

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2023-105
January 2023

HIGHLANDS COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2022



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2021-22 fiscal year, Dr. Brenda Longshore served as Superintendent of the Highlands County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Isaac Durrance, Chair from 11-16-21, Vice Chair through 11-15-21	1
Donna Howerton	2
Jan Shoop, Chair through 11-15-21	3
Bill Brantley	4
Jill Compton Twist, Vice Chair from 11-16-21	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 Becky D. Grode, 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.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

HIGHLANDS COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Audit of the Financial Statements.....	1
Other Reporting Required by <i>Government Auditing Standards</i>	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to Financial Statements	28
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	58
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	60
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	61
Schedule of District Contributions – Florida Retirement System Pension Plan	61
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	62
Schedule of District Contributions – Health Insurance Subsidy Pension Plan.....	62
Notes to Required Supplementary Information	63
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	64

HIGHLANDS COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	66
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72
PRIOR AUDIT FOLLOW-UP	76
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	76
CORRECTIVE ACTION PLAN	77

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Special Education 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. However, we did note noncompliance and control deficiency findings as summarized below:

Federal Award Finding No. 2022-001: Contrary to Federal regulations, the District did not always maintain records to accurately reflect employee work performed for and support the distribution of employee salaries and benefits charged to the Special Education Cluster.

Federal Award Finding No. 2022-002: District controls did not always ensure compliance with the Davis-Bacon Act for three heating, ventilation, and air-conditioning projects with contracts totaling \$4.2 million that were funded by the Education Stabilization Fund.

AUDIT OBJECTIVES AND SCOPE

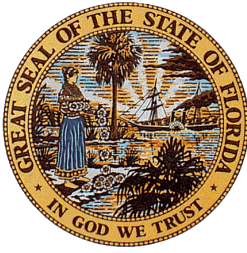
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. Our audit objectives were also to obtain reasonable assurance about whether material noncompliance with applicable Federal awards requirements occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on our audit. In doing so, we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit 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 District's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements and accompanying Schedule of Expenditures of Federal Awards.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.
- 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

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Highlands County District School Board, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Highlands County District School Board, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the school internal funds, which represent 22 percent, 0 percent, 0 percent, 28 percent, 9 percent, and 9 percent, respectively, of the assets, liabilities, deferred inflows of resources, net position and fund balance, additions and revenues, and deductions and expenditures of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. The financial statements of the school internal funds and the discretely presented component unit were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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. Such information 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. The 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 GAAS. 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 January 25, 2023, 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
January 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Highlands 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, 2022. 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 2021-22 fiscal year are as follows:

- As of June 30, 2022, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$31,515,787.
- In total, net position increased \$13,120,589, which represents a 71.3 percent increase over the 2020-21 fiscal year. The increase was due in part to a \$5.7 million decrease in pension expense and a \$2.7 million decrease in long-term debt.
- General revenues totaled \$151,790,336, or 92.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$12,815,742, or 7.8 percent of all revenues.
- Expenses totaled \$151,485,490. Only \$12,815,742 of these expenses was offset by program specific revenues, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totaled \$10,472,138, which is \$3,854,178 more than the prior fiscal year balance. The fund balance included \$883,936 of nonspendable funds, \$1,668,223 of restricted funds, \$1,423,625 of assigned funds, and \$6,496,354 of unassigned funds.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. 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 and business-type 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 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.
- Business-type activities – The District charges fees to cover the cost of certain services it provides. These activities account for the financial resources of the Heartland Educational Consortium.
- Component units:
 - The District presents the Highlands County Education Foundation, Inc. as a discretely presented component unit. Although a separate legal entity, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.
 - The Highlands County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

Fund financial statements are 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 – Other 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.

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

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for the Heartland Educational Consortium.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for the District employee dental and healthcare programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District has one enterprise fund, the Heartland Educational Consortium Fund. Conversely, the internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

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

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

The District uses custodial funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Other 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, 2022, compared to net position as of June 30, 2021:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-22	6-30-21	6-30-22	6-30-21	6-30-22	6-30-21
Current and Other Assets	\$ 39,018,634.47	\$ 33,085,178.71	\$ 767,571.69	\$ 644,040.91	\$ 39,786,206.16	\$ 33,729,219.62
Capital Assets	102,915,603.23	102,516,842.78	346,926.79	351,506.75	103,262,530.02	102,868,349.53
Total Assets	141,934,237.70	135,602,021.49	1,114,498.48	995,547.66	143,048,736.18	136,597,569.15
Deferred Outflows of Resources	28,163,473.96	32,101,080.47	141,855.04	225,560.39	28,305,329.00	32,326,640.86
Long-Term Liabilities	79,529,438.47	128,476,247.14	331,699.51	588,548.37	79,861,137.98	129,064,795.51
Other Liabilities	13,466,825.03	11,374,084.78	2,556.72	26,754.86	13,469,381.75	11,400,839.64
Total Liabilities	92,996,263.50	139,850,331.92	334,256.23	615,303.23	93,330,519.73	140,465,635.15
Deferred Inflows of Resources	46,274,828.33	9,993,900.35	232,929.67	69,475.65	46,507,758.00	10,063,376.00
Net Position:						
Net Investment in Capital Assets	66,880,603.23	63,821,842.78	346,926.79	351,506.75	67,227,530.02	64,173,349.53
Restricted	12,487,480.74	12,410,467.66	-	-	12,487,480.74	12,410,467.66
Unrestricted (Deficit)	(48,541,464.14)	(58,373,440.75)	342,240.83	184,822.42	(48,199,223.31)	(58,188,618.33)
Total Net Position	\$ 30,826,619.83	\$ 17,858,869.69	\$ 689,167.62	\$ 536,329.17	\$ 31,515,787.45	\$ 18,395,198.86

The largest portion of the District's net position is investment in capital assets (e.g., land; buildings; 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. The deficit unrestricted net position was the result, in part, of accruing \$6,291,750 in compensated absences payable, \$2,883,036 in OPEB liability, and \$34,651,352 in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2022, and June 30, 2021, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-22	6-30-21	6-30-22	6-30-21	6-30-22	6-30-21
Program Revenues:						
Charges for Services	\$ 188,684.18	\$ 167,504.58	\$ 342,693.30	\$ 366,473.24	\$ 531,377.48	\$ 533,977.82
Operating Grants and Contributions	11,849,145.54	10,527,686.02	-	-	11,849,145.54	10,527,686.02
Capital Grants and Contributions	435,219.41	566,282.56	-	-	435,219.41	566,282.56
General Revenues:						
Property Taxes, Levied for Operational Purposes	26,794,282.69	26,065,351.53	-	-	26,794,282.69	26,065,351.53
Property Taxes, Levied for Capital Projects	9,171,399.12	8,540,160.57	-	-	9,171,399.12	8,540,160.57
Local Sales Taxes	8,607,435.56	6,936,482.10	-	-	8,607,435.56	6,936,482.10
Grants and Contributions Not Restricted to Specific Programs	103,470,274.72	79,127,917.21	314,089.96	388,280.13	103,784,364.68	79,516,197.34
Unrestricted Investment Earnings	88,546.09	51,047.26	2,055.35	1,533.03	90,601.44	52,580.29
Miscellaneous	3,342,252.49	2,447,376.55	-	-	3,342,252.49	2,447,376.55
Total Revenues	163,947,239.80	134,429,808.38	658,838.61	756,286.40	164,606,078.41	135,186,094.78
Functions/Program Expenses:						
Instruction	72,622,072.68	70,127,771.43	-	-	72,622,072.68	70,127,771.43
Student Support Services	7,978,438.32	7,916,644.31	-	-	7,978,438.32	7,916,644.31
Instructional Media Services	814,047.49	775,342.39	-	-	814,047.49	775,342.39
Instruction and Curriculum Development Services	4,028,136.19	3,418,825.80	-	-	4,028,136.19	3,418,825.80
Instructional Staff Training Services	3,905,302.86	2,875,645.07	-	-	3,905,302.86	2,875,645.07
Instruction-Related Technology	1,904,866.37	1,799,339.65	-	-	1,904,866.37	1,799,339.65
Board	1,139,658.97	628,659.17	-	-	1,139,658.97	628,659.17
General Administration	1,826,337.39	1,118,930.71	-	-	1,826,337.39	1,118,930.71
School Administration	7,464,915.12	7,625,226.70	-	-	7,464,915.12	7,625,226.70
Facilities Acquisition and Construction	6,071,304.03	4,236,075.56	-	-	6,071,304.03	4,236,075.56
Fiscal Services	813,342.27	856,421.66	-	-	813,342.27	856,421.66
Food Services	9,141,621.56	8,520,391.80	-	-	9,141,621.56	8,520,391.80
Central Services	1,719,672.73	1,439,526.27	-	-	1,719,672.73	1,439,526.27
Student Transportation Services	7,031,104.97	6,432,672.57	-	-	7,031,104.97	6,432,672.57
Operation of Plant	10,053,325.05	10,324,063.01	-	-	10,053,325.05	10,324,063.01
Maintenance of Plant	5,436,726.87	2,889,857.59	-	-	5,436,726.87	2,889,857.59
Administrative Technology Services	1,028,483.88	1,028,223.86	-	-	1,028,483.88	1,028,223.86
Community Services	580,118.56	627,765.42	-	-	580,118.56	627,765.42
Unallocated Interest on Long-Term Debt	1,640,554.42	1,755,580.83	-	-	1,640,554.42	1,755,580.83
Unallocated Depreciation Expense	5,772,249.46	5,630,434.97	-	-	5,772,249.46	5,630,434.97
Loss on Disposal of Capital Assets	7,210.47	-	-	-	7,210.47	-
Heartland Educational Consortium	-	-	506,000.16	696,214.04	506,000.16	696,214.04
Total Functions/Program Expenses	150,979,489.66	140,027,398.77	506,000.16	696,214.04	151,485,489.82	140,723,612.81
Change in Net Position	12,967,750.14	(5,597,590.39)	152,838.45	60,072.36	13,120,588.59	(5,537,518.03)
Net Position - Beginning	17,858,869.69	23,455,193.08	536,329.17	476,256.81	18,395,198.86	23,931,449.89
Adjustment to Beginning Net Position (1)	-	1,267.00	-	-	-	1,267.00
Net Position - Beginning, as Restated	17,858,869.69	23,456,460.08	536,329.17	476,256.81	18,395,198.86	23,932,716.89
Net Position - Ending	\$ 30,826,619.83	\$ 17,858,869.69	\$ 689,167.62	\$ 536,329.17	\$ 31,515,787.45	\$ 18,395,198.86

(1) In the 2020-21 fiscal year, the adjustment to beginning net position was the result of the District recognizing its proportionate share of the FRS restatement of beginning net position of the FRS Pension Plan due to a correction of an interfund receivable.

