

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2019



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2018-19 fiscal year, Steve Dionisio served as Superintendent of the Charlotte County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Cara Reynolds from 11-20-18	1
Lee Swift, Vice Chair through 11-19-18	1
Kim Amontree	2
Robert Segur, Chair from 11-20-18	3
Ian Vincent, Chair through 11-19-18	4
Wendy Atkinson, Vice Chair from 11-20-18	5

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

The team leader was Cesar A. Mayorga, and the audit was supervised by Ramon L. Bover, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Charlotte 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 Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster.

AUDIT OBJECTIVES AND SCOPE

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

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

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 18 percent and 50 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the discretely presented component units columns. The financial statements of the school internal funds and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, sweeping initial "S".

Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- As of June 30, 2019, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$339.4 million.
- The District's total net position increased \$1.7 million, which represents a 0.5 percent increase over the 2017-18 fiscal year.
- General revenues total \$170.8 million, or 92.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$13.1 million, or 7.1 percent of all revenues.
- Expenses total \$182.1 million. Only \$13.1 million 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 totals \$18.9 million, which is \$5 million more than the prior fiscal year balance. The General Fund unassigned fund balance totals \$17.4 million, or 13.5 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents four separate legal entities in this report. The Charlotte Local Education Foundation, Inc., Crossroads Hope Academy, Inc., and Babcock Neighborhood School, Inc. are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units are reported separately from the financial information presented for the primary government.

The Charlotte 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.

Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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 three 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 Federal Programs Fund, Debt Service – Federal Economic Stimulus Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Fund: Proprietary funds may be established to account for activities in which a fee is charged for services. 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 an internal service fund to account for the Employee Benefits Fund. Since these services predominately benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide 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 agency 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 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, 2019, compared to net position as of June 30, 2018:

Net Position, End of Year

	Governmental Activities	
	<u>6-30-19</u>	<u>6-30-18</u>
Current and Other Assets	\$ 96,707,375.51	\$ 80,667,982.79
Capital Assets	<u>390,510,524.82</u>	<u>401,091,817.48</u>
Total Assets	<u>487,217,900.33</u>	<u>481,759,800.27</u>
Deferred Outflows of Resources	<u>32,444,001.99</u>	<u>34,186,678.05</u>
Long-Term Liabilities	160,703,339.17	162,022,806.39
Other Liabilities	<u>6,951,175.14</u>	<u>6,870,514.58</u>
Total Liabilities	<u>167,654,514.31</u>	<u>168,893,320.97</u>
Deferred Inflows of Resources	<u>12,650,767.00</u>	<u>9,367,938.00</u>
Net Position:		
Net Investment in Capital Assets	325,430,831.78	335,885,413.65
Restricted	67,443,594.11	56,997,910.95
Unrestricted (Deficit)	<u>(53,517,804.88)</u>	<u>(55,198,105.25)</u>
Total Net Position	<u>\$ 339,356,621.01</u>	<u>\$ 337,685,219.35</u>

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. Restricted net position increased by \$10.5 million, or 18.3 percent, primarily from an increase in assets restricted for capital projects and debt service.

The deficit unrestricted net position was the result, in part, of accruing \$11.1 million in compensated absences payable, \$3.7 million in OPEB payable, and \$79.8 million in net pension liability.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-19	6-30-18
Program Revenues:		
Charges for Services	\$ 3,061,752.82	\$ 3,338,901.27
Operating Grants and Contributions	9,024,830.92	8,124,433.38
Capital Grants and Contributions	976,167.12	963,370.20
General Revenues:		
Property Taxes, Levied for Operational Purposes	86,396,821.58	84,076,617.47
Property Taxes, Levied for Capital Projects	26,726,353.26	24,764,274.33
Grants and Contributions Not Restricted to Specific Programs	51,761,922.01	49,715,936.38
Unrestricted Investment Earnings	2,340,918.63	1,185,568.52
Miscellaneous	3,531,472.52	3,319,611.08
Total Revenues	183,820,238.86	175,488,712.63
Functions/Program Expenses:		
Instruction	86,159,200.35	83,032,452.67
Student Support Services	9,188,434.83	8,268,967.60
Instructional Media Services	1,507,248.02	1,562,057.26
Instruction and Curriculum Development Services	4,316,251.48	4,628,156.63
Instructional Staff Training Services	3,629,681.42	3,749,450.54
Instruction-Related Technology	1,100,798.03	1,143,612.80
Board	731,667.81	760,235.33
General Administration	868,344.17	878,185.38
School Administration	9,458,147.85	9,765,899.11
Facilities Acquisition and Construction	3,208,097.90	4,252,371.52
Fiscal Services	868,057.33	939,403.78
Food Services	9,090,665.33	8,999,671.31
Central Services	2,402,908.55	6,644,993.14
Student Transportation Services	6,219,301.08	6,247,731.68
Operation of Plant	12,117,962.66	12,748,144.69
Maintenance of Plant	3,826,865.41	4,439,677.64
Administrative Technology Services	1,337,216.14	1,327,421.81
Community Services	187,034.41	190,636.53
Unallocated Interest on Long-Term Debt	3,715,118.10	3,560,044.60
Unallocated Depreciation Expense	22,215,836.33	22,373,755.88
Total Functions/Program Expenses	182,148,837.20	185,512,869.90
Change in Net Position	1,671,401.66	(10,024,157.27)
Net Position - Beginning	337,685,219.35	347,603,252.62
Adjustment to Beginning Net Position (1)	-	106,124.00
Net Position - Beginning, as Restated	337,685,219.35	347,709,376.62
Net Position - Ending	\$ 339,356,621.01	\$ 337,685,219.35

