.34)	-
TOTAL NET POSITION	\$ 31,135,633.41	\$ 9,547,739.00

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

**Hardee County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 29,586,996.65	\$ 46,344.95	\$ -	\$ -
Student Support Services	3,339,616.35	-	-	-
Instructional Media Services	850,703.63	-	-	-
Instruction and Curriculum Development Services	1,042,635.51	-	-	-
Instructional Staff Training Services	1,064,348.26	-	-	-
Instruction-Related Technology	1,229,147.89	-	-	-
Board	470,370.12	-	-	-
General Administration	796,079.45	-	-	-
School Administration	2,348,606.00	-	-	-
Facilities Acquisition and Construction	356,822.35	-	-	270,703.07
Fiscal Services	470,162.34	-	-	-
Food Services	2,931,014.02	10,715.90	2,622,955.18	-
Central Services	289,530.84	-	-	-
Student Transportation Services	2,363,572.48	18,459.17	-	-
Operation of Plant	4,061,949.61	-	-	-
Maintenance of Plant	1,992,541.90	-	-	-
Administrative Technology Services	203,875.98	-	-	-
Community Services	925,737.04	-	-	-
Unallocated Interest on Long-Term Debt	94,850.00	-	-	-
Unallocated Depreciation Expense*	1,363,700.97	-	-	-
Total Primary Government	\$ 55,782,261.39	\$ 75,520.02	\$ 2,622,955.18	\$ 270,703.07
Component Unit				
The Hardee County Education Foundation, Inc.	\$ 530,803.00	\$ 0.00	\$ 742,003.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

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

Primary Government	
Governmental Activities	Component Unit
\$ (29,540,651.70)	\$ -
(3,339,616.35)	-
(850,703.63)	-
(1,042,635.51)	-
(1,064,348.26)	-
(1,229,147.89)	-
(470,370.12)	-
(796,079.45)	-
(2,348,606.00)	-
(86,119.28)	-
(470,162.34)	-
(297,342.94)	-
(289,530.84)	-
(2,345,113.31)	-
(4,061,949.61)	-
(1,992,541.90)	-
(203,875.98)	-
(925,737.04)	-
(94,850.00)	-
(1,363,700.97)	-
(52,813,083.12)	-
-	211,200.00
8,106,873.91	-
2,745,738.33	-
37,287,595.31	-
20,316.05	1,364,447.00
2,150,169.31	-
50,310,692.91	1,364,447.00
(2,502,390.21)	1,575,647.00
33,312,978.62	7,972,092.00
325,045.00	-
33,638,023.62	7,972,092.00
\$ 31,135,633.41	\$ 9,547,739.00

**Hardee County District School Board
Balance Sheet – Governmental Funds
June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,461,709.96	\$ 23,065.37	\$ 5,374.28
Investments	2,263,975.58	-	-
Accounts Receivable	10,099.00	-	-
Due from Other Funds	477,410.31	-	-
Due from Other Agencies	122,683.96	600,480.56	52,602.90
Due from Insurer	25,519.04	-	-
Inventories	186,022.54	-	-
TOTAL ASSETS	\$ 9,547,420.39	\$ 623,545.93	\$ 57,977.18
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 688,977.26	\$ -	\$ -
Accounts Payable	351,979.10	177,119.05	383.76
Due to Other Funds	-	418,865.89	57,593.42
Due to Other Agencies	113,360.21	-	-
Matured Interest Payable	-	-	-
Unearned Revenue	350,000.00	22,418.58	-
Total Liabilities	1,504,316.57	618,403.52	57,977.18
Fund Balances:			
Nonspendable:			
Inventories	186,022.54	-	-
Restricted for:			
Federal Required Carryover Programs	-	5,142.41	-
State Required Carryover Programs	1,782,091.58	-	-
Local Carryover Programs	260,369.54	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	2,042,461.12	5,142.41	-
Assigned for:			
Projected Budget Deficit	1,351,249.00	-	-
Other Purposes	239,546.68	-	-
Total Assigned Fund Balance	1,590,795.68	-	-
Unassigned Fund Balance	4,223,824.48	-	-
Total Fund Balances	8,043,103.82	5,142.41	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,547,420.39	\$ 623,545.93	\$ 57,977.18

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,715,277.06	\$ 1,643,046.11	\$ 9,848,472.78
-	761.68	2,264,737.26
-	-	10,099.00
-	-	477,410.31
-	150,992.77	926,760.19
-	-	25,519.04
-	114,644.28	300,666.82
<u>\$ 1,715,277.06</u>	<u>\$ 1,909,444.84</u>	<u>\$ 13,853,665.40</u>
\$ -	\$ -	\$ 688,977.26
8,568.70	11,931.64	549,982.25
-	951.00	477,410.31
-	-	113,360.21
-	1,817.50	1,817.50
-	-	372,418.58
<u>8,568.70</u>	<u>14,700.14</u>	<u>2,203,966.11</u>
-	114,644.28	300,666.82
-	-	5,142.41
-	-	1,782,091.58
-	339,603.27	599,972.81
-	163,293.46	163,293.46
1,706,708.36	402,318.26	2,109,026.62
-	874,885.43	874,885.43
<u>1,706,708.36</u>	<u>1,780,100.42</u>	<u>5,534,412.31</u>
-	-	1,351,249.00
-	-	239,546.68
-	-	1,590,795.68
-	-	4,223,824.48
<u>1,706,708.36</u>	<u>1,894,744.70</u>	<u>11,649,699.29</u>
<u>\$ 1,715,277.06</u>	<u>\$ 1,909,444.84</u>	<u>\$ 13,853,665.40</u>