The largest revenue source of governmental activities is the State of Florida (40.2 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (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.

For the governmental activities, revenues from grants and contributions not restricted to specific programs increased by \$24,342,358, or 30.8 percent, primarily due to an increase in Federal Education Stabilization funds awarded in response to the COVID-19 pandemic.

Instruction expenses represent 48.1 percent of total governmental expenses in the 2021-22 fiscal year. Instruction expenses increased by \$2,494,301, or 3.6 percent, mainly due to nonrecurring recruitment and retention incentives.

The net position for the business-type activities increased by \$152,838, or 28.5 percent, primarily due to a decrease in program expenses.

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.

The total fund balances of governmental funds increased by \$4,015,350 during the fiscal year to \$21,291,044 at June 30, 2022. Of the total fund balance, \$6,496,354, or 30.5 percent, is unassigned fund balance, which is available for spending at the District's discretion; \$1,543,088 is nonspendable; \$11,827,977 is restricted; and \$1,423,625 is assigned.

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 \$6,496,354, while the total fund balance is \$10,472,138. 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 8.3 percent of the total General Fund revenues, while total fund balance represents 10.9 percent of total General Fund revenues. Total fund balance increased \$3,854,178, or 58.2 percent, primarily due to an increase in Federal Education Stabilization Funds which covered certain expenditures that were previously paid for in the General Fund.

The Special Revenue – Other Fund has total revenues and expenditures of \$12,836,350 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 of \$27,570,007, expenditures of \$25,225,086, and other financing uses of \$2,344,921.75. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Other Fund has a total fund balance of \$7,601,825, a decrease of \$719,575 from the prior fiscal year. These funds are restricted, in part, for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$3,227,787 has been encumbered for various projects.

Proprietary Funds

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Net position of the Heartland Educational Consortium Enterprise Fund increased by \$152,838 during the 2021-22 fiscal year to \$689,168 at June 30, 2022.

The net position of the Internal Service Funds decreased by \$174,987 to \$4,260,414, as a result of claims and administration fees exceeding premiums. Both the health and the dental plan are financially solvent and are approved annually on a calendar basis by the Florida Office of Insurance Regulation.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2021-22 fiscal year, the Board revised the District budget several times. These budget amendments fall primarily into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the fiscal year to record new grants. The second category includes changes in State FEFP revenue estimates during the fiscal year. The final category includes the Board-approved transfers between expenditure functions and objects. Original budgets were subsequently amended to reflect changes in FEFP funding.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$5.4 million, or 5.2 percent, less than final budgeted amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$4.4 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

For the current fiscal year, capital assets increased \$394,180 due to capital asset additions exceeding depreciation expense. Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At June 30, 2022, the District had total long-term debt outstanding of \$36,035,000, composed of \$2,800,000 of bonds payable and \$33,235,000 of certificates of participation. During the current fiscal year, the debt decreased by \$2,660,000 due to the principal payments.

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

OTHER MATTERS OF SIGNIFICANCE

Approximately 67.9 percent of the total General Fund revenues are from the State of Florida. The primary source of revenue for the State is the State sales tax, which is an unstable revenue stream. Economic conditions, which affect consumer spending both nationally and especially in the State of Florida will impact the amount of revenue received by the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment have a significant impact on establishing the State Budget as well as the District budget.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the 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 the Superintendent's Office, Highlands County District School Board, 426 School Street, Sebring, Florida 33870.

BASIC FINANCIAL STATEMENTS

Highlands County District School Board Statement of Net Position June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 29,800,876.96	\$ 741,731.73	\$ 30,542,608.69	\$ 10,899.00
Accounts Receivable	442,255.69	25,839.96	468,095.65	-
Due from Other Agencies	7,057,227.27	-	7,057,227.27	-
Deposits Receivable	175,186.26	-	175,186.26	-
Inventories	1,543,088.29	-	1,543,088.29	-
Capital Assets:				
Nondepreciable Capital Assets	5,764,446.00	126,607.00	5,891,053.00	-
Depreciable Capital Assets, Net	97,151,157.23	220,319.79	97,371,477.02	-
TOTAL ASSETS	141,934,237.70	1,114,498.48	143,048,736.18	10,899.00
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	27,474,316.00	138,062.00	27,612,378.00	-
OPEB	689,157.96	3,793.04	692,951.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,163,473.96	141,855.04	28,305,329.00	-
LIABILITIES				
Accrued Salaries and Benefits	6,930,554.43	100.00	6,930,654.43	-
Payroll Deductions and Withholdings	146,756.55	19.57	146,776.12	-
Accounts Payable	4,447,181.50	2,437.15	4,449,618.65	-
Deposits Payable	46,403.05	-	46,403.05	-
Unearned Revenue	122,138.56	-	122,138.56	10,000.00
Estimated Liability for Self-Insurance Program	1,773,790.94	-	1,773,790.94	-
Long-Term Liabilities:				
Portion Due Within 1 Year	3,654,675.77	3,299.74	3,657,975.51	-
Portion Due After 1 Year	75,874,762.70	328,399.77	76,203,162.47	-
TOTAL LIABILITIES	92,996,263.50	334,256.23	93,330,519.73	10,000.00
DEFERRED INFLOWS OF RESOURCES				
Pensions	45,454,557.00	228,415.00	45,682,972.00	-
OPEB	820,271.33	4,514.67	824,786.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	46,274,828.33	232,929.67	46,507,758.00	-
NET POSITION				
Net Investment in Capital Assets	66,880,603.23	346,926.79	67,227,530.02	-
Restricted for:				
State Required Carryover Programs	622,063.58	-	622,063.58	-
Debt Service	218,902.28	-	218,902.28	-
Capital Projects	9,665,203.21	-	9,665,203.21	-
Food Service	935,152.75	-	935,152.75	-
Other Purposes	1,046,158.92	-	1,046,158.92	-
Unrestricted	(48,541,464.14)	342,240.83	(48,199,223.31)	899.00
TOTAL NET POSITION	\$ 30,826,619.83	\$ 689,167.62	\$ 31,515,787.45	\$ 899.00

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

**Highlands County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 72,622,072.68	\$ -	\$ -	\$ -
Student Support Services	7,978,438.32	-	-	-
Instructional Media Services	814,047.49	-	-	-
Instruction and Curriculum Development Services	4,028,136.19	-	-	-
Instructional Staff Training Services	3,905,302.86	-	-	-
Instruction-Related Technology	1,904,866.37	-	-	-
Board	1,139,658.97	-	-	-
General Administration	1,826,337.39	-	-	-
School Administration	7,464,915.12	-	-	-
Facilities Acquisition and Construction	6,071,304.03	-	-	435,219.41
Fiscal Services	813,342.27	-	-	-
Food Services	9,141,621.56	188,684.18	8,921,448.54	-
Central Services	1,719,672.73	-	-	-
Student Transportation Services	7,031,104.97	-	2,927,697.00	-
Operation of Plant	10,053,325.05	-	-	-
Maintenance of Plant	5,436,726.87	-	-	-
Administrative Technology Services	1,028,483.88	-	-	-
Community Services	580,118.56	-	-	-
Unallocated Interest on Long-Term Debt	1,640,554.42	-	-	-
Unallocated Depreciation Expense*	5,772,249.46	-	-	-
Loss on Disposal of Capital Assets	7,210.47	-	-	-
Total Governmental Activities	150,979,489.66	188,684.18	11,849,145.54	435,219.41
Business-Type Activities:				
Heartland Educational Consortium	506,000.16	342,693.30	-	-
Total Primary Government	\$ 151,485,489.82	\$ 531,377.48	\$ 11,849,145.54	\$ 435,219.41
Component Unit				
Highlands County Education Foundation, Inc.	\$ 106,680.00	\$ 0.00	\$ 106,714.55	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (72,622,072.68)	\$ -	\$ (72,622,072.68)	\$ -
(7,978,438.32)	-	(7,978,438.32)	-
(814,047.49)	-	(814,047.49)	-
(4,028,136.19)	-	(4,028,136.19)	-
(3,905,302.86)	-	(3,905,302.86)	-
(1,904,866.37)	-	(1,904,866.37)	-
(1,139,658.97)	-	(1,139,658.97)	-
(1,826,337.39)	-	(1,826,337.39)	-
(7,464,915.12)	-	(7,464,915.12)	-
(5,636,084.62)	-	(5,636,084.62)	-
(813,342.27)	-	(813,342.27)	-
(31,488.84)	-	(31,488.84)	-
(1,719,672.73)	-	(1,719,672.73)	-
(4,103,407.97)	-	(4,103,407.97)	-
(10,053,325.05)	-	(10,053,325.05)	-
(5,436,726.87)	-	(5,436,726.87)	-
(1,028,483.88)	-	(1,028,483.88)	-
(580,118.56)	-	(580,118.56)	-
(1,640,554.42)	-	(1,640,554.42)	-
(5,772,249.46)	-	(5,772,249.46)	-
(7,210.47)	-	(7,210.47)	-
(138,506,440.53)	-	(138,506,440.53)	-
-	(163,306.86)	(163,306.86)	-
(138,506,440.53)	(163,306.86)	(138,669,747.39)	-
-	-	-	34.55
26,794,282.69	-	26,794,282.69	-
9,171,399.12	-	9,171,399.12	-
8,607,435.56	-	8,607,435.56	-
103,470,274.72	314,089.96	103,784,364.68	-
88,546.09	2,055.35	90,601.44	19.00
3,342,252.49	-	3,342,252.49	-
151,474,190.67	316,145.31	151,790,335.98	19.00
12,967,750.14	152,838.45	13,120,588.59	53.55
17,858,869.69	536,329.17	18,395,198.86	845.45
\$ 30,826,619.83	\$ 689,167.62	\$ 31,515,787.45	\$ 899.00