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

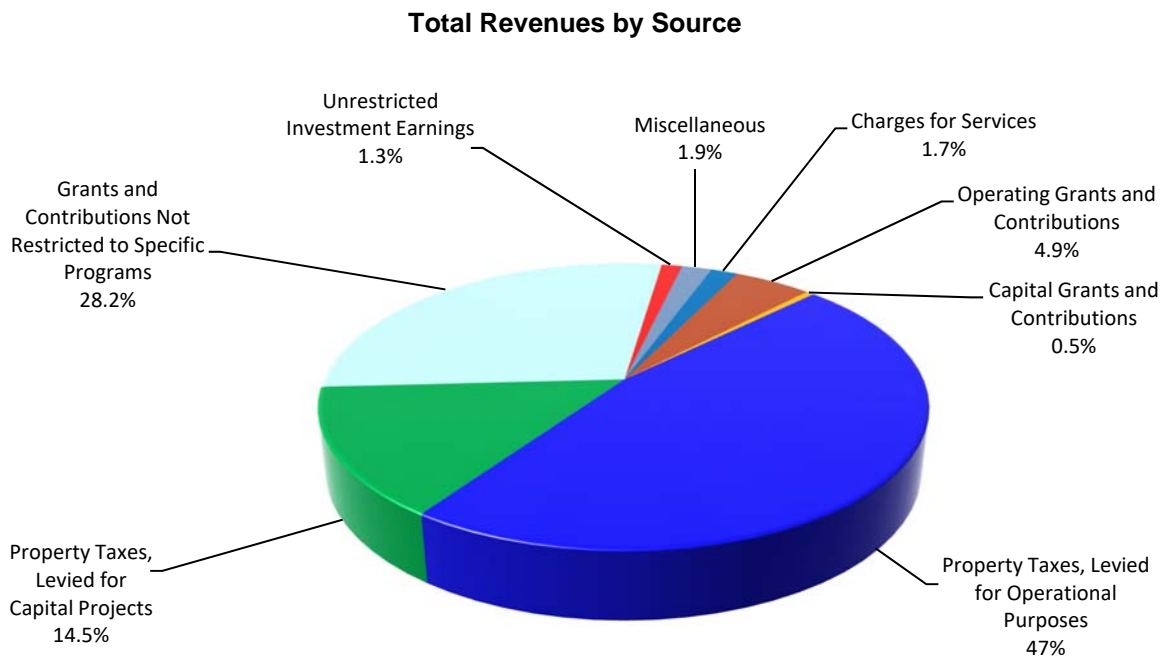
The largest revenue source is property taxes, which increased by \$4.3 million, or 3.9 percent, as a result of an increase in taxable assessed values, partially offset by a 3.8 percent decrease in the total millage rate.

A significant revenue source is the State of Florida (20.4 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP 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.

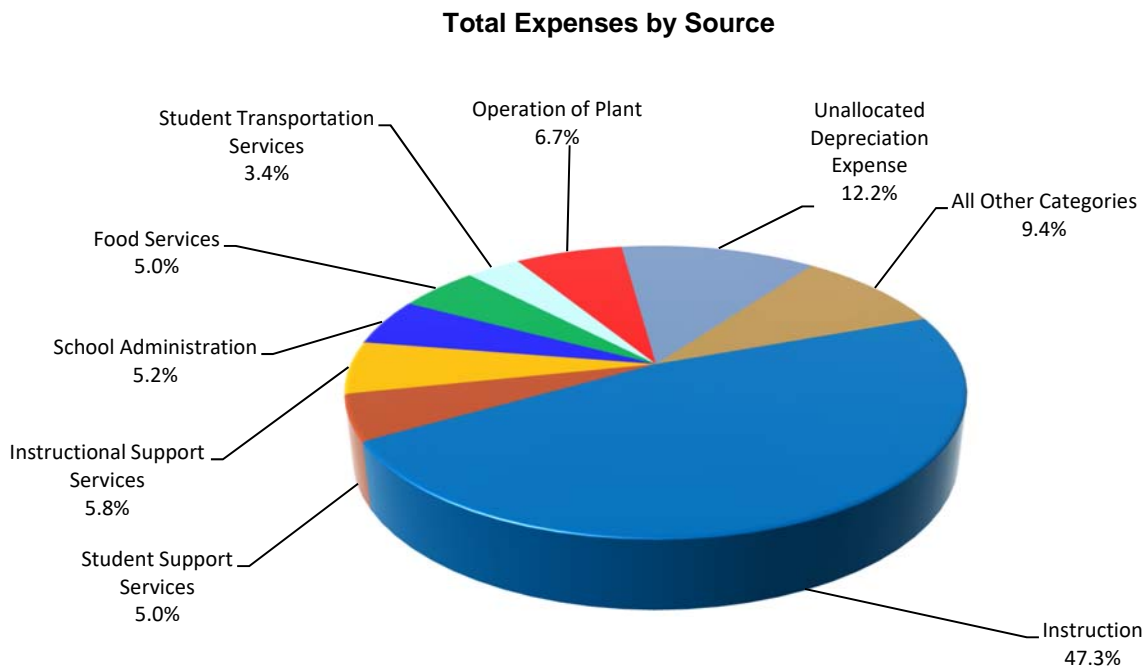
Grants and contributions not restricted to specific program revenues increased by \$2 million, or 4.1 percent, primarily due to new State and Federal grants.