**Hardee County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021**

Total Fund Balances - Governmental Funds \$ 11,649,699.29

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 52,746,552.16

Interest on bonds payable is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (94,850.00)

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

Deferred Outflows Related to Pensions	\$ 10,288,180.00	
Deferred Inflows Related to Pensions	(3,243,800.00)	
Deferred Inflows Related to OPEB	<u>(1,374,393.00)</u>	5,669,987.00

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

Bonds Payable	\$ (1,920,000.00)	
Compensated Absences Payable	(2,597,255.04)	
Net Pension Liability	(32,463,752.00)	
OPEB Liability	<u>(1,854,748.00)</u>	<u>(38,835,755.04)</u>

Net Position - Governmental Activities \$ 31,135,633.41

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

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**Hardee County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Education Stabilization Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 62,040.75	\$ -	\$ -
Federal Through State and Local State	-	4,991,445.50	1,682,822.89
	30,328,192.43	-	-
Local:			
Property Taxes	8,106,873.91	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	1,578,209.35	-	-
Total Local Revenues	9,685,083.26	-	-
Total Revenues	40,075,316.44	4,991,445.50	1,682,822.89
Expenditures			
Current - Education:			
Instruction	23,445,292.58	2,580,927.50	1,039,832.32
Student Support Services	2,006,368.36	1,052,690.60	36,177.73
Instructional Media Services	575,973.91	-	-
Instruction and Curriculum Development Services	371,938.31	527,696.62	84,866.11
Instructional Staff Training Services	443,949.57	518,398.82	27,077.53
Instruction-Related Technology Board	913,127.14	49,755.69	220,871.30
General Administration	405,743.62	-	-
School Administration	450,175.33	222,454.22	50,359.55
Facilities Acquisition and Construction	2,146,009.84	-	-
Fiscal Services	15,836.66	-	1,584.00
Food Services	446,326.26	-	-
Central Services	-	-	-
Student Transportation Services	253,486.30	-	-
Operation of Plant	2,023,188.23	8,751.38	10,567.81
Maintenance of Plant	3,823,286.14	-	168,571.38
Administrative Technology Services	1,849,332.95	-	-
Community Services	207,530.64	-	-
Community Services	271,612.90	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	67,874.64	30,770.67	42,915.16
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	39,717,053.38	4,991,445.50	1,682,822.89
Excess of Revenues Over Expenditures	358,263.06	-	-
Other Financing Sources (Uses)			
Transfers In	1,016,700.00	-	-
Sale of Capital Assets	2,474.00	-	-
Loss Recoveries	154,100.66	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	1,173,274.66	-	-
Net Change in Fund Balances	1,531,537.72	-	-
Fund Balances, Beginning	6,511,566.10	5,142.41	-
Adjustment to Beginning Fund Balance	-	-	-
Fund Balances, Beginning, as Restated	6,511,566.10	5,142.41	-
Fund Balances, Ending	\$ 8,043,103.82	\$ 5,142.41	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 62,040.75
-	2,621,141.73	9,295,410.12
-	495,610.26	30,823,802.69
2,745,738.33	-	10,852,612.24
-	10,715.90	10,715.90
5,997.49	636,044.02	2,220,250.86
<u>2,751,735.82</u>	<u>646,759.92</u>	<u>13,083,579.00</u>
<u>2,751,735.82</u>	<u>3,763,511.91</u>	<u>53,264,832.56</u>
-	-	27,066,052.40
-	-	3,095,236.69
-	-	575,973.91
-	-	984,501.04
-	-	989,425.92
-	-	1,183,754.13
-	-	405,743.62
-	-	722,989.10
-	-	2,146,009.84
284,101.88	-	301,522.54
-	-	446,326.26
-	2,606,351.74	2,606,351.74
-	-	253,486.30
-	-	2,042,507.42
-	-	3,991,857.52
-	-	1,849,332.95
-	-	207,530.64
-	620,717.54	892,330.44
279,394.42	7,096.48	286,490.90
613,763.73	141,093.06	896,417.26
-	126,000.00	126,000.00
-	101,727.74	101,727.74
<u>1,177,260.03</u>	<u>3,602,986.56</u>	<u>51,171,568.36</u>
<u>1,574,475.79</u>	<u>160,525.35</u>	<u>2,093,264.20</u>
-	-	1,016,700.00
-	-	2,474.00
-	-	154,100.66
<u>(1,016,700.00)</u>	<u>-</u>	<u>(1,016,700.00)</u>
<u>(1,016,700.00)</u>	<u>-</u>	<u>156,574.66</u>
557,775.79	160,525.35	2,249,838.86
1,148,932.57	1,409,174.35	9,074,815.43
-	325,045.00	325,045.00
<u>1,148,932.57</u>	<u>1,734,219.35</u>	<u>9,399,860.43</u>
<u>\$ 1,706,708.36</u>	<u>\$ 1,894,744.70</u>	<u>\$ 11,649,699.29</u>

Hardee County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balances - Governmental Funds \$ 2,249,838.86

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (2,142,246.34)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 126,000.00

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. This is the decrease in the accrued interest payable. 5,596.49

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (46,677.22)

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

Decrease in Total OPEB Liability	\$ 928,167.00	
Increase in Deferred Inflows of Resources - OPEB	<u>(814,864.00)</u>	113,303.00

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

FRS Pension Contribution	\$ 1,788,978.00	
HIS Pension Contribution	430,767.00	
FRS Pension Expense	(4,455,036.00)	
HIS Pension Expense	<u>(572,914.00)</u>	<u>(2,808,205.00)</u>

Change in Net Position - Governmental Activities **\$ (2,502,390.21)**

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

**Hardee County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2021**

	<u>Private-Purpose Trust Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>8,265.35</u>
NET POSITION	
Held in Trust for Scholarships and Other Purposes	\$ <u>8,265.35</u>