**Highlands County District School Board
Balance Sheet – Governmental Funds
June 30, 2022**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Education Stabilization Fund
ASSETS			
Cash and Cash Equivalents	\$ 15,877,204.42	\$ 8,321.57	\$ 108,757.84
Accounts Receivable	330,791.45	-	-
Due from Other Funds	897,530.60	-	-
Due from Other Agencies	96,297.74	1,495,037.31	2,985,762.18
Deposits Receivable	175,186.26	-	-
Inventories	883,936.42	-	-
TOTAL ASSETS	\$ 18,260,946.89	\$ 1,503,358.88	\$ 3,094,520.02
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 5,208,004.15	\$ 933,011.64	\$ 527,324.73
Payroll Deductions and Withholdings	146,756.55	-	-
Accounts Payable	1,201,618.28	118,955.73	1,888,403.35
Due to Other Funds	1,119,830.72	443,069.94	675,846.56
Deposits Payable	1,728.06	-	-
Unearned Revenue	110,871.61	8,321.57	2,945.38
Total Liabilities	7,788,809.37	1,503,358.88	3,094,520.02
Deferred Inflows of Resources:			
Unavailable Revenue - State Capital Outlay	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	883,936.42	-	-
Restricted for:			
State Required Carryover Programs	622,063.58	-	-
Fuel Tax	1,046,158.92	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	1,668,222.50	-	-
Assigned for:			
Supplies, Equipment, and Books	544,803.25	-	-
School Budgets and Donations	878,821.21	-	-
Total Assigned Fund Balance	1,423,624.46	-	-
Unassigned Fund Balance	6,496,354.14	-	-
Total Fund Balances	10,472,137.52	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,260,946.89	\$ 1,503,358.88	\$ 3,094,520.02

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,363,109.68	\$ 2,432,383.87	\$ 24,789,777.38
107,392.39	4,071.85	442,255.69
-	-	897,530.60
1,670,571.39	607,341.81	6,855,010.43
-	-	175,186.26
-	659,151.87	1,543,088.29
<u>\$ 8,141,073.46</u>	<u>\$ 3,702,949.40</u>	<u>\$ 34,702,848.65</u>
\$ -	\$ 262,213.91	\$ 6,930,554.43
-	-	146,756.55
539,248.17	51,026.57	3,799,252.10
-	127,600.98	2,366,348.20
-	44,674.99	46,403.05
-	-	122,138.56
<u>539,248.17</u>	<u>485,516.45</u>	<u>13,411,452.89</u>
-	352.19	352.19
-	659,151.87	1,543,088.29
-	-	622,063.58
-	-	1,046,158.92
-	218,902.28	218,902.28
7,601,825.29	2,063,025.73	9,664,851.02
-	276,000.88	276,000.88
<u>7,601,825.29</u>	<u>2,557,928.89</u>	<u>11,827,976.68</u>
-	-	544,803.25
-	-	878,821.21
-	-	1,423,624.46
-	-	6,496,354.14
<u>7,601,825.29</u>	<u>3,217,080.76</u>	<u>21,291,043.57</u>
<u>\$ 8,141,073.46</u>	<u>\$ 3,702,949.40</u>	<u>\$ 34,702,848.65</u>

**Highlands County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Total Fund Balances - Governmental Funds \$ 21,291,043.57

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. 102,915,603.23

Certain funding is not available to pay for current period expenditures and, therefore, is reported as unavailable revenue on the governmental fund statements. However, under full accrual, this amount increases net position in the statement of net position. 352.19

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 4,260,413.68

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	\$ 27,474,316.00	
Deferred Outflows Related to OPEB	689,157.96	
Deferred Inflows Related to Pensions	(45,454,557.00)	
Deferred Inflows Related to OPEB	(820,271.33)	
	(820,271.33)	(18,111,354.37)

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	\$ (2,800,000.00)	
Certificates of Participation Payable	(33,235,000.00)	
Compensated Absences Payable	(6,254,791.66)	
Net Pension Liability	(34,372,391.81)	
Total OPEB Liability	(2,867,255.00)	(79,529,438.47)

Net Position - Governmental Activities \$ 30,826,619.83

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

THIS PAGE INTENTIONALLY LEFT BLANK

**Highlands County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Education Stabilization Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 160,712.62	\$ -	\$ -
Federal Through State and Local	538,274.33	12,836,349.76	27,570,007.43
State	65,069,377.58	-	-
Local:			
Property Taxes	26,794,282.69	-	-
Local Sales Taxes	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	3,276,568.66	-	-
Total Local Revenues	<u>30,070,851.35</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>95,839,215.88</u>	<u>12,836,349.76</u>	<u>27,570,007.43</u>
Expenditures			
Current - Education:			
Instruction	57,835,230.84	5,244,680.69	12,561,271.93
Student Support Services	5,151,745.35	1,803,739.00	1,354,640.86
Instructional Media Services	766,136.09	-	81,753.72
Instruction and Curriculum Development Services	1,845,339.99	1,368,991.59	981,265.96
Instructional Staff Training Services	789,462.49	2,425,799.20	852,395.97
Instruction-Related Technology	373,304.42	1,350,377.71	260,375.08
Board	1,187,037.91	-	-
General Administration	581,288.49	528,703.99	792,271.07
School Administration	7,153,578.84	595.00	621,079.51
Facilities Acquisition and Construction	-	-	-
Fiscal Services	739,402.98	-	107,752.29
Food Services	-	-	613,908.11
Central Services	1,685,134.55	-	106,029.98
Student Transportation Services	5,572,351.64	86,076.53	1,072,377.19
Operation of Plant	9,502,725.93	2,860.58	965,684.51
Maintenance of Plant	3,101,315.67	7,005.97	2,523,236.13
Administrative Technology Services	1,010,745.12	-	60,495.82
Community Services	604,235.77	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	2,614.73	-	1,829,996.06
Other Capital Outlay	78,308.85	17,519.50	440,551.49
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>97,979,959.66</u>	<u>12,836,349.76</u>	<u>25,225,085.68</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,140,743.78)</u>	<u>-</u>	<u>2,344,921.75</u>
Other Financing Sources (Uses)			
Transfers In	5,994,921.75	-	-
Transfers Out	-	-	(2,344,921.75)
Total Other Financing Sources (Uses)	<u>5,994,921.75</u>	<u>-</u>	<u>(2,344,921.75)</u>
Net Change in Fund Balances	3,854,177.97	-	-
Fund Balances, Beginning	6,617,959.55	-	-
Fund Balances, Ending	<u>\$ 10,472,137.52</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 160,712.62
-	8,812,695.54	49,757,327.06
-	766,870.22	65,836,247.80
-	9,171,399.12	35,965,681.81
8,607,435.56	-	8,607,435.56
-	188,684.18	188,684.18
117,351.06	11,290.12	3,405,209.84
<u>8,724,786.62</u>	<u>9,371,373.42</u>	<u>48,167,011.39</u>
<u>8,724,786.62</u>	<u>18,950,939.18</u>	<u>163,921,298.87</u>
-	-	75,641,183.46
-	-	8,310,125.21
-	-	847,889.81
-	-	4,195,597.54
-	-	4,067,657.66
-	-	1,984,057.21
-	-	1,187,037.91
-	-	1,902,263.55
-	-	7,775,253.35
5,722,776.72	600,929.08	6,323,705.80
-	-	847,155.27
-	8,907,757.23	9,521,665.34
-	-	1,791,164.53
-	-	6,730,805.36
-	-	10,471,271.02
-	-	5,631,557.77
-	-	1,071,240.94
-	-	604,235.77
1,958,025.56	46,129.78	3,836,766.13
1,763,559.39	614,821.21	2,914,760.44
-	2,660,000.00	2,660,000.00
-	1,640,554.42	1,640,554.42
<u>9,444,361.67</u>	<u>14,470,191.72</u>	<u>159,955,948.49</u>
<u>(719,575.05)</u>	<u>4,480,747.46</u>	<u>3,965,350.38</u>
-	4,081,579.14	10,076,500.89
-	(7,681,579.14)	(10,026,500.89)
-	(3,600,000.00)	50,000.00
(719,575.05)	880,747.46	4,015,350.38
8,321,400.34	2,336,333.30	17,275,693.19
<u>\$ 7,601,825.29</u>	<u>\$ 3,217,080.76</u>	<u>\$ 21,291,043.57</u>

**Highlands 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, 2022**

Net Change in Fund Balances - Governmental Funds **\$ 4,015,350.38**

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 capital outlays in excess of depreciation expense in the current fiscal year.

405,970.92

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.

(7,210.47)

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.

2,660,000.00

Certain funds due from other agencies were not available and, therefore, not recognized as revenue in the governmental fund statements. However, under full accrual, this amount is accrued and reported as revenue on the statement of activities.

352.19

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 used in excess of the amount earned in the current fiscal year.

350,735.52

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.