Instruction expenses represent 47.3 percent of total governmental expenses in the 2018-19 fiscal year. Instruction expenses increased by \$3.1 million, or 3.8 percent from the previous fiscal year due mainly to higher FRS rates and additional positions.

The following graph shows total revenues by source:



The following graph shows total expenses by source:



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 \$15.8 million during the fiscal year to \$86.4 million at June 30, 2019. Approximately 20.1 percent of this amount is unassigned fund balance (\$17.4 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$0.7 million), (2) restricted for particular purposes (\$67.2 million), or (3) assigned for particular purposes (\$1.1 million).

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 \$17.4 million, while the total fund balance is \$18.9 million. 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 unassigned fund balance is approximately 13.5 percent of the total General Fund revenues, while total fund balance represents approximately 14.6 percent of total General Fund revenues.

Total fund balance increased by \$5 million during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increases in property values resulted in increased tax revenues of \$2.3 million.
- Increases in other local revenues of \$0.6 million.
- Savings in reducing operation of plant expenses by \$0.2 million.

The Special Revenue – Other Federal Programs Fund has total revenues and expenditures of \$11.3 million each, and the funding was mainly used for instruction and instruction-related services. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund increased by 4.6 percent due mainly to increases in Title I, Special Education, and Head Start funds.

The Debt Service – Federal Economic Stimulus Fund has a total fund balance of \$32 million. This fund is restricted for the accumulation of resources for, and the payment of, debt principal, interest, and related costs on the Qualified School Construction Bonds. The fund balance increased in the current fiscal year due to scheduled sinking fund deposits.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$25.1 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$5.4 million due mainly to the lack of any major building projects. It should be noted that \$9.8 million of fund balance has been encumbered for specific projects.

Proprietary Fund

Unrestricted net position of the Employee Self-Insurance Fund increased by \$0.4 million during the 2018-19 fiscal year to \$2.4 million at June 30, 2019, primarily due to a decrease in insurance claims expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2018-19 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$2.5 million, or 2 percent. At the same time, final appropriations are higher than the original budgeted amounts by \$1.5 million, or 1.1 percent. Budget revisions occurred primarily from changes in tax revenues received, adjustments to State FEFP revenues and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues exceeded budgeted revenues by \$0.6 million, while actual expenditures are \$6.2 million, or 4.6 percent, less than final budget 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 \$6.8 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets totaled \$390.5 million as of June 30, 2019, (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total decrease in capital assets for the current fiscal year was approximately 2.6 percent.

Major capital asset events included the following:

- Several school sites had major renovations resulting in \$2 million of added building value.
- Under District policy, school buses are to be replaced every 13 years. Total cost of new buses for the current year totaled \$1.1 million.

Additional information on the District's capital assets can be found in Notes I.F.4. and II.C. to the financial statements.

Long-Term Debt

At June 30, 2019, the District has total long-term debt outstanding of \$65.1 million, comprised of \$5 million Qualified Zone Academy Bonds payable, \$60 million of Qualified School Construction Bonds payable, and \$0.1 million of bonds payable. During the current fiscal year, net retirement of debt was \$0.1 million.

The District's State school bonds outstanding at June 30, 2019, totaling \$0.1 million, are issued by the State Board of Education, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The latest enrollment projections for the District indicate an increase of 134 students during the 2019-20 fiscal year, which will increase State revenue to some extent.

Employer contributions to the Florida Retirement System increased for regular employees from 8.26 to 8.47 percent of payroll for the 2019-20 fiscal year.

Housing prices are expected to increase the taxable assessed value for the 2019-20 fiscal year, which will increase local revenue to some extent.

For the 2019-20 fiscal year, the District anticipates an overall increase in revenues of approximately \$23.3 million, due mainly to increases in property tax receipts from the additional millage rate approved by taxpayers. However, expenditures are budgeted to increase 20.1 percent over the 2018-19 fiscal year actual expenditures.