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

**Hardee County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2021**

	Private-Purpose Trust Fund
ADDITIONS	
Investment Income:	
Interest, Dividends, and Other	\$ 6.12
Change in Net Position	6.12
Net Position - Beginning	8,259.23
Net Position - Ending	\$ 8,265.35

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Hardee County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with a specific program or activity is allocated to the related function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

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

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

Based on the application of these criteria, the following component unit is included within the District's reporting entity:

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Hardee County Education Foundation, Inc. (Foundation). A separate column is used to emphasize that it is legally separate from the District.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the

benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2021. The statements are filed in the District's administrative offices at 1009 North 6th Avenue, Wauchula, Florida.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Education Stabilization Fund – to account for Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding provided through the State as emergency relief to address the impact of COVID-19 on elementary and secondary schools.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, and motor vehicle purchases.

Additionally, the District reports the following fiduciary funds:

- Private-Purpose Trust Fund – to account for scholarship funds established by private donors.

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

reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 21 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 21 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The Foundation is accounted for as a stand-alone enterprise fund and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

Investments made locally consist of a certificate of deposit.

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures at the time inventory items are purchased and are adjusted to reflect year-end physical inventories. For surplus donated foods, fiscal year-end adjustments are made to the expenditures and corresponding inventory accounts to record physical inventories on hand.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District

as those costing more than \$3,000, with the exception of attractive items more easily prone to theft costing more than \$1,000 and buildings and fixed equipment, and improvements other than buildings which are those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Land acquired prior to 1973 and most buildings acquired or constructed prior to 1979 are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$89,680 of the stated land values and \$4,863,833 of stated building values are based on these estimates.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	17.63 years
Buildings and Fixed Equipment	20 – 49.23 years
Furniture, Fixtures, and Equipment	6.66 years
Motor Vehicles	9.29 years
Computer Software	5.00 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount and premium of debt issued are reported as other financing sources, while discounts on debt issuance are reported as other financing uses.

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the

limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2021.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

3. District Property Taxes

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

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

The Board adopted the 2020 tax levy on September 10, 2020. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Federal Revenue Sources

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

5. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in

the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

II. ACCOUNTING CHANGE

The District implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District does not consider the school internal funds to meet the criteria for reporting as fiduciary activities due to the District’s administrative involvement with those funds. As such, the beginning net position and fund balance of the governmental activities and the other governmental funds were each increased by \$325,045.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes. Certificates of deposit will be placed in the provider’s safekeeping department for the term of the deposit. The certificate of deposit totaling \$2,263,975.58 is held in a bank qualified as a public depository under Florida law.

B. Investments

The District’s investments at June 30, 2021, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	50 Day Average	\$ 86,039.43
Debt Service Accounts	6 Months	761.68
Certificate of Deposit	October 2021	<u>2,263,975.58</u>
Total Investments		<u>\$ 2,350,776.69</u>

(1) This investment is reported as a cash equivalent for financial statement reporting purposes.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant

unobservable inputs. The District's investments in SBA debt service accounts are valued using Level 1 inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2021, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt

Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The District's investment in Florida PRIME is rated AAAM by Standard & Poor's.

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,046,221.85	\$ -	\$ -	\$ 2,046,221.85
Land Improvements	140,182.06	-	-	140,182.06
Construction in Progress	19,040.28	76,408.32	75,841.38	19,607.22
Total Capital Assets Not Being Depreciated	<u>2,205,444.19</u>	<u>76,408.32</u>	<u>75,841.38</u>	<u>2,206,011.13</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,524,376.69	-	-	6,524,376.69
Buildings and Fixed Equipment	86,327,799.42	247,295.57	74,253.00	86,500,841.99
Furniture, Fixtures, and Equipment	6,081,775.26	464,269.01	1,319,966.99	5,226,077.28
Motor Vehicles	5,731,830.87	383,050.25	-	6,114,881.12
Computer Software	796,464.47	47,119.18	18,684.00	824,899.65
Total Capital Assets Being Depreciated	<u>105,462,246.71</u>	<u>1,141,734.01</u>	<u>1,412,903.99</u>	<u>105,191,076.73</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,536,950.38	290,617.41	-	4,827,567.79
Buildings and Fixed Equipment	38,954,861.65	1,848,210.78	74,253.00	40,728,819.43
Furniture, Fixtures, and Equipment	4,435,854.61	804,331.86	1,319,966.99	3,920,219.48
Motor Vehicles	4,105,115.29	311,717.14	-	4,416,832.43
Computer Software	746,110.47	29,670.10	18,684.00	757,096.57
Total Accumulated Depreciation	<u>52,778,892.40</u>	<u>3,284,547.29</u>	<u>1,412,903.99</u>	<u>54,650,535.70</u>
Total Capital Assets Being Depreciated, Net	<u>52,683,354.31</u>	<u>(2,142,813.28)</u>	<u>-</u>	<u>50,540,541.03</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,888,798.50</u>	<u>\$ (2,066,404.96)</u>	<u>\$ 75,841.38</u>	<u>\$ 52,746,552.16</u>

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 817,926.85
Student Personnel Services	45,405.00
Instructional Media Services	239,448.31
Instructional Staff Training Services	4,921.73
General Administration	4,112.55
School Administration	36,945.38
Fiscal Services	2,755.61
Food Services	265,294.25
Central Services	31,778.64
Student Transportation Services	329,914.60
Operation of Plant	28,566.98
Maintenance of Plant	113,776.42
Unallocated	1,363,700.97
Total Depreciation Expense – Governmental Activities	<u>\$ 3,284,547.29</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$5,027,950 for the fiscal year ended June 30, 2021.