Increase in Total OPEB Liability	\$	(68,343.00)	
Increase in Deferred Outflows of Resources - OPEB		7,069.03	
Decrease in Deferred Inflows of Resources - OPEB		89,042.41	27,768.44

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	\$	6,283,400.15	
HIS Pension Contribution		1,159,694.40	
FRS Pension Expense		(268,227.13)	
HIS Pension Expense		(1,485,097.20)	5,689,770.22

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.

(174,987.06)

Change in Net Position - Governmental Activities **\$ 12,967,750.14**

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

**Highlands County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2022**

	<u>Enterprise Fund</u>	
	Heartland Educational Consortium	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 741,731.73	\$ 5,011,099.58
Account Receivable	25,839.96	-
Due from Other Funds	-	1,468,817.60
Due from Other Agencies	-	202,216.84
Total Current Assets	<u>767,571.69</u>	<u>6,682,134.02</u>
Noncurrent Assets:		
Nondepreciable Capital Assets	126,607.00	-
Depreciable Capital Assets, Net	220,319.79	-
Total Noncurrent Assets	<u>346,926.79</u>	<u>-</u>
TOTAL ASSETS	<u>1,114,498.48</u>	<u>6,682,134.02</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	138,062.00	-
OPEB	3,793.04	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>141,855.04</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accrued Salaries and Benefits	100.00	-
Payroll Deductions and Withholdings	19.57	-
Accounts Payable	2,437.15	647,929.40
Compensated Absences Payable	1,504.30	-
Estimated Liability for Self-Insurance Program	-	1,773,790.94
Net Pension Liability	590.25	-
OPEB Liability	1,205.19	-
Total Current Liabilities	<u>5,856.46</u>	<u>2,421,720.34</u>
Noncurrent Liabilities:		
Compensated Absences Payable	35,454.02	-
Net Pension Liability	278,369.94	-
OPEB Liability	14,575.81	-
Total Noncurrent Liabilities	<u>328,399.77</u>	<u>-</u>
TOTAL LIABILITIES	<u>334,256.23</u>	<u>2,421,720.34</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	228,415.00	-
OPEB	4,514.67	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>232,929.67</u>	<u>-</u>
NET POSITION		
Investment in Capital Assets	346,926.79	-
Unrestricted	342,240.83	4,260,413.68
TOTAL NET POSITION	<u>\$ 689,167.62</u>	<u>\$ 4,260,413.68</u>

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

Highlands County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	<u>Enterprise Fund</u>	
	Heartland Educational Consortium	Internal Service Funds
OPERATING REVENUES		
Charges for Services	\$ 342,693.30	\$ -
Premiums	-	17,158,402.17
Other Revenues	-	981,916.64
Total Operating Revenues	<u>342,693.30</u>	<u>18,140,318.81</u>
OPERATING EXPENSES		
Salaries	249,450.21	1,000.00
Employee Benefits	93,156.24	73.92
Purchased Services	123,800.24	-
Energy Services	10,663.87	-
Materials and Supplies	4,891.06	113,910.48
Capital Outlay	198.95	-
Insurance Claims	-	15,802,714.09
Other	13,021.63	2,347,607.38
Depreciation	10,817.96	-
Total Operating Expenses	<u>506,000.16</u>	<u>18,265,305.87</u>
Operating Loss	<u>(163,306.86)</u>	<u>(124,987.06)</u>
NONOPERATING REVENUES		
Interest	2,055.35	-
State Grants	314,089.96	-
Total Nonoperating Revenues	<u>316,145.31</u>	<u>-</u>
Income (Loss) Before Transfers	152,838.45	(124,987.06)
Transfers Out	-	(50,000.00)
Change in Net Position	152,838.45	(174,987.06)
Total Net Position - Beginning	<u>536,329.17</u>	<u>4,435,400.74</u>
Total Net Position - Ending	<u>\$ 689,167.62</u>	<u>\$ 4,260,413.68</u>

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

**Highlands County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2022**

	<u>Enterprise Fund</u>	
	<u>Heartland Educational Consortium</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	\$ 341,800.47	\$ -
Cash Received from Premiums	-	16,924,431.23
Cash Received from Other Operating Revenues	-	981,916.64
Cash Payments to Suppliers for Goods and Services	(165,814.73)	(2,607,064.26)
Cash Payments to Employees for Services	(363,255.10)	(1,073.92)
Cash Payments for Insurance Claims	-	(15,767,030.59)
Net Cash Used by Operating Activities	<u>(187,269.36)</u>	<u>(468,820.90)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from State Grants	314,089.96	-
Transfer to Other Funds	-	(50,000.00)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>314,089.96</u>	<u>(50,000.00)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(6,238.00)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	2,055.35	-
Net Increase (Decrease) in Cash and Cash Equivalents	122,637.95	(518,820.90)
Cash and Cash Equivalents, Beginning	619,093.78	5,529,920.48
Cash and Cash Equivalents, Ending	<u>\$ 741,731.73</u>	<u>\$ 5,011,099.58</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (163,306.86)	\$ (124,987.06)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	10,817.96	-
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Accounts Receivable	(25,839.96)	-
Due from Other Funds	-	(31,754.10)
Due from Other Agencies	24,947.13	(202,216.84)
Accrued Salaries and Benefits	(10,959.16)	(145,546.40)
Accounts Payable	(13,238.98)	-
Compensated Absences Payable	1,721.99	-
Estimated Liability for Self-Insurance Program	-	35,683.50
Net Pension Liability	(257,621.85)	-
Total OPEB Liability	(949.00)	-
Deferred Outflows of Resources Related to OPEB	284.03	-
Deferred Inflows of Resources Related to OPEB	(920.59)	-
Deferred Outflows of Resources Related to Pensions	83,421.32	-
Deferred Inflows of Resources Related to Pensions	164,374.61	-
Total Adjustments	<u>(23,962.50)</u>	<u>(343,833.84)</u>
Net Cash Used by Operating Activities	<u>\$ (187,269.36)</u>	<u>\$ (468,820.90)</u>

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

Highlands County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 815,822.61	\$ 3,202,153.00
NET POSITION		
Held in Trust for Scholarships and Other Purposes	815,822.61	-
Restricted for Student Groups	-	3,202,153.00
TOTAL NET POSITION	<u>\$ 815,822.61</u>	<u>\$ 3,202,153.00</u>

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

**Highlands County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Gifts and Contributions	\$ 50,000.00	\$ -
Student Group Collections	-	3,597,165.00
Investment Earnings	2,141.30	-
Total Additions	<u>52,141.30</u>	<u>3,597,165.00</u>
DEDUCTIONS		
Scholarship Payments	23,500.00	-
Student Group Disbursements	-	3,234,250.00
Total Deductions	<u>23,500.00</u>	<u>3,234,250.00</u>
Change in Net Position	28,641.30	362,915.00
Net Position - Beginning	<u>787,181.31</u>	<u>2,839,238.00</u>
Net Position - Ending	<u><u>\$ 815,822.61</u></u>	<u><u>\$ 3,202,153.00</u></u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units 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 Highlands County School District's (District) governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation and maintenance departments are allocated to the student transportation services and maintenance of plant functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Highlands 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 Highlands 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 units are included within the District's reporting entity:

Blended Component Unit. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Highlands County School Board Leasing

Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.H.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Unit. The component unit column in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that it is legally separate from the District.

The Highlands County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to provide charitable and educational aid to the District, to promote education, and to encourage research, learning, and the dissemination of information. 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, 2022. The audit report is filed in the District's administrative offices at 426 School Street, Sebring, Florida 33870.

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 and internal service funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds, proprietary 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 and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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 certain Federal grant program resources provided as emergency relief to address the impact of COVID-19 on elementary and secondary schools.

- Capital Projects – Other Fund – to account for various financial resources (e.g., capital outlay sales tax, educational facilities security grant) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

The District reports the following major enterprise fund:

- Enterprise – Heartland Educational Consortium – to account for the financing of the Heartland Educational Consortium (Consortium) for which the District is fiscal agent.

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

- Internal Service Funds – to account for the District’s individual self-insurance programs.
- Private-Purpose Trust Funds – to account for scholarship trust funds provided by private donors.
- Custodial Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

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 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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 30 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 leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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 3 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 for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. 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.

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 average cost on the moving average basis except transportation supplies are stated at last invoice, which approximates the first-in, first-out basis. United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

4. Capital Assets

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

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	13 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	8 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

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

6. 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.

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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB, are reported in the statement of net position and discussed in subsequent notes. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to State capital outlay funding and will be recognized as an inflow of resources in the period that it becomes available.

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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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, 2022.

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.

In addition, pursuant to Board Policy 6233, any time the portion of the General Fund's ending fund balance is not classified as restricted, committed, or nonspendable in the District's approved operating budget is projected to fall below four percent of projected General Fund revenues during the current fiscal year, the Superintendent shall develop and submit to the Board for approval a plan to restore the ending fund balance to four percent of projected General Fund revenues.

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 or business segment 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.

The District received an allocation from the State under the Educational Facilities Security Grant program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

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

3. District Property Taxes

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

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

The Board adopted the 2021 tax levy on September 7, 2021. 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 Highlands 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. Capital Outlay Surtax

In August 2016, the voters of Highlands County (County) approved a one-half cent school capital outlay surtax on sales in the County for 20 years, effective January 1, 2017, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

5. Educational Impact Fees

The County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2007. In June 2008, the ordinance was amended, in part, to establish revised collection rates for fee. For most new residential construction, the fee is collected by the County and each municipality within the County based on an interlocal agreement. The fee shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and is not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. The County approved the suspension of the fee for the 2009-10 fiscal year, and the Board of County Commissioners extended this suspension through the 2022-23 fiscal year.

6. 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.

7. 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.

8. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for services. Operating expenses include personnel costs, purchased services, and related costs. The principal operating revenues of the District's internal service funds are charges for employee health and dental insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. 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.