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 and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, 1445 Education Way, Port Charlotte, Florida 33948.

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BASIC FINANCIAL STATEMENTS

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

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and Cash Equivalents	\$ 55,783,580.65	\$ 1,879,801.00
Investments	729.99	381,110.00
Accounts Receivable	361,639.89	179,726.00
Deposits Receivable	-	24,692.00
Due from Other Agencies	4,295,107.03	1,895,694.00
Prepaid Items	186,372.16	901,866.00
Inventories	528,887.35	6,300.00
Restricted Cash and Cash Equivalents	31,963,402.55	-
Restricted Investments	3,587,655.89	-
Capital Assets:		
Nondepreciable Capital Assets	19,169,063.64	2,400,000.00
Depreciable Capital Assets, Net	371,341,461.18	10,318,670.00
TOTAL ASSETS	<u>487,217,900.33</u>	<u>17,987,859.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	299,925.00	-
Pensions	32,143,834.00	-
Net Carrying Amount of Debt Refunding	242.99	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>32,444,001.99</u>	<u>-</u>
LIABILITIES		
Accrued Salaries and Benefits	761,496.19	147,576.00
Payroll Deductions and Withholdings	898,685.90	-
Accounts Payable	3,099,080.21	45,851.00
Construction Contracts Payable - Retained Percentage	456,829.45	-
Accrued Interest Payable	75,416.00	303,746.00
Deposits Payable	143,304.32	-
Unearned Revenue	1,516,363.07	-
Long-Term Liabilities:		
Portion Due Within 1 Year	3,605,969.76	-
Portion Due After 1 Year	157,097,369.41	13,189,649.00
TOTAL LIABILITIES	<u>167,654,514.31</u>	<u>13,686,822.00</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	177,094.00	-
Pensions	12,473,673.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,650,767.00</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	325,430,831.78	179,030.00
Restricted for:		
State Required Carryover Programs	1,062,513.17	-
Debt Service	35,476,372.43	1,215,490.00
Capital Projects	26,316,038.64	-
Food Service	4,588,669.87	-
Other Purposes	-	2,785,618.00
Unrestricted	(53,517,804.88)	120,899.00
TOTAL NET POSITION	<u>\$ 339,356,621.01</u>	<u>\$ 4,301,037.00</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 86,159,200.35	\$ 881,460.05	\$ -	\$ -
Student Support Services	9,188,434.83	-	-	-
Instructional Media Services	1,507,248.02	-	-	-
Instruction and Curriculum Development Services	4,316,251.48	-	-	-
Instructional Staff Training Services	3,629,681.42	-	-	-
Instruction-Related Technology	1,100,798.03	-	-	-
Board	731,667.81	-	-	-
General Administration	868,344.17	-	-	-
School Administration	9,458,147.85	-	-	-
Facilities Acquisition and Construction	3,208,097.90	-	-	624,710.11
Fiscal Services	868,057.33	-	-	-
Food Services	9,090,665.33	960,046.61	9,024,830.92	-
Central Services	2,402,908.55	-	-	-
Student Transportation Services	6,219,301.08	256,067.77	-	-
Operation of Plant	12,117,962.66	-	-	-
Maintenance of Plant	3,826,865.41	-	-	277,117.00
Administrative Technology Services	1,337,216.14	-	-	-
Community Services	187,034.41	964,178.39	-	-
Unallocated Interest on Long-Term Debt	3,715,118.10	-	-	74,340.01
Unallocated Depreciation Expense	22,215,836.33	-	-	-
Total Primary Government	\$ 182,148,837.20	\$ 3,061,752.82	\$ 9,024,830.92	\$ 976,167.12
Component Units				
Charter Schools/Educational Foundation	\$ 4,949,897.00	\$ 17,108.00	\$ 352,172.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Primary Government	
Governmental Activities	Component Units
\$ (85,277,740.30)	\$ -
(9,188,434.83)	-
(1,507,248.02)	-
(4,316,251.48)	-
(3,629,681.42)	-
(1,100,798.03)	-
(731,667.81)	-
(868,344.17)	-
(9,458,147.85)	-
(2,583,387.79)	-
(868,057.33)	-
894,212.20	-
(2,402,908.55)	-
(5,963,233.31)	-
(12,117,962.66)	-
(3,549,748.41)	-
(1,337,216.14)	-
777,143.98	-
(3,640,778.09)	-
(22,215,836.33)	-
<u>(169,086,086.34)</u>	<u>-</u>
-	(4,580,617.00)
86,396,821.58	-
26,726,353.26	-
51,761,922.01	3,985,235.00
2,340,918.63	-
<u>3,531,472.52</u>	<u>1,864,759.00</u>
<u>170,757,488.00</u>	<u>5,849,994.00</u>
1,671,401.66	1,269,377.00
<u>337,685,219.35</u>	<u>3,031,660.00</u>
<u>\$ 339,356,621.01</u>	<u>\$ 4,301,037.00</u>