FRS Pension Plan

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

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

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

retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 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	10.00
FRS, Elected County Officers	3.00	49.18
DROP – Applicable to Members from All of the Above Classes	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

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

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

The District’s contributions to the Plan totaled \$1,788,978 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a liability of \$23,336,531 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District’s proportionate share of the net pension liability was based on the District’s 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District’s proportionate share was 0.053843418 percent, which was a decrease of 0.005589282 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized the Plan pension expense of \$4,455,036. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 893,137	\$ -
Change of Assumptions	4,224,655	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	1,389,479	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	139,627	1,794,838
District FRS Contributions Subsequent to the Measurement Date	1,788,978	-
Total	\$ 8,435,876	\$ 1,794,838

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$1,788,978, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 865,136
2023	1,696,760
2024	1,493,738
2025	790,531
2026	5,895
Total	\$ 4,852,060

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	100%			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2020 valuation was updated from 6.9 percent to 6.8 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 6.8 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 (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
District’s Proportionate Share of the Net Pension Liability	\$ 37,264,518	\$ 23,336,531	\$ 11,703,816

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, 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, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$430,767 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a net pension liability of \$9,127,221 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.074753010 percent, which was a decrease of 0.006870538 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized the HIS Plan pension expense of \$572,914. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 373,359	\$ 7,041
Change of Assumptions	981,436	530,712
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	7,287	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	59,455	911,209
District HIS Contributions Subsequent to the Measurement Date	430,767	-
Total	<u>\$ 1,852,304</u>	<u>\$ 1,448,962</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$430,767, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 55,939
2023	(5,994)
2024	(108,667)
2025	(4,537)
2026	33,626
Thereafter	2,208
Total	\$ (27,425)

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.21 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

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 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.5 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 10,550,660	\$ 9,127,221	\$ 7,962,140

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a

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

The District's Investment Plan pension expense totaled \$460,237 for the fiscal year ended June 30, 2021.

E. Other Postemployment Benefit Obligations

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

Benefits Provided. The OPEB Plan provides healthcare and life insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. Medicare eligible retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Employees Covered by Benefit Terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	210
Active Employees	<u>649</u>
Total	<u>859</u>

Total OPEB Liability. The District's total OPEB liability of \$1,854,748 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

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

Inflation	2.25 percent
Salary Increases	3.6 to 8 percent, average, including inflation
Discount Rate	2.45 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with a trend rate starting at - 11.2 percent for plan year beginning October 1, 2020, (to reflect actual premium changes), followed by 6.25 percent for 2021, and then gradually decreasing to an ultimate trend rate of 3.99 percent.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death."
Expenses	Administrative expenses are included in the per capita health costs.

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA rating as of the measurement date. For the purpose of the OPEB Plan actuarial valuation, the municipal bond rate of 2.45 percent was based on the daily rate of Fidelity's "20-Year Municipal GO AA Index" closest to but not later than the measurement date.

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2019, actuarial valuation of the FRS Defined Benefit Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB Plan actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2019, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2020	\$ 2,782,915
Changes for the year:	
Service Cost	120,255
Interest	88,897
Differences Between Expected and Actual Experience	(349,638)
Changes of Assumptions or Other Inputs	(661,646)
Benefit Payments	<u>(126,035)</u>
Net Changes	<u>(928,167)</u>
Balance at June 30, 2021	<u>\$ 1,854,748</u>

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

- The discount rate was changed from 3.13 percent as of the beginning of the measurement period to 2.45 percent as of June 30, 2020.

- The medical claims costs and premiums were updated based on actual premium information provided for the valuation.
- The short-term healthcare cost trend assumption was revised to reflect updated actual premium rates negotiated for the plan year beginning October 1, 2020.
- The healthcare cost trend assumption was revised to reflect a lower inflation assumption (from 2.5 percent to 2.25 percent) and the assumed load to model the excise tax was removed, as it was repealed in December 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.45 percent) or 1 percentage point higher (3.45 percent) than the current rate:

	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB Liability	\$ 2,050,218	\$ 1,854,748	\$ 1,686,134

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 1,669,398	\$ 1,854,748	\$ 2,043,212

OPEB Expense and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$12,731. At June 30, 2021, the District reported deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 433,555
Changes of Assumptions or Other Inputs	940,838
Total	<u><u>\$ 1,374,393</u></u>

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ (196,421)
2023	(196,421)
2024	(196,421)
2025	(196,421)
2026	(193,504)
Thereafter	(395,205)
Total	\$ (1,374,393)

F. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2021:

<u>Major Funds</u>					
<u>General</u>	<u>Special Revenue - Other</u>	<u>Special Revenue - Federal Education Stabilization</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 716,433.38	\$ 182,171.44	\$ 426,626.13	\$ 218,602.68	\$ 87,232.84	\$1,631,066.47

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third party injuries and/or property damage and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which seven district school boards have established a public entity risk sharing pool for property protection, general liability, automobile liability, workers' compensation, government crime and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management program. The interlocal agreement and bylaws of the SCERMP provide that risk of loss is transferred to the consortium. The SCERMP is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for the SCERMP is composed of superintendents, finance directors or authorized representatives of all participating districts. Relation Insurance Services serves as the third-party administrator, insurance broker, and fiscal agent for the SCERMP.

Property damage coverage is managed by the SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except named wind and flood). The named windstorm and hurricane deductible is 3 percent of replacement cost value with a minimum of \$100,000 for any occurrence and a maximum of \$25 million per occurrence. The deductible for all other windstorm and hail events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. The SCERMP's purchased excess property loss limit during the 2020-21 fiscal year was \$100 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2020-21 fiscal year was \$1 million. The SCERMP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insured retention. Employers' liability is included subject to \$2 million per occurrence.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature in the future, which effectively limits the amount of liability of governmental entities for tort claims to \$200,000 per claim and \$300,000 per occurrence.