B. Investments

The District's investments at June 30, 2022, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	28 Day Average	<u>\$ 11,876,661.30</u>

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

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's investment policy limits the length of investments as follows: (1) investments of current operating funds to 24 months; (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for the funds and in accordance with debt covenants, but in no event shall exceed 5 years; (3) investments of construction proceeds of tax-exempt debt issues shall not exceed the short of three years or the projected completion date for which they are invested; and (4) maturities of the underlying securities of a repurchase agreement will follow the requirements of the master repurchase agreements.

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, 2022, 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. The District’s investment policy limits investments to the Local Government Surplus Funds Trust Fund [Florida PRIME]; United States Government securities; direct obligations of United States Government agencies and instrumentalities; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes, repurchase agreements set forth by the District’s master repurchase agreement secured by the collateral composed of negotiable direct obligations of the United States Government, United States Government Agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper rated Prime-1 by Moody’s and A-1 by Standard & Poor’s, or if backed by a letter of credit the long-term debt of the line of credit provider must be rated A or better by at least two nationally recognized rating agencies; bankers acceptances rated at least Prime-1 by Moody’s and A-1 by Standard & Poor’s; state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated Aa by Moody’s and AA by Standard & Poor’s for long-term debt, or rated at least MIG-2 by Moody’s and SP-2 by Standard & Poor’s for short-term debt shares of open-end, no-load mutual funds registered under the Federal Investment Company Act of 1940, and operated in accordance with Title 17, Section 270.2a-7, Code of Federal Regulations, and provided the mutual fund is rated AAm or AAm-G or better by Standard & Poor’s, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that said fund contain no derivatives.

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	\$ 5,764,446.00	\$ -	\$ -	\$ 5,764,446.00
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	14,136,287.27	1,662,382.55	-	15,798,669.82
Buildings and Fixed Equipment	184,896,903.64	2,199,972.32	-	187,096,875.96
Furniture, Fixtures, and Equipment	8,132,701.31	737,489.25	1,125,020.77	7,745,169.79
Motor Vehicles	13,171,454.98	459,191.21	-	13,630,646.19
Audio Visual Materials and Computer Software	10,574,909.43	1,718,079.98	-	12,292,989.41
Total Capital Assets Being Depreciated	230,912,256.63	6,777,115.31	1,125,020.77	236,564,351.17
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	11,756,501.06	378,815.70	-	12,135,316.76
Buildings and Fixed Equipment	95,916,578.84	3,848,299.02	-	99,764,877.86
Furniture, Fixtures, and Equipment	7,278,862.22	349,927.78	1,117,810.30	6,510,979.70
Motor Vehicles	10,553,075.28	598,894.93	-	11,151,970.21
Audio Visual Materials and Computer Software	8,654,842.45	1,195,206.96	-	9,850,049.41
Total Accumulated Depreciation	134,159,859.85	6,371,144.39	1,117,810.30	139,413,193.94
Total Capital Assets Being Depreciated, Net	96,752,396.78	405,970.92	7,210.47	97,151,157.23
Governmental Activities Capital Assets, Net	\$ 102,516,842.78	\$ 405,970.92	\$ 7,210.47	\$ 102,915,603.23
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 126,607.00	\$ -	\$ -	\$ 126,607.00
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	390,010.00	6,238.00	-	396,248.00
Furniture, Fixtures, and Equipment	71,141.42	-	-	71,141.42
Audio Visual Materials and Computer Software	999.50	-	-	999.50
Total Capital Assets Being Depreciated	462,150.92	6,238.00	-	468,388.92
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	169,879.28	9,796.11	-	179,675.39
Furniture, Fixtures, and Equipment	66,372.39	1,021.85	-	67,394.24
Audio Visual Materials and Computer Software	999.50	-	-	999.50
Total Accumulated Depreciation	237,251.17	10,817.96	-	248,069.13
Total Capital Assets Being Depreciated, Net	224,899.75	(4,579.96)	-	220,319.79
Business-Type Activities Capital Assets, Net	\$ 351,506.75	\$ (4,579.96)	\$ 0.00	\$ 346,926.79

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 568,950.18
Maintenance of Plant	29,944.75
Unallocated	5,772,249.46
Total Depreciation Expense – Governmental Activities	<u>\$ 6,371,144.39</u>
BUSINESS-TYPE ACTIVITIES	
Heartland Educational Consortium	<u>\$ 10,817.96</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. An annual comprehensive 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 \$1,762,135 for the fiscal year ended June 30, 2022.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. 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 certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. 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 2021-22 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	10.82
FRS, Elected County Officers	3.00	51.42
FRS, Senior Management Service	3.00	29.01
DROP – Applicable to Members from All of the Above Classes	0.00	18.34
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 \$6,314,975 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a liability of \$11,198,389 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions

relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.148247167 percent, which was an increase of 0.013994325 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized a Plan pension expense of \$269,575. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,919,423	\$ -
Change of Assumptions	7,662,493	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	39,068,363
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	5,633,049	2,959,370
District FRS Contributions Subsequent to the Measurement Date	6,314,975	-
Total	\$ 21,529,940	\$ 42,027,733

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$6,314,975, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. 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>
2023	\$ (4,713,131)
2024	(5,273,556)
2025	(7,622,950)
2026	(9,803,976)
2027	600,845
Total	\$ (26,812,768)

Actuarial Assumptions. The total pension liability in the July 1, 2021, 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.

The actuarial assumptions used in the July 1, 2021, 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%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100%			
Assumed inflation - Mean			2.4%	1.2%

(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.

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:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 50,079,944	\$ 11,198,389	\$ (21,302,232)

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 Annual Comprehensive 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, 2022, 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, 2022, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$1,165,522 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a net pension liability of \$23,452,963 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.191195180 percent, which was an increase of 0.005064685 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized the HIS Plan pension expense of \$1,492,560. 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	\$ 784,795	\$ 9,823
Change of Assumptions	1,842,878	966,322
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	24,449	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	2,264,794	2,679,094
District HIS Contributions Subsequent to the Measurement Date	1,165,522	-
Total	\$ 6,082,438	\$ 3,655,239

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,165,522, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. 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>
2023	\$ 314,210
2024	34,882
2025	415,999
2026	122,371
2027	281,942
Thereafter	92,273
Total	\$ 1,261,677

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	2.16 percent

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

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 2.16 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
District's Proportionate Share of the Net Pension Liability	\$ 27,113,897	\$ 23,452,963	\$ 20,453,647

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 Annual Comprehensive 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 Annual Comprehensive 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 2021-22 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, 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 \$445,420 for the fiscal year ended June 30, 2022.

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 and prescription drug 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 insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	55
Active Employees	1,353
Total	<u>1,408</u>

Total OPEB Liability. The District's total OPEB liability of \$2,883,036 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to determine the total OPEB liability as of June 30, 2021.

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	3.4 percent to 7.8 percent, including inflation
Discount Rate	1.92 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with a trend rate starting at 6.25 percent and gradually decreasing to an ultimate trend of 3.99 percent over an 18-year period.
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 1.92 percent was based on the daily rate of Fidelity's "20-Year Municipal General Obligation AA Index" closet 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, 2020, 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, 2020, 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. Due to the composition of the population, only assumptions applicable to Regular Class members of FRS have been used in this valuation.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2021	<u>\$ 2,815,642</u>
Changes for the year:	
Service Cost	147,607
Interest	69,780
Changes of Assumptions or Other Inputs	80,177
Benefit Payments	<u>(230,170)</u>
Net Changes	<u>67,394</u>
Balance at June 30, 2022	<u><u>\$ 2,883,036</u></u>

The changes of assumptions or other inputs reflect a decrease in the discount rate from 2.45 percent as of the beginning of the measurement period to 1.92 percent as of June 30, 2021.

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 (0.92 percent) or 1 percentage point higher (2.92 percent) than the current rate:

	<u>1% Decrease (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1% Increase (2.92%)</u>
Total OPEB Liability	\$ 3,027,747	\$ 2,883,036	\$ 2,731,829

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 (5.25 percent decreasing to 2.99 percent) or 1 percentage point higher (7.25 percent decreasing to 4.99 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,539,328	\$ 2,883,036	\$ 3,289,264

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$190,822. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 40,703	\$ 263,789
Changes of Assumptions or Other Inputs	432,072	560,997
Benefits Paid Subsequent to the Measurement Date	220,176	-
Total	<u><u>\$ 692,951</u></u>	<u><u>\$ 824,786</u></u>

The deferred outflows of resources related to OPEB resulting from benefits paid subsequent to the measurement date, totaling \$220,176, will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ (26,565)
2024	(26,565)
2025	(26,565)
2026	(26,565)
2027	(26,565)
Thereafter	(219,186)
Total	\$ (352,011)

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. At June 30, 2022, the Special Revenue – Federal Education Stabilization Fund and the Capital Projects – Other Fund had encumbrances totaling \$6,820,096 and \$3,227,787, respectively.

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 a 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 officers or authorized representatives of all participating districts. Relations 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 windstorm and flood). The named windstorm and hurricane deductible is 3 percent of replacement

cost value with a minimum of \$100,000 per 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 purchased excess property loss limit during the 2021-22 fiscal year was \$100 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2021-22 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.

The District is self-insured for health insurance coverage which is administered by a third-party administrator. The health insurance program is reported in an internal service fund. The District purchases reinsurance coverage which covers any individual claim over \$250,000 per year, and aggregate claims over \$1 million.

The District is self-insured for dental coverage which is administered by a third-party provider. The dental insurance program is reported in an internal service fund.

A liability in the amount of \$1,773,790.94 was determined by the District to cover estimated incurred, but not reported, insurance claims payable at June 30, 2022.