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

	<u>General Fund</u>	<u>Special Revenue - Other Federal Programs Fund</u>	<u>Debt Service - Federal Economic Stimulus Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 17,825,998.45	\$ -	\$ -
Investments	-	-	-
Accounts Receivable	28,745.04	-	-
Due from Other Funds	1,151,336.56	-	-
Due from Other Agencies	2,272,929.96	823,787.48	-
Prepaid Items	186,372.16	-	-
Inventories	161,404.80	-	-
Restricted Cash and Cash Equivalents	-	-	31,963,402.55
Restricted Investments	-	-	-
TOTAL ASSETS	<u>\$ 21,626,786.97</u>	<u>\$ 823,787.48</u>	<u>\$ 31,963,402.55</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 665,351.57	\$ 59,650.31	\$ -
Payroll Deductions and Withholdings	805,350.64	43,795.24	-
Accounts Payable	1,297,242.55	20,515.44	-
Construction Contracts Payable - Retained Percentage	2,632.18	-	-
Due to Other Funds	-	699,826.49	-
Deposits Payable	-	-	-
Total Liabilities	<u>2,770,576.94</u>	<u>823,787.48</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Prepaid Items	186,372.16	-	-
Inventories	161,404.80	-	-
Total Nonspendable Fund Balance	<u>347,776.96</u>	<u>-</u>	<u>-</u>
Restricted for:			
State Required Carryover Programs	1,062,513.17	-	-
Debt Service	-	-	31,963,402.55
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	<u>1,062,513.17</u>	<u>-</u>	<u>31,963,402.55</u>
Assigned for:			
Disaster Recovery	-	-	-
Unassigned Fund Balance	<u>17,445,919.90</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>18,856,210.03</u>	<u>-</u>	<u>31,963,402.55</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,626,786.97</u>	<u>\$ 823,787.48</u>	<u>\$ 31,963,402.55</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 26,061,761.70	\$ 6,747,550.98	\$ 50,635,311.13
-	729.99	729.99
-	-	28,745.04
529,988.00	-	1,681,324.56
604,061.18	594,328.41	4,295,107.03
-	-	186,372.16
-	367,482.55	528,887.35
-	-	31,963,402.55
-	3,587,655.89	3,587,655.89
<u>\$ 27,195,810.88</u>	<u>\$ 11,297,747.82</u>	<u>\$ 92,907,535.70</u>
\$ 6,683.90	\$ 28,047.27	\$ 759,733.05
10,244.97	35,182.72	894,573.57
1,615,783.02	129,591.41	3,063,132.42
436,726.80	17,470.47	456,829.45
-	529,988.00	1,229,814.49
-	113,341.44	113,341.44
<u>2,069,438.69</u>	<u>853,621.31</u>	<u>6,517,424.42</u>
-	-	186,372.16
-	367,482.55	528,887.35
<u>-</u>	<u>367,482.55</u>	<u>715,259.51</u>
-	-	1,062,513.17
-	3,588,385.88	35,551,788.43
25,126,372.19	1,189,666.45	26,316,038.64
-	4,221,187.32	4,221,187.32
<u>25,126,372.19</u>	<u>8,999,239.65</u>	<u>67,151,527.56</u>
-	1,077,404.31	1,077,404.31
-	-	17,445,919.90
<u>25,126,372.19</u>	<u>10,444,126.51</u>	<u>86,390,111.28</u>
<u>\$ 27,195,810.88</u>	<u>\$ 11,297,747.82</u>	<u>\$ 92,907,535.70</u>

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

Total Fund Balances - Governmental Funds \$ 86,390,111.28

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. 390,510,524.82

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (75,416.00)

The difference between the acquisition price and the net carrying amount of refunded debt is recorded as a deferred outflow of resources in the government-wide statements, but is not reported in the governmental funds. 242.99

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 OPEB	\$ 299,925.00	
Deferred Outflows Related to Pensions	32,143,834.00	
Deferred Inflows Related to OPEB	(177,094.00)	
Deferred Inflows Related to Pensions	<u>(12,473,673.00)</u>	19,792,992.00

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 fund is included in governmental activities in the statement of net position. 2,423,831.58

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:

Qualified Zone Academy Bonds Payable	\$ (5,000,000.00)	
Qualified School Construction Bonds Payable	(60,000,000.00)	
Bonds Payable	(79,936.03)	
Compensated Absences Payable	(11,101,504.63)	
Other Postemployment Benefits Payable	(3,702,419.00)	
Net Pension Liability	<u>(79,801,806.00)</u>	<u>(159,685,665.66)</u>