Health and hospitalization coverage is being provided by purchased commercial insurance on a guaranteed cost basis with rates established prior to renewal each year by the District's insurers based on the benefits and features selected by the District. Life insurance in the amount of \$25,000 is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds.

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

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2021, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2020A, Refunding	\$ 30,000	5.0	2022
District Revenue Bonds:			
Series 2009	<u>1,890,000</u>	4.2 - 5.4	2035
Total Bonds Payable	<u>\$ 1,920,000</u>		

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

State School Bonds

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

District Revenue Bonds

These bonds are authorized by Chapter 78-517, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Hardee County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the Hardee County Board of County Commissioners, who then remits the distribution to the District.

The District has pledged a total of \$2,719,267.50 of sales tax revenues in connection with the District Revenue Bonds of 2009, described above. During the 2020-21 fiscal year, the District recognized sales tax revenues totaling \$187,375 and expended \$183,075 (97 percent) of these revenues for debt service directly collateralized by these revenues. The pledged revenues are committed until final maturity of the debt, or November 1, 2035. Approximately 97 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2022	\$ 31,500.00	\$ 30,000.00	\$ 1,500.00
District Revenue Bonds:			
2022	183,350.00	90,000.00	93,350.00
2023	184,393.75	95,000.00	89,393.75
2024	185,127.50	100,000.00	85,127.50
2025	180,627.50	100,000.00	80,627.50
2026	180,833.75	105,000.00	75,833.75
2027-2031	903,921.25	610,000.00	293,921.25
2032-2036	901,013.75	790,000.00	111,013.75
Total District Revenue Bonds	<u>2,719,267.50</u>	<u>1,890,000.00</u>	<u>829,267.50</u>
Total	<u>\$ 2,750,767.50</u>	<u>\$ 1,920,000.00</u>	<u>\$ 830,767.50</u>

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 2,046,000.00	\$ -	\$ 126,000.00	\$ 1,920,000.00	\$ 120,000.00
Compensated Absences Payable	2,550,577.82	136,407.79	89,730.57	2,597,255.04	235,432.00
Net Pension Liability	29,600,652.00	15,972,539.00	13,109,439.00	32,463,752.00	95,152.00
OPEB Liability	2,782,915.00	209,152.00	1,137,319.00	1,854,748.00	51,989.00
Total Governmental Activities	\$ 36,980,144.82	\$ 16,318,098.79	\$ 14,462,488.57	\$ 38,835,755.04	\$ 502,573.00

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

I. Fund Balance Reporting

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

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

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 477,410.31	\$ -
Special Revenue:		
Other	-	418,865.89
Federal Education Stabilization	-	57,593.42
Nonmajor Governmental	-	951.00
Total	\$ 477,410.31	\$ 477,410.31

Interfund receivables in the General Fund represents amounts for temporary cash shortages in the Special Revenue – Other, Special Revenue – Federal Education Stabilization, and Nonmajor Governmental Funds. All balances will be repaid within 1 year.

K. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2020-21 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 24,733,707.00
Categorical Educational Program - Class Size Reduction	5,235,123.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	194,910.07
Sales Tax Distribution	187,375.00
Workforce Development Program	182,126.00
Educational Facilities Security Grant	75,793.00
Food Service Supplement	38,425.00
Voluntary Prekindergarten Program	32,326.81
Miscellaneous	144,016.81
Total	<u>\$ 30,823,802.69</u>

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2020 tax roll for the 2020-21 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	3.675	\$ 6,948,792.24
Basic Discretionary Local Effort	0.748	1,414,339.21
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,836,241.73
Total	<u>5.923</u>	<u>\$ 11,199,373.18</u>

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,016,700	\$ -
Capital Projects:		
Local Capital Improvement	-	1,016,700
Total	\$ 1,016,700	\$ 1,016,700