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2020-21	\$ 2,057,664.00	\$ 15,130,548.75	\$ (15,450,105.31)	\$ 1,738,107.44
2021-22	1,738,107.44	15,802,714.09	(15,767,030.59)	1,773,790.94

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

H. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on December 10, 2015, which was characterized as a lease-purchase agreement, with the Highlands County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities in the total amount of \$40,205,000.

The financing was accomplished through the issuance of Refunding Certificates of Participation, Series 2015, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$1 per year. The initial term of the lease is 17 years commencing on December 10, 2015. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangement which may be up to 1 year from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include Avon Park Elementary School, Lake Placid Elementary School, Memorial Elementary School, and the Kindergarten Learning Center.

The lease payments are payable by the District semiannually, on March 1 and September 1, at interest rates ranging from 3.25 to 5 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 4,072,837.52	\$ 2,690,000.00	\$ 1,382,837.52
2024	4,073,337.52	2,825,000.00	1,248,337.52
2025	4,072,087.52	2,965,000.00	1,107,087.52
2026	4,073,837.52	3,115,000.00	958,837.52
2027	4,073,087.52	3,270,000.00	803,087.52
2028-2032	20,368,337.58	18,370,000.00	1,998,337.58
Total Minimum Lease Payments	\$ 40,733,525.18	\$ 33,235,000.00	\$ 7,498,525.18

2. Bonds Payable

Bonds payable at June 30, 2022, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
District Revenue Bonds: Series 2014, Refunding	<u>\$ 2,800,000</u>	3 - 5	2042

District Revenue Bonds

The School Board issued \$3,430,000 in Refunding Certificates of Indebtedness, Capital Improvement and Refunding Revenue Bonds, Series 2014, dated May 8, 2014. The proceeds were used to refund all the outstanding Refunding Certificates of Indebtedness, Series 1999A, and for the acquisition and construction of certain capital school projects. These bonds are secured by a pledge of funds accruing to the District from the State's Pari-Mutuel Tax Collection Trust Fund (pledged revenues) pursuant to Section 212.20(6)(d)6.a., Florida Statutes.

The District pledged a total of \$4,267,325 of pledged revenues in connection with the District Revenue Bonds Series 2014, described above. During the 2021-22 fiscal year, the District recognized pledged revenues totaling \$223,250 and expended \$218,031 (97.7 percent) of these revenues for debt service directly collateralized by these revenues. The pledged revenues are committed until final maturity of the debt on September 1, 2041. Approximately 87 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, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
District Revenue Bonds:			
2023	\$ 220,225	\$ 100,000	\$ 120,225
2024	217,225	100,000	117,225
2025	219,150	105,000	114,150
2026	220,650	110,000	110,650
2027	216,800	110,000	106,800
2028-2032	1,096,025	625,000	471,025
2033-2037	1,085,625	765,000	320,625
2038-2042	991,625	885,000	106,625
Total District Revenue Bonds	\$ 4,267,325	\$ 2,800,000	\$ 1,467,325

3. 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	\$ 2,895,000.00	\$ -	\$ 95,000.00	\$ 2,800,000.00	\$ 100,000.00
Certificates of Participation Payable	35,800,000.00	-	2,565,000.00	33,235,000.00	2,690,000.00
Compensated Absences Payable	6,605,527.18	417,508.19	768,243.71	6,254,791.66	528,245.51
Net Pension Liability	80,376,807.96	30,869,131.53	76,873,547.68	34,372,391.81	117,459.45
Total OPEB Liability	2,798,912.00	295,935.21	227,592.21	2,867,255.00	218,970.81
Total Governmental Activities	\$ 128,476,247.14	\$ 31,582,574.93	\$ 80,529,383.60	\$ 79,529,438.47	\$ 3,654,675.77
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable	\$ 35,236.33	\$ 1,721.99	\$ -	\$ 36,958.32	\$ 1,504.30
Net Pension Liability	536,582.04	173,510.47	431,132.32	278,960.19	590.25
Total OPEB Liability	16,730.00	1,628.79	2,577.79	15,781.00	1,205.19
Total Business-Type Activities	\$ 588,548.37	\$ 176,861.25	\$ 433,710.11	\$ 331,699.51	\$ 3,299.74

For the governmental activities, compensated absences, pensions, and OPEB liabilities 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	\$ 897,530.60	\$ 1,119,830.72
Special Revenue:		
Other	-	443,069.94
Federal Education Stabilization	-	675,846.56
Nonmajor Governmental	-	127,600.98
Internal Service	1,468,817.60	-
Total	\$ 2,366,348.20	\$ 2,366,348.20

The interfund receivables and payables represent temporary loans between funds to cover expenditures incurred prior to reimbursement from outside parties. All balances are expected to 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 2021-22 fiscal year:

Source	Amount
Governmental Funds:	
Florida Education Finance Program	\$ 52,585,723.00
Categorical Educational Program - Class Size Reduction	11,634,918.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	431,749.14
Voluntary Prekindergarten Program	374,982.50
State License Tax	249,097.69
Food Service Supplement	108,753.00
Miscellaneous	451,024.47
Subtotal Governmental Funds	65,836,247.80
Enterprise Funds:	
Regional Educational Consortium Services	300,000.00
Miscellaneous	14,089.96
Subtotal Enterprise Funds	314,089.96
Total	\$ 66,150,337.76

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 2021 tax roll for the 2021-22 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund		
Nonvoted School Tax:		
Required Local Effort	3.631	\$ 22,859,276
Basic Discretionary Local Effort	0.748	4,709,130
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	9,443,406
Total	<u>5.879</u>	<u>\$ 37,011,812</u>

L. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 5,994,921.75	\$ -
Special Revenue:		
Federal Education Stabilization	-	2,344,921.75
Nonmajor Governmental	4,081,579.14	7,681,579.14
Internal Service	-	50,000.00
Total	<u>\$ 10,076,500.89</u>	<u>\$ 10,076,500.89</u>

Transfers out from the nonmajor Capital Projects – Local Capital Improvement Fund were to provide debt service payments and provide funding for certain expenditures of the District's facilities, maintenance, and technology departments and to fund property and casualty insurance premiums. Transfers out of the Special Revenue – Federal Education Stabilization Fund were to cover certain prior fiscal year expenditures in response to the COVID-19 pandemic.

III. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2021-22 fiscal year:

	Total	Group Health Insurance	Employee Dental Plan
Total Assets	<u>\$ 6,682,134.02</u>	<u>\$ 5,617,708.30</u>	<u>\$ 1,064,425.72</u>
Liabilities and Net Position:			
Accounts Payable	\$ 647,929.40	\$ 610,717.20	\$ 37,212.20
Estimated Liability for Self-Insurance Program	1,773,790.94	1,692,899.04	80,891.90
Net Position:			
Unrestricted	<u>4,260,413.68</u>	<u>3,314,092.06</u>	<u>946,321.62</u>
Total Liabilities and Net Position	<u>\$ 6,682,134.02</u>	<u>\$ 5,617,708.30</u>	<u>\$ 1,064,425.72</u>
Revenues:			
Premiums	\$ 17,158,402.17	\$ 16,282,778.22	\$ 875,623.95
Other	<u>981,916.64</u>	<u>981,916.64</u>	<u>-</u>
Total Revenues	18,140,318.81	17,264,694.86	875,623.95
Total Expenses	(18,265,305.87)	(17,484,179.34)	(781,126.53)
Transfers Out	<u>(50,000.00)</u>	<u>(50,000.00)</u>	<u>-</u>
Change in Net Position	<u>\$ (174,987.06)</u>	<u>\$ (269,484.48)</u>	<u>\$ 94,497.42</u>

IV. CONSORTIUMS

The District is a member of, and the fiscal agent for, the Heartland Educational Consortium (Consortium) which provides educational and other services for the members. The Consortium is governed by a Board of Directors composed of the superintendents of the participating school districts. The Consortium offices are located in Highlands County.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 170,000.00	\$ 170,000.00	\$ 160,712.62	\$ (9,287.38)
Federal Through State and Local	670,000.00	670,000.00	538,274.33	(131,725.67)
State	66,250,759.00	65,527,303.27	65,069,377.58	(457,925.69)
Local:				
Property Taxes	26,002,953.00	26,797,953.00	26,794,282.69	(3,670.31)
Miscellaneous	2,374,458.00	3,685,286.60	3,276,568.66	(408,717.94)
Total Local Revenues	28,377,411.00	30,483,239.60	30,070,851.35	(412,388.25)
Total Revenues	95,468,170.00	96,850,542.87	95,839,215.88	(1,011,326.99)
Expenditures				
Current - Education:				
Instruction	58,641,878.56	60,918,365.45	57,835,230.84	3,083,134.61
Student Support Services	5,664,644.00	5,606,632.38	5,151,745.35	454,887.03
Instructional Media Services	742,346.00	793,258.63	766,136.09	27,122.54
Instruction and Curriculum Development Services	1,318,057.00	1,892,068.45	1,845,339.99	46,728.46
Instructional Staff Training Services	815,860.00	918,950.28	789,462.49	129,487.79
Instruction-Related Technology	290,540.00	383,672.41	373,304.42	10,367.99
Board	585,614.00	1,268,268.06	1,187,037.91	81,230.15
General Administration	498,065.00	597,215.51	581,288.49	15,927.02
School Administration	7,312,866.00	7,236,938.90	7,153,578.84	83,360.06
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	725,277.00	741,221.22	739,402.98	1,818.24
Food Services	-	-	-	-
Central Services	1,651,873.00	1,944,536.67	1,685,134.55	259,402.12
Student Transportation Services	6,504,174.00	5,649,306.85	5,572,351.64	76,955.21
Operation of Plant	9,935,881.44	9,870,369.02	9,502,725.93	367,643.09
Maintenance of Plant	3,079,377.00	3,325,071.33	3,101,315.67	223,755.66
Administrative Technology Services	886,972.00	1,010,745.12	1,010,745.12	-
Community Services	414,745.00	677,358.34	604,235.77	73,122.57
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	403,518.26	2,614.73	400,903.53
Other Capital Outlay	-	121,885.13	78,308.85	43,576.28
Total Expenditures	99,068,170.00	103,359,382.01	97,979,959.66	5,379,422.35
Excess (Deficiency) of Revenues Over Expenditures	(3,600,000.00)	(6,508,839.14)	(2,140,743.78)	4,368,095.36
Other Financing Sources (Uses)				
Transfers In	3,600,000.00	5,994,921.75	5,994,921.75	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	3,600,000.00	5,994,921.75	5,994,921.75	-
Net Change in Fund Balances	-	(513,917.39)	3,854,177.97	4,368,095.36
Fund Balances, Beginning	6,617,959.55	6,617,959.55	6,617,959.55	-
Fund Balances, Ending	\$ 6,617,959.55	\$ 6,104,042.16	\$ 10,472,137.52	\$ 4,368,095.36