Net Position - Governmental Activities \$ 339,356,621.01

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

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

	<u>General Fund</u>	<u>Special Revenue - Other Federal Programs Fund</u>	<u>Debt Service - Federal Economic Stimulus Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 281,069.20	\$ 2,507,772.24	\$ 2,970,864.00
Federal Through State and Local	805,844.70	8,771,474.92	-
State	35,720,136.25	-	-
Local:			
Property Taxes	86,396,821.58	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	5,929,941.59	-	729,358.90
Total Local Revenues	<u>92,326,763.17</u>	<u>-</u>	<u>729,358.90</u>
Total Revenues	<u>129,133,813.32</u>	<u>11,279,247.16</u>	<u>3,700,222.90</u>
Expenditures			
Current - Education:			
Instruction	77,138,053.54	5,642,643.44	-
Student Support Services	8,313,435.95	827,059.47	-
Instructional Media Services	1,483,146.52	3,049.50	-
Instruction and Curriculum Development Services	2,536,019.59	1,747,236.63	-
Instructional Staff Training Services	1,405,499.09	2,216,314.32	-
Instruction-Related Technology	1,100,798.03	-	-
Board	730,567.19	1,100.62	-
General Administration	386,875.74	489,685.19	-
School Administration	9,228,658.42	137,616.12	-
Facilities Acquisition and Construction	-	20,538.51	-
Fiscal Services	833,513.65	-	-
Food Services	-	-	-
Central Services	2,118,042.18	-	-
Student Transportation Services	6,291,631.54	27,407.22	-
Operation of Plant	12,063,920.66	100,550.81	-
Maintenance of Plant	3,889,933.71	65,789.49	-
Administrative Technology Services	1,312,035.19	255.84	-
Community Services	186,418.98	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	315,183.04	-	3,423,700.00
Total Expenditures	<u>129,333,733.02</u>	<u>11,279,247.16</u>	<u>3,423,700.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(199,919.70)</u>	<u>-</u>	<u>276,522.90</u>
Other Financing Sources (Uses)			
Transfers In	5,129,205.65	-	3,322,710.52
Sale of Capital Assets	58,085.48	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>5,187,291.13</u>	<u>-</u>	<u>3,322,710.52</u>
Net Change in Fund Balances	4,987,371.43	-	3,599,233.42
Fund Balances, Beginning	13,868,838.60	-	28,364,169.13
Fund Balances, Ending	<u>\$ 18,856,210.03</u>	<u>\$ 0.00</u>	<u>\$ 31,963,402.55</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,759,705.44
-	8,910,911.92	18,488,231.54
185,075.00	1,609,771.82	37,514,983.07
26,726,353.26	-	113,123,174.84
-	960,046.61	960,046.61
568,073.18	301,220.70	7,528,594.37
<u>27,294,426.44</u>	<u>1,261,267.31</u>	<u>121,611,815.82</u>
<u>27,479,501.44</u>	<u>11,781,951.05</u>	<u>183,374,735.87</u>
-	-	82,780,696.98
-	-	9,140,495.42
-	-	1,486,196.02
-	-	4,283,256.22
-	-	3,621,813.41
-	-	1,100,798.03
-	-	731,667.81
-	-	876,560.93
-	-	9,366,274.54
3,187,559.39	-	3,208,097.90
-	-	833,513.65
-	9,396,932.67	9,396,932.67
-	-	2,118,042.18
-	-	6,319,038.76
-	-	12,164,471.47
-	-	3,955,723.20
-	-	1,312,291.03
-	-	186,418.98
10,444,014.17	529,988.00	10,974,002.17
-	74,000.00	74,000.00
-	4,853.68	3,743,736.72
<u>13,631,573.56</u>	<u>10,005,774.35</u>	<u>167,674,028.09</u>
<u>13,847,927.88</u>	<u>1,776,176.70</u>	<u>15,700,707.78</u>
-	242,708.40	8,694,624.57
-	-	58,085.48
<u>(8,417,507.57)</u>	<u>(277,117.00)</u>	<u>(8,694,624.57)</u>
<u>(8,417,507.57)</u>	<u>(34,408.60)</u>	<u>58,085.48</u>
5,430,420.31	1,741,768.10	15,758,793.26
19,695,951.88	8,702,358.41	70,631,318.02
<u>\$ 25,126,372.19</u>	<u>\$ 10,444,126.51</u>	<u>\$ 86,390,111.28</u>

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

Net Change in Fund Balances - Governmental Funds \$ 15,758,793.26

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (10,489,911.13)

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. (91,381.53)

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. 74,000.00

Premiums and refunding losses are recognized in the governmental funds in the year the debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements:

Amortization of Debt Premiums	\$ 25,394.18	
Amortization of Refunding Losses	(477.06)	24,917.12

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the government-wide statements. This is the reduction in accrued interest in the current fiscal year. 3,701.50

Certain amounts relating to capital outlay and debt service were deferred in a prior year in the governmental fund statements because the amounts were unavailable but were recognized as revenue in the government-wide statements. This is the amount of revenue that became available in the current year. (208,468.88)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (109,103.43)

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

Decrease in OPEB Liability	\$ 42,976.00	
Decrease in OPEB Deferred Outflows of Resources	(47,184.00)	
Decrease in OPEB Deferred Inflows of Resources	2,667.00	(1,541.00)