Interfund transfers consisted of transfers of the Capital Projects – Local Capital Improvement funds to the General Fund to assist in funding maintenance operations of the District.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 58,201.00	\$ 58,201.00	\$ 62,040.75	\$ 3,839.75
Federal Through State and Local State	225,000.00	-	-	-
	30,369,219.00	30,349,838.00	30,328,192.43	(21,645.57)
Local:				
Property Taxes	7,731,374.00	7,887,923.00	8,106,873.91	218,950.91
Miscellaneous	2,300,691.00	2,685,634.23	1,578,209.35	(1,107,424.88)
Total Local Revenues	10,032,065.00	10,573,557.23	9,685,083.26	(888,473.97)
Total Revenues	40,684,485.00	40,981,596.23	40,075,316.44	(906,279.79)
Expenditures				
Current - Education:				
Instruction	24,699,924.91	24,242,613.33	23,445,292.58	797,320.75
Student Support Services	2,036,792.60	2,113,325.61	2,006,368.36	106,957.25
Instructional Media Services	635,085.62	640,226.52	575,973.91	64,252.61
Instruction and Curriculum Development Services	407,282.00	413,214.00	371,938.31	41,275.69
Instructional Staff Training Services	501,393.83	483,787.91	443,949.57	39,838.34
Instruction-Related Technology	1,113,102.30	1,139,808.26	913,127.14	226,681.12
Board	391,920.00	423,573.00	405,743.62	17,829.38
General Administration	437,864.93	451,212.93	450,175.33	1,037.60
School Administration	2,122,195.00	2,146,385.19	2,146,009.84	375.35
Facilities Acquisition and Construction	998,929.00	998,929.00	15,836.66	983,092.34
Fiscal Services	457,963.50	482,977.50	446,326.26	36,651.24
Food Services	7,000.00	7,000.00	-	7,000.00
Central Services	214,338.06	388,109.36	253,486.30	134,623.06
Student Transportation Services	2,174,972.31	2,165,449.31	2,023,188.23	142,261.08
Operation of Plant	3,839,420.89	4,012,496.89	3,823,286.14	189,210.75
Maintenance of Plant	1,890,121.27	2,003,886.19	1,849,332.95	154,553.24
Administrative Technology Services	221,796.21	219,732.22	207,530.64	12,201.58
Community Services	346,109.45	382,609.45	271,612.90	110,996.55
Fixed Capital Outlay:				
Other Capital Outlay	-	67,874.64	67,874.64	-
Total Expenditures	42,496,211.88	42,783,211.31	39,717,053.38	3,066,157.93
Excess (Deficiency) of Revenues Over Expenditures	(1,811,726.88)	(1,801,615.08)	358,263.06	2,159,878.14
Other Financing Sources				
Transfers In	1,016,700.00	1,016,700.00	1,016,700.00	-
Sale of Capital Assets	-	2,474.00	2,474.00	-
Loss Recoveries	60,622.00	184,099.00	154,100.66	(29,998.34)
Total Other Financing Sources	1,077,322.00	1,203,273.00	1,173,274.66	(29,998.34)
Net Change in Fund Balances	(734,404.88)	(598,342.08)	1,531,537.72	2,129,879.80
Fund Balances, Beginning	6,511,566.10	6,511,566.10	6,511,566.10	-
Fund Balances, Ending	\$ 5,777,161.22	\$ 5,913,224.02	\$ 8,043,103.82	\$ 2,129,879.80

Special Revenue - Other Fund				Special Revenue - Federal Education Stabilization Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,847,994.49	6,842,283.67	4,991,445.50	(1,850,838.17)	1,820,333.14	1,938,540.17	1,682,822.89	(255,717.28)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,847,994.49	6,842,283.67	4,991,445.50	(1,850,838.17)	1,820,333.14	1,938,540.17	1,682,822.89	(255,717.28)
3,142,062.04	3,754,261.02	2,580,927.50	1,173,333.52	1,052,916.53	1,084,961.08	1,039,832.32	45,128.76
1,318,280.89	1,389,363.32	1,052,690.60	336,672.72	99,699.00	87,618.15	36,177.73	51,440.42
-	-	-	-	-	-	-	-
527,550.39	623,044.73	527,696.62	95,348.11	50,000.00	84,866.11	84,866.11	-
513,287.15	635,926.92	518,398.82	117,528.10	43,600.00	73,050.91	27,077.53	45,973.38
52,370.00	64,094.26	49,755.69	14,338.57	230,006.00	220,871.30	220,871.30	-
-	-	-	-	-	-	-	-
248,961.68	280,337.29	222,454.22	57,883.07	57,246.00	50,359.55	50,359.55	-
-	-	-	-	-	-	-	-
-	-	-	-	-	11,000.00	1,584.00	9,416.00
-	-	-	-	-	-	-	-
1,000.00	1,000.00	-	1,000.00	-	-	-	-
44,482.34	42,535.00	-	42,535.00	-	-	-	-
-	20,950.46	8,751.38	12,199.08	23,818.66	113,505.81	10,567.81	102,938.00
-	-	-	-	263,046.95	169,392.10	168,571.38	820.72
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	30,770.67	30,770.67	-	-	42,915.16	42,915.16	-
5,847,994.49	6,842,283.67	4,991,445.50	1,850,838.17	1,820,333.14	1,938,540.17	1,682,822.89	255,717.28
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,142.41	5,142.41	5,142.41	-	-	-	-	-
\$ 5,142.41	\$ 5,142.41	\$ 5,142.41	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 120,255	\$ 102,283	\$ 132,523	\$ 147,108
Interest	88,897	92,759	115,640	99,047
Differences Between Expected and Actual Experience	(349,638)	-	(183,300)	-
Changes of Assumptions or Other Inputs	(661,646)	190,054	(577,565)	(208,978)
Benefit Payments	<u>(126,035)</u>	<u>(124,596)</u>	<u>(161,355)</u>	<u>(171,208)</u>
Net Change in Total OPEB Liability	<u>(928,167)</u>	<u>260,500</u>	<u>(674,057)</u>	<u>(134,031)</u>
Total OPEB Liability - Beginning	<u>2,782,915</u>	<u>2,522,415</u>	<u>3,196,472</u>	<u>3,330,503</u>
Total OPEB Liability - Ending	<u><u>\$ 1,854,748</u></u>	<u><u>\$ 2,782,915</u></u>	<u><u>\$ 2,522,415</u></u>	<u><u>\$ 3,196,472</u></u>
Covered-Employee Payroll	\$ 24,877,511	\$ 26,309,625	\$ 25,791,613	\$ 24,614,404
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.46%	10.58%	9.78%	12.99%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.067720944%	\$ 11,657,789	\$ 25,348,760	45.99%	88.54%
2014	0.069253542%	4,225,484	25,771,379	16.40%	96.09%
2015	0.069608738%	8,990,902	26,442,176	34.00%	92.00%
2016	0.063040336%	15,917,734	26,272,108	60.59%	84.88%
2017	0.059431251%	17,579,365	25,959,652	67.72%	83.89%
2018	0.060877385%	18,336,584	26,929,732	68.09%	84.26%
2019	0.059432700%	20,467,794	27,280,314	75.03%	82.61%
2020	0.053843418%	23,336,531	25,903,422	90.09%	78.85%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 1,516,946	\$ (1,516,946)	\$ -	\$ 25,771,379	5.89%
2015	1,697,120	(1,697,120)	-	26,442,176	6.42%
2016	1,538,208	(1,538,208)	-	26,272,108	5.85%
2017	1,543,684	(1,543,684)	-	25,959,652	5.95%
2018	1,730,247	(1,730,247)	-	26,929,732	6.43%
2019	1,854,599	(1,854,599)	-	27,280,314	6.80%
2020	1,800,831	(1,800,831)	-	25,903,422	6.95%
2021	1,788,978	(1,788,978)	-	25,949,819	6.89%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.087248289%	\$ 7,596,111	\$ 25,348,760	29.97%	1.78%
2014	0.086702459%	8,106,891	25,771,379	31.46%	0.99%
2015	0.087136111%	8,886,513	26,442,176	33.61%	0.50%
2016	0.085085286%	9,916,338	26,272,108	37.74%	0.97%
2017	0.081644380%	8,729,794	25,959,652	33.63%	1.64%
2018	0.082540251%	8,736,153	26,929,732	32.44%	2.15%
2019	0.081623548%	9,132,858	27,280,314	33.48%	2.63%
2020	0.074753010%	9,127,221	25,903,422	35.24%	3.00%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 297,013	\$ (297,013)	\$ -	\$ 25,771,379	1.15%
2015	333,088	(333,088)	-	26,442,176	1.26%
2016	435,215	(435,215)	-	26,272,108	1.66%
2017	430,930	(430,930)	-	25,959,652	1.66%
2018	447,034	(447,034)	-	26,929,732	1.66%
2019	452,853	(452,853)	-	27,280,314	1.66%
2020	429,997	(429,997)	-	25,903,422	1.66%
2021	430,767	(430,767)	-	25,949,819	1.66%