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,154,809.00	17,164,052.05	12,836,349.76	(4,327,702.29)	20,456,632.25	77,065,712.19	27,570,007.43	(49,495,704.76)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
14,154,809.00	17,164,052.05	12,836,349.76	(4,327,702.29)	20,456,632.25	77,065,712.19	27,570,007.43	(49,495,704.76)
5,855,053.00	7,166,249.41	5,244,680.69	1,921,568.72	5,844,675.00	32,564,904.07	12,561,271.93	20,003,632.14
1,902,600.00	2,233,135.69	1,803,739.00	429,396.69	417,801.00	3,332,201.97	1,354,640.86	1,977,561.11
-	-	-	-	31,734.00	160,354.00	81,753.72	78,600.28
1,587,775.00	1,899,079.12	1,368,991.59	530,087.53	610,907.00	3,081,151.66	981,265.96	2,099,885.70
2,966,398.00	3,563,878.79	2,425,799.20	1,138,079.59	254,838.00	7,282,509.82	852,395.97	6,430,113.85
1,314,882.00	1,407,683.12	1,350,377.71	57,305.41	95,418.00	1,034,705.65	260,375.08	774,330.57
-	-	-	-	-	-	-	-
477,158.00	629,164.40	528,703.99	100,460.41	461,054.00	2,092,562.74	792,271.07	1,300,291.67
-	595.00	595.00	-	176,227.00	1,442,499.97	621,079.51	821,420.46
-	-	-	-	66,229.00	-	-	-
-	-	-	-	-	263,386.99	107,752.29	155,634.70
-	-	-	-	-	640,518.00	613,908.11	26,609.89
-	-	-	-	-	278,782.00	106,029.98	172,752.02
44,446.00	128,966.17	86,076.53	42,889.64	-	3,519,672.54	1,072,377.19	2,447,295.35
3,000.00	3,200.00	2,860.58	339.42	500,000.00	2,047,838.46	965,684.51	1,082,153.95
3,497.00	7,005.97	7,005.97	-	11,997,749.25	8,657,402.66	2,523,236.13	6,134,166.53
-	-	-	-	-	72,664.00	60,495.82	12,168.18
-	-	-	-	-	-	-	-
-	-	-	-	-	2,879,265.05	1,829,996.06	1,049,268.99
-	125,094.38	17,519.50	107,574.88	-	5,370,370.86	440,551.49	4,929,819.37
14,154,809.00	17,164,052.05	12,836,349.76	4,327,702.29	20,456,632.25	74,720,790.44	25,225,085.68	49,495,704.76
-	-	-	-	-	2,344,921.75	2,344,921.75	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(2,344,921.75)	(2,344,921.75)	-
-	-	-	-	-	(2,344,921.75)	(2,344,921.75)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 147,607	\$ 193,343	\$ 187,475	\$ 166,380	\$ 177,667
Interest	69,780	117,428	127,921	106,587	91,903
Differences Between Expected and Actual Experience	-	(318,745)	-	64,647	-
Changes of Assumptions or Other Inputs	80,177	(612,133)	127,596	421,893	(102,979)
Benefit Payments	(230,170)	(245,173)	(216,632)	(265,173)	(352,092)
Net Change in Total OPEB Liability	67,394	(865,280)	226,360	494,334	(185,501)
Total OPEB Liability - Beginning	2,815,642	3,680,922	3,454,562	2,960,228	3,145,729
Total OPEB Liability - Ending	\$ 2,883,036	\$ 2,815,642	\$ 3,680,922	\$ 3,454,562	\$ 2,960,228
Covered-Employee Payroll	\$ 53,813,961	\$ 52,246,564	\$ 52,965,016	\$ 51,422,346	\$ 48,594,805
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.36%	5.39%	6.95%	6.72%	6.09%

**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	0.152312412%	\$ 26,219,745	\$ 57,977,043	45.22%	88.54%
2014	0.156398242%	9,542,592	61,174,266	15.60%	96.09%
2015	0.152282002%	19,669,263	61,310,553	32.08%	92.00%
2016	0.138923724%	35,078,349	61,645,573	56.90%	84.88%
2017	0.126222049%	37,335,635	57,284,629	65.18%	83.89%
2018	0.156526932%	47,146,723	63,501,302	74.25%	84.26%
2019	0.134695817%	46,386,097	62,565,942	74.14%	82.61%
2020	0.134252842%	58,187,160	64,605,266	90.07%	78.85%
2021	0.148247167%	11,198,389	67,655,163	16.55%	96.40%

(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	\$ 3,425,785	\$ (3,425,785)	\$ -	\$ 61,174,266	5.60%
2015	3,712,765	(3,712,765)	-	61,310,553	6.06%
2016	3,406,729	(3,406,729)	-	61,645,573	5.53%
2017	3,285,871	(3,285,871)	-	57,284,629	5.74%
2018	4,460,892	(4,460,892)	-	63,501,302	7.02%
2019	4,211,774	(4,211,774)	-	62,565,942	6.73%
2020	4,502,442	(4,502,442)	-	64,605,266	6.97%
2021	5,667,123	(5,667,123)	-	67,655,163	8.38%
2022	6,314,975	(6,314,975)	-	70,205,830	8.99%

(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	0.200363755%	\$ 17,444,299	\$ 57,977,043	30.09%	1.78%
2014	0.205875517%	19,249,863	61,174,266	31.47%	0.99%
2015	0.202085952%	20,609,588	61,310,553	33.62%	0.50%
2016	0.199618510%	23,264,710	61,645,573	37.74%	0.97%
2017	0.179663558%	19,210,457	57,284,629	33.54%	1.64%
2018	0.219423532%	23,224,033	63,501,302	36.57%	2.15%
2019	0.187069164%	20,931,167	62,565,942	33.45%	2.63%
2020	0.186130495%	22,726,230	64,605,266	35.18%	3.00%
2021	0.191195180%	23,452,963	67,655,163	34.67%	3.56%

(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	\$ 705,260	\$ (705,260)	\$ -	\$ 61,174,266	1.15%
2015	772,498	(772,498)	-	61,310,553	1.26%
2016	1,023,366	(1,023,366)	-	61,645,573	1.66%
2017	950,831	(950,831)	-	57,284,629	1.66%
2018	1,189,939	(1,189,939)	-	63,501,302	1.87%
2019	1,038,615	(1,038,615)	-	62,565,942	1.66%
2020	1,072,447	(1,072,447)	-	64,605,266	1.66%
2021	1,123,065	(1,123,065)	-	67,655,163	1.66%
2022	1,165,522	(1,165,522)	-	70,205,830	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, 2022, total OPEB liability increased from the prior fiscal year as a result of changes to assumptions as discussed below:

- The discount rate was changed from 2.45 percent as of the beginning of the measurement period to 1.92 percent as of June 30, 2021.

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

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

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

Changes of Assumptions. In 2021, the municipal bond rate used to determine total pension liability was decreased from 2.21 percent to 2.16 percent.

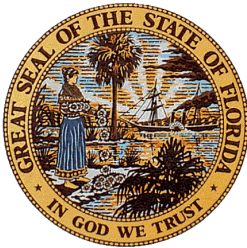
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Highlands County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	22002	\$ -	\$ 1,777,283.85
National School Lunch Program	10.555	22001, 22003	-	6,162,992.78
Summer Food Service Program for Children	10.559	21006, 21007, 22006, 22007	-	235,883.86
Fresh Fruit and Vegetable Program	10.582	22004	-	203,474.43
Total Child Nutrition Cluster			-	8,379,634.92
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	91,000.00	3,976,675.70
COVID-19 Special Education - Grants to States	COVID-19, 84.027	263	-	42,880.26
Total Special Education - Grants to States			91,000.00	4,019,555.96
Special Education - Preschool Grants	84.173	267	-	44,533.12
Total Special Education Cluster			91,000.00	4,064,089.08
Not Clustered				
United States Department of Agriculture				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-5438	-	433,060.62
United States Department of Defense				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	106,883.82
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	53,828.80
Total United States Department of Defense			-	160,712.62
United States Department of Education				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212	-	6,335,086.73
Migrant Education - State Grant Program	84.011	217	-	723,787.24
Career and Technical Education - Basic Grants to States	84.048	161	-	188,590.45
Education for Homeless Children and Youth	84.196	127	-	64,370.58
Rural Education	84.358	110	-	161,194.02
English Language Acquisition State Grants	84.365	102	-	77,971.89
Supporting Effective Instruction State Grants	84.367	224	-	475,768.05
Student Support and Academic Enrichment Program	84.424	241	-	788,371.98
Education Stabilization Fund:	84.425			
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	-	79,915.94
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	-	12,253,314.20
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	-	15,193,248.14
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth Fund	COVID-19, 84.425W	122	-	648.89
Total Education Stabilization Fund	84.425		-	27,527,127.17
Total United States Department of Education			-	36,342,268.11
Total Expenditures of Federal Awards			\$ 91,000.00	\$ 49,379,765.35

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 Highlands County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$639,207.56 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Elementary and Secondary School Emergency Relief Fund. The District incurred \$2,344,921.75 in expenditures for the Elementary and Secondary School Emergency Relief Fund grant in the 2020-21 fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Highlands County District School Board as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the 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.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

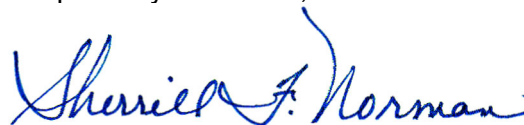
Report on Compliance and Other Matters

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*.