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

FRS Pension Contribution	\$ 5,129,161.00	
HIS Pension Contribution	1,397,442.00	
FRS Pension Expense	(8,548,535.00)	
HIS Pension Expense	(1,711,436.00)	(3,733,368.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 443,763.75

Change in Net Position - Governmental Activities \$ 1,671,401.66

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

**Charlotte County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2019**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 5,148,269.52</u>
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	1,763.14
Payroll Deductions and Withholdings	4,112.33
Accounts Payable	35,947.79
Due to Other Funds	118,615.22
Deposits Payable	29,962.88
Unearned Revenue	<u>1,516,363.07</u>
Total Current Liabilities	<u>1,706,764.43</u>
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	<u>1,017,673.51</u>
TOTAL LIABILITIES	<u>2,724,437.94</u>
NET POSITION	
Unrestricted	<u>\$ 2,423,831.58</u>

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

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

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premiums	\$ 16,981,113.06
Other	691,279.18
Total Operating Revenues	17,672,392.24
OPERATING EXPENSES	
Salaries	116,870.93
Employee Benefits	36,934.88
Purchased Services	4,775,366.11
Materials and Supplies	7,260.11
Capital Outlay	3,116.16
Insurance Claims	12,253,868.48
Total Operating Expenses	17,193,416.67
Operating Income	478,975.57
NONOPERATING REVENUES (EXPENSES)	
Investment Expense	(37,812.82)
Gifts, Grants, and Bequests	2,601.00
Total Nonoperating Revenues (Expenses)	(35,211.82)
Change in Net Position	443,763.75
Total Net Position - Beginning	1,980,067.83
Total Net Position - Ending	\$ 2,423,831.58

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

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

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board and Participants	\$ 16,927,390.43
Cash Payments for Claims	(12,292,925.95)
Cash Payments to Suppliers for Goods and Services	(4,698,631.78)
Cash Payments to Employees for Services	(154,228.61)
Other Receipts	691,279.18
	472,883.27
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Expense	(37,812.82)
Grants	2,601.00
	(35,211.82)
Net Increase in Cash and Cash Equivalents	437,671.45
Cash and Cash Equivalents, Beginning	4,710,598.07
	\$ 5,148,269.52
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 478,975.57
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Accrued Salaries and Benefits	(1,250.82)
Payroll Deductions and Withholdings	828.02
Accounts Payable	(31,504.62)
Due to Other Funds	118,615.22
Deposits Payable	(8,169.90)
Unearned Revenue	(45,552.73)
Estimated Insurance Claims Payable	(39,057.47)
	(6,092.30)
Total Adjustments	(6,092.30)
Net Cash Provided by Operating Activities	\$ 472,883.27

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>3,514,015.36</u>
LIABILITIES	
Due to Other Funds	\$ 332,894.85
Internal Accounts Payable	<u>3,181,120.51</u>
TOTAL LIABILITIES	\$ <u>3,514,015.36</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 are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. 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 Charlotte County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is reported as unallocated.

B. Reporting Entity

The Charlotte 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 appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Charlotte 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. A blended component unit is, in substance, part of the primary government's operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as part of the District. The Charlotte 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.I. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

The Charlotte Local Education Foundation, Inc. (Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

Babcock Neighborhood School, Inc. and Crossroads Hope Academy, Inc. (charter schools) are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by their sponsor, the Charlotte County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2019. The audit reports are filed in the District's administrative offices at 1445 Education Way, Port Charlotte, Florida 33948.

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 the internal service fund. Separate financial statements are provided for governmental funds, proprietary fund, 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 unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Debt Service – Federal Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs on the District's qualified school construction bonds (QSCB).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's Employee Benefits Program.
- Agency 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. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 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 60 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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 and money market funds, except that amounts held in escrow for long-term debt are not considered to be cash equivalents.

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

2. Investments

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

The District's investments 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. These investments are reported at fair value, which is amortized cost.

Investments made locally include a money market fund and a Federated Home Loan Mortgage Corporation (FHLMC) note and are reported at fair value.

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

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost using the moving average pricing method, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when 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 group depreciation and the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	7- 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have

been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

6. Long-Term Liabilities

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

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 position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes. The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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, 2019.

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 approval of the annual financial report, authorized the assignment of 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. Also classified as assigned are amounts that are constrained to be used for specific purposes based on actions of the Superintendent. 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, the District has adopted Board Policy 6233, which provides that each year's final adopted budget shall include an appropriated (unassigned) projected fund balance of not less than 5 percent of the District's General Fund revenues. The projected fund balance may be allowed to fall below 5 percent only after a super majority vote of the Board.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as unearned revenue until such time as an encumbrance authorization is received.

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 Charlotte County Property Appraiser, and property taxes are collected by the Charlotte County Tax Collector.