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

1. Budgetary Basis of Accounting

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

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2021, total OPEB liability decreased from the prior fiscal year as a result of changes to assumptions as discussed below:

- The discount rate was changed from 3.13 percent as of the beginning of the measurement period to 2.45 percent as of June 30, 2020.
- The medical claims costs and premiums were updated based on actual premium information provided for the valuation.
- The short-term healthcare cost trend assumption was revised to reflect updated actual premium rates negotiated for the plan year beginning October 1, 2020.
- The healthcare cost trend assumption was revised to reflect a lower inflation assumption (from 2.5 percent to 2.25 percent) and the assumed load to model the excise tax was removed, as it was repealed in December 2019.

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

Changes of Assumptions. In 2020, the long-term expected rate of return was decreased from 6.9 percent to 6.8 percent.

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

Changes of Assumptions. In 2020, the municipal bond rate used to determine total pension liability was decreased from 3.5 percent to 2.21 percent, and the mortality assumption was updated.

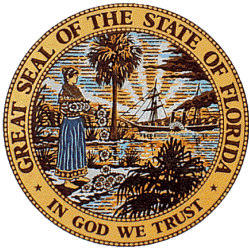
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Hardee County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Total Expenditures
Clustered			
Child Nutrition Cluster			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	21002	\$ 469,415.56
National School Lunch Program	10.555	21001, 21003	1,925,214.92
COVID-19 National School Lunch Program	COVID-19, 10.555	21001, 21003	36,611.55
Total National School Lunch Program	10.555		<u>1,961,826.47</u>
Summer Food Service Program for Children	10.559	21006, 21007	<u>108,937.45</u>
Total Child Nutrition Cluster			<u>2,540,179.48</u>
Special Education Cluster			
United States Department of Education:			
Special Education - Grants to States:			
Florida Department of Education	84.027	263	1,244,031.53
Putnam County District School Board		None	<u>69,442.43</u>
Total Special Education - Grants to States	84.027		<u>1,313,473.96</u>
Special Education - Preschool Grants:			
Florida Department of Education	84.173	267	<u>32,406.30</u>
Total Special Education Cluster			<u>1,345,880.26</u>
Not Clustered			
United States Department of Defense			
Air Force Junior Reserve Officers Training Corp	12.UNK	N/A	<u>62,040.75</u>
United States Department of Education			
Adult Education - Basic Grants to States:			
Florida Department of Education	84.002	191	79,433.89
South Florida State College		None	<u>777.99</u>
Total Adult Education - Basic Grants to States	84.002		<u>80,211.88</u>
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212	2,191,619.57
Migrant Education - State Grant Program	84.011	217	617,899.24
Career and Technical Education - Basic Grants to States	84.048	161	115,722.16
Education for Homeless Children and Youth	84.196	127	19,093.49
Rural Education	84.358	110	111,083.87
English Language Acquisition State Grants	84.365	102	76,507.90
Supporting Effective Instruction State Grants	84.367	224	267,752.37
Student Support and Academic Enrichment Program	84.424	241	<u>160,151.43</u>
Education Stabilization Fund:			
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	186,626.28
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	<u>1,496,196.61</u>
Total Education Stabilization Fund	84.425		<u>1,682,822.89</u>
Florida Gulf Coast University:			
Special Education - State Personnel Development	84.323	None	<u>4,263.33</u>
University of Florida:			
Supporting Effective Educator Development Program	84.423	None	<u>1,260.00</u>
Total United States Department of Education			<u>5,328,388.13</u>
United States Department of Homeland Security			
Florida Division of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0651	<u>189.53</u>
Total Expenditures of Federal Awards			<u>\$ 9,276,678.15</u>

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Hardee County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, or changes in net position, of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$171,863.72 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) COVID-19 National School Lunch Program. The District incurred \$36,611.55 in expenditures for the National School Lunch Program grant in the 2019-20 fiscal year.
- (6) Disaster Grants – Public Assistance (Presidentially Declared Disasters). The District incurred \$189.53 in expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) grant in the 2018-19 fiscal year.