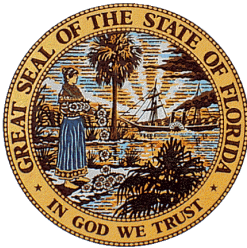
Purpose of this Report

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
January 25, 2023



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
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

Opinion on Each Major Federal Program

We have audited the Highlands County District School Board's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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**.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the **Auditor's Responsibilities for the Audit of Compliance** section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each

major Federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying

SCHEDULE OF FINDINGS AND QUESTIONED COSTS as Federal Award Finding Nos. 2022-001 and 2022-002. Our opinion on each major Federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our compliance audit described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The District's responses and **CORRECTIVE ACTION PLAN** were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the **Auditor's Responsibilities for the Audit of Compliance** section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

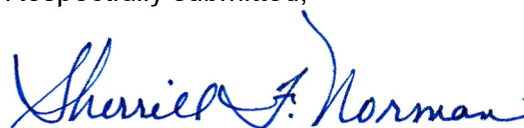
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We consider the deficiencies in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Award Finding Nos. 2022-001 and 2022-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The District's responses and **CORRECTIVE ACTION PLAN** were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Respectfully submitted,

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

Sherrill F. Norman, CPA
Tallahassee, Florida
January 25, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
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)?	Yes
Identification of major Federal programs:	
Assistance Listing Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$1,481,392
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION

Finding Number	2022-001
Assistance Listing Number	84.027 and 84.173
Assistance Listing Program Title	Special Education Cluster (SEC)
Compliance Requirement	Allowable Costs/Cost Principles
Pass-Through Entity	Florida Department of Education
Federal Grant/Contract Number and Grant Year	H027A210024 – 2022, H173A210027 – 2022
Statistically Valid Sample	No
Finding Type	Noncompliance and Significant Deficiency
Questioned Costs	Not Applicable
Prior Year Finding	Not Applicable

Finding The District did not always comply with Federal regulations by maintaining records to accurately reflect employee work performed for and support the distribution of employee salary and benefit charges to the SEC.

Criteria Title 2, Section 200.430(i), CFR, requires that charges for Federal awards for salaries be based on records that accurately reflect the work performed and support the distribution of employee salaries among specific activities or cost objectives if the employee works on more than one Federal award or a Federal award and non-Federal award.

In addition, Title 2, Section 200.303(a), CFR, requires the District to maintain effective internal controls over the SEC. To ensure that charges are allowable, an appropriate system of internal controls requires that review and approval of program or grant expenditures be performed by personnel (e.g., the Exceptional Student Education Director) who possess adequate knowledge and experience of program requirements.

Condition For the 2021-22 fiscal year, the District reported SEC expenditures totaling \$4 million, including \$3.6 million for salaries and benefits for 210 employees. To determine the propriety and allowability of SEC expenditures, we requested for examination District records supporting SEC expenditures totaling \$872,000 for 23 employees.

Although we requested, District records were not provided for 11 of the 23 employees to identify the work they performed or to support salaries and benefits distributed to the SEC totaling \$309,500. We expanded our procedures to interview the 11 employees and determined that, based on their responses, their salaries and benefits were appropriately distributed to the SEC. However, our procedures cannot substitute the District's responsibility to ensure that salaries and benefits charged to the SEC are properly supported.

Cause The District did not always maintain records to identify the work employees performed or support the salaries and benefits distributed to the SEC, and an employee with knowledge and experience of the SEC requirements (e.g., the Exceptional Student Education Director) was not required to, and did not, document review and approval of the salary and benefit charges.

Effect Absent effective procedures to document support for the distribution of employee salaries and benefits to the SEC, including the documented review and approval of those charges by the Exceptional Student Education Director or other

personnel with knowledge and experience of SEC requirements, there is an increased risk that expenditures may be inappropriately charged to the SEC.

Recommendation

The District should establish procedures to ensure that District records accurately reflect the work performed for SEC and support the distribution of employee salary and benefit charges to the SEC. Such procedures should require that the Exceptional Student Education Director or other personnel with appropriate knowledge and experience document review and approval of those charges.

District Response

The District will review its procedures to ensure that all federally funded personnel complete a Personnel Activity Report (PAR) form including employees who start late.

U.S. DEPARTMENT OF EDUCATION

Finding Number

2022-002

Assistance Listing Number

84.425D and 84.425U

Assistance Listing Program Title

**Education Stabilization Fund:
Elementary and Secondary School Emergency Relief (ESSER) Fund
American Rescue Plan (ARP) ESSER Fund**

Compliance Requirement

Equipment and Real Property Management

Pass-Through Entity

Florida Department of Education

Federal Grant/Contract Number and Grant Year

S425D210052 – 2022, S425U210052 - 2022

Statistically Valid Sample

No

Finding Type

Noncompliance and Significant Deficiency

Questioned Costs

Not Applicable

Prior Year Finding

Not Applicable

Finding

District controls did not always ensure compliance with the Davis-Bacon Act for Federally funded construction projects exceeding \$2,000.

Criteria

The ESSER Fund provides Federal funds for school facility repairs and improvements to reduce the risk of virus transmission and exposure to environmental health hazards, and to support student health needs. Title 29, Section 5.5, CFR (Davis-Bacon Act), requires the District to include prevailing wage rate clauses in any construction contract exceeding \$2,000 that is financed either wholly or in part by Federal funds and ensure that contractors and subcontractors pay workers the prevailing wage rates established by the United States Department of Labor. The United States Department of Labor established “prevailing wages” by geographic area and interprets the Davis-Bacon Act to apply to construction, alteration, or repair of public buildings or public work.

Condition

During the 2021-22 fiscal year, the Board entered into construction contracts totaling \$4,233,177 for heating, ventilation, and air-conditioning (HVAC) renovation projects at the Lake Placid Middle School, Cracker Trail Elementary, and Lake Placid Elementary Schools. As of June 30, 2022, the District had expended ESSER funds totaling \$1,622,230 on the projects.

To evaluate District compliance with the Davis-Bacon Act provisions, we requested for examination District records to support the wage rates paid by the HVAC contractors. Our examination disclosed that the contracts for the three HVAC projects contained clauses that required the projects to comply with the Davis-Bacon Act provisions. However, District personnel indicated that they had not performed direct comparisons of wage rates paid by the contractors for the three HVAC projects with the prevailing wages established by the United States Department of Labor.

Cause	While District contracts contained standard language to address applicable Federal requirements, District personnel were not aware that the Davis-Bacon Act applied to the HVAC projects and, therefore, did not verify wage rates paid by contractors.
Effect	As a result of our inquiry, District personnel obtained certified payrolls from the HVAC contractor demonstrating the prevailing wage rates were paid for these projects. Notwithstanding, our procedures do not substitute for District management's responsibility to implement appropriate controls to demonstrate compliance with the Davis-Bacon Act requirements. Without an appropriate understanding of when to apply the Davis-Bacon Act requirements, there is an increased risk that contractors and subcontractors paid with Federal moneys will not pay workers the prevailing wage rates established by the United States Department of Labor.
Recommendation	The District should enhance procedures to ensure that wage rates paid by the contractor and subcontractors for Federally funded facility projects that exceed \$2,000 are directly compared to, and determined to be consistent with, the prevailing wage rates established for the geographic area by the United States Department of Labor. Such enhancements should include appropriate training for staff to understand their responsibility for demonstrating compliance with the Davis-Bacon Act.
District Response	The District complied with the Davis-Bacon Act for another construction project at Lake Placid Elementary, however, we did not initially believe the Davis-Bacon Act applied to the installation of equipment replacement (Air Conditioning Units). We will consult with the Department of Education and follow their guidance.

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



Administration
Brenda Longshore, Superintendent
426 School Street
Sebring, FL 33870
(863) 471-5564
longshob@highlands.k12.fl.us

January 13, 2023

**Highlands County District School Board
Management's Corrective Action Plans
For the Fiscal Year Ended June 30, 2022**

Planned Corrective Action:

Finding No. 2022-01: Special Education Cluster

The District will review its procedures to ensure that all federally funded personnel complete a Personnel Activity Report (PAR) form including employees who start late.

Anticipated Completion Date: March 31, 2023

Responsible Contact Person: Michael Averyt – Assistant Superintendent for Business/Operations

Planned Corrective Action:

Finding No. 2022-02: Education Stabilization Fund

The District complied with the Davis Bacon Act for another construction project at Lake Placid Elementary, however, we did not initially believe the Davis-Bacon Act applied to the installation of equipment replacement (Air Conditioning Units). We will consult with the Department of Education and follow their guidance.

Anticipated Completion Date: March 31, 2023

Responsible Contact Person: Michael Averyt – Assistant Superintendent for Business/Operations

Sincerely,

Dr. Brenda Longshore
Superintendent of Schools

MA:BL/cw

Dr. Brenda Longshore, Superintendent
Donna Howerton, Chairperson · Jan Shoop, Vice Chairperson
Bill Brantley · Jill Compton Twist · Isaac Durrance

A fully accredited school system of the Southern Association of Colleges and Schools
Equal Opportunity Employment and Veteran's Preference Employer