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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board as of and for the fiscal year ended June 30, 2021, 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 11, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a qualified opinion on the aggregate remaining fund information because the school internal funds audit was not completed due to inconsistencies between reported amounts and the underlying records as described in that report. In addition, our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2021-001 that we consider to be a material weakness.

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 financial statements. 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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Financial Statement Finding No. 2021-001 and in the **CORRECTIVE ACTION PLAN**. 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.

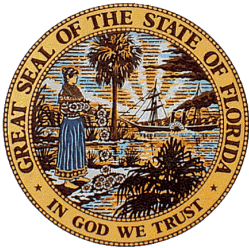
Purpose of this Report

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 11, 2022



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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Tallahassee, Florida 32399-1450



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Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT 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 Hardee 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, 2021. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 11, 2022

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, except for the qualified opinion on the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major Federal programs:

Material weakness identified?

No

Significant deficiency identified?

None reported

Type of auditor’s report issued on compliance for major Federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of major Federal programs:

Assistance Listing Numbers:

10.553, 10.555, and 10.559

84.425

Name of Federal Program or Cluster:

Child Nutrition Cluster

Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes

SECTION II – FINANCIAL STATEMENT FINDING

MATERIAL WEAKNESS

SCHOOL INTERNAL FUNDS

Finding Number	2021-001
Opinion Unit	Aggregate Remaining Fund Information
Financial Statements Account Title	Various
Fund Name	Other Governmental Funds
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable
Finding	As of February 10, 2022, the school internal funds financial audit report for the 2020-21 fiscal year had not been issued. Without the audit report, the amounts recorded in those funds are of limited use in completing the District financial statements and financial statement users have limited assurance regarding the accuracy of amounts reported for those funds.
Criteria	Chapter 8 – <i>School Internal Funds, Financial and Program Cost Accounting and Reporting for Florida Schools</i> (Red Book) requires an annual audit of school internal funds. The school internal funds are an integral part of the District financial reporting entity and the school internal funds audit report should be available for consideration in completing the District financial statements and related audit.
Condition	As of February 10, 2022, the school internal funds audit report for the 2020-21 fiscal year had not been issued. School internal funds provide an accounting for various school club and class activities and are reported in the District financial statements as Other Governmental Funds. As of June 30, 2021, District records indicated that the financial activities of the school internal funds represent 18 percent, 0 percent, 18 percent, 17 percent, and 17 percent, respectively, of the assets, liabilities, fund balance, revenues, and expenditures of the aggregate remaining fund information.
Cause	Effective procedures had not been established to ensure that school internal fund account balance and transaction amounts are periodically verified to support to ensure that amounts are properly recorded in the accounting records and reported on the financial statements. In response to our inquiries, District personnel indicated that the school internal funds audit was delayed because of inconsistencies between reported amounts and underlying records, which prompted the District to contract with another audit firm to investigate the inconsistencies. According to District personnel, the investigation must be completed before the audit report will be issued.
Effect	Without an audit report opining on the fair presentation of the school internal funds information, the amounts recorded in those funds are of limited use in completing the District financial statements and financial statement users have limited assurance regarding the accuracy of amounts reported for those funds. Also, professional auditing standards require that when other auditors are required to report on a significant portion of the entity's financial statements, and the reports are not available for consideration during the course of an audit,

appropriate disclosures (qualification) should be made in the auditor's report. Therefore, our report on the District financial statements includes a qualified opinion to that effect.

Recommendation

To facilitate the timely conduct of school internal funds audits, the District should establish procedures to ensure that school internal funds accounts and transactions are properly supported and reported. Such improvements should include periodic reconciliations to verify that amounts are accurately recorded in the accounting records, supported, and reported on the financial statements.

District Response

Your finding is correct. Our school internal funds audit report for 2020-21 has been delayed due to financial irregularities at one school. Some internal funds procedures have been enhanced during 2021-22 and other procedures will be adjusted after we receive the forensic investigation report and the internal funds audit report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

CORRECTIVE ACTION PLAN



THE SCHOOL BOARD OF HARDEE COUNTY

Bob Shayman, Superintendent

P. O. Box 1678 – 1009 North 6th Avenue • Wauchula, FL 33873
(863) 773-9058 • FAX (863) 773-0069

March 9, 2022

Hardee County District School Board Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2021

School Board

District 1
Paul Samuels

District 2
Mildred Smith

District 3
Claire Cornell

District 4
Garry McWhorter

District 5
Mark Gilliard

Finding Number: 2021-001.

Planned Corrective
Action:

Financial irregularities were noted in one school's internal funds. Effective July 2021, that school has a new bookkeeper and a new principal. The former bookkeeper is no longer employed by Hardee School District. The new principal has enhanced that school's internal funds procedures.

Hardee School District expects to receive a report from the contracted forensic accountants in April 2022. The forensic investigation is focused on specific situations at one Hardee school. We expect to receive an audit report for our school internal funds for the 2020-21 fiscal year in June 2022.

The District's Finance Director will explain deficiencies noted in the forensic investigation and audit report to principals, office managers and bookkeepers. Procedures will be modified to prevent similar deficiencies in the future.

On March 8, 2022, the School Board approved requesting for proposals from CPA firms to audit our school internal funds for the 2021-22 fiscal year and subsequent years.

Anticipated
Completion Date: June 30, 2022

Responsible
Contact Person: Greg Harrelson, Finance Director

DISTRICT VISION STATEMENT

"Empower and inspire all students for success"