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

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

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

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

4. Federal Revenue Sources

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

5. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

6. 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 internal service fund are charges for employee health 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, 2019, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1), (2)	28 Day Average	\$ 74,227,522.15
Debt Service Accounts	6 Months	729.99
Bank of America - Money Market (1)	40 Day Average	99,878.15
Federal Home Loan Mortgage Corporation (FHLMC)		
Discount Note (3)	October 30, 2019	3,587,655.89
Federated Prime Obligations (1), (4)	40 Day Average	965.56
Total Investments		\$ 77,916,751.74

- (1) Investments that have original maturities of 3 months or less are considered cash equivalents for financial reporting purposes.
- (2) A portion of these investments (\$31,962,436.99) are held under a master trust agreement and supplemental master trust agreement in connection with the Qualified School Construction Bonds (QSCB). See Note II.I.2.
- (3) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZAB). See Note II.I.1.
- (4) This investment is held under a master trust agreement and supplemental master trust agreement in connection with the QSCB. See Note II.I.2.

Fair Value Measurement

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

Interest Rate Risk

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

Florida PRIME, Bank of America, and Federated Prime use 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, 2019, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

The District's investment in the FHLMC discount note is authorized under a forward delivery agreement (FDA) with the QZAB paying agent. The FDA guarantees an interest rate of 3.21 percent. The provider of the FDA bears the interest rate risk.

Credit Risk

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

As of June 30, 2019, the District's investment in Florida PRIME and Bank of America money market fund are rated AAAM by Standard & Poor's.

The FHLMC investment note is rated Aaa by Moody's Investor Services and AA+ by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; (2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

The District's investment in the FHLMC discount note is held in a custodial account by the paying agent.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. The FHLMC note comprises 4.6 percent of total investments and 100 percent of investments in the nonmajor Debt Service – Other Fund.

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 10,337,853.08	\$ -	\$ -	\$ 10,337,853.08
Construction in Progress	2,038,345.53	8,928,442.23	2,135,577.20	8,831,210.56
Total Capital Assets Not Being Depreciated	<u>12,376,198.61</u>	<u>8,928,442.23</u>	<u>2,135,577.20</u>	<u>19,169,063.64</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,781,389.84	163,222.40	-	6,944,612.24
Buildings and Fixed Equipment	556,021,802.45	1,972,354.80	-	557,994,157.25
Furniture, Fixtures, and Equipment	25,642,743.81	1,525,803.47	1,728,114.30	25,440,432.98
Motor Vehicles	15,455,775.63	1,271,679.50	997,679.75	15,729,775.38
Audio Visual Materials and Computer Software	1,409,100.57	-	192,957.30	1,216,143.27
Total Capital Assets Being Depreciated	<u>605,310,812.30</u>	<u>4,933,060.17</u>	<u>2,918,751.35</u>	<u>607,325,121.12</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	5,759,961.00	184,143.00	-	5,944,104.00
Buildings and Fixed Equipment	177,176,304.48	19,574,757.95	-	196,751,062.43
Furniture, Fixtures, and Equipment	21,209,471.83	1,432,347.38	1,609,244.02	21,032,575.19
Motor Vehicles	11,143,447.47	994,163.91	1,025,168.50	11,112,442.88
Audio Visual Materials and Computer Software	1,306,008.65	30,424.09	192,957.30	1,143,475.44
Total Accumulated Depreciation	<u>216,595,193.43</u>	<u>22,215,836.33</u>	<u>2,827,369.82</u>	<u>235,983,659.94</u>
Total Capital Assets Being Depreciated, Net	<u>388,715,618.87</u>	<u>(17,282,776.16)</u>	<u>91,381.53</u>	<u>371,341,461.18</u>
Governmental Activities Capital Assets, Net	<u>\$ 401,091,817.48</u>	<u>\$ (8,354,333.93)</u>	<u>\$ 2,226,958.73</u>	<u>\$ 390,510,524.82</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totals \$22,215,836.33, is not charged to functions but is shown as unallocated on the statement of activities.

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and

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

The District's FRS and HIS pension expense totaled \$10,259,971 for the fiscal year ended June 30, 2019.

FRS Pension Plan

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

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

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

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
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 2018-19 fiscal year were as follows:

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

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

The District's contributions to the Plan totaled \$5,129,161 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$52,170,107 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.173204545 percent, which was a decrease of 0.00347682 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the Plan pension expense of \$8,548,535. 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	\$ 4,419,592	\$ 160,410
Change of Assumptions	17,046,654	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	4,030,777
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	479,663	3,115,296
District FRS Contributions Subsequent to the Measurement Date	5,129,161	-
Total	<u>\$ 27,075,070</u>	<u>\$ 7,306,483</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$5,129,161, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 6,276,499
2021	3,916,678
2022	(128,138)
2023	2,494,547
2024	1,816,512
Thereafter	263,328
Total	<u>\$ 14,639,426</u>

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

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

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

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

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

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

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

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

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District's Proportionate Share of the Net Pension Liability	\$ 95,212,633	\$ 52,170,107	\$ 16,420,744

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

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

The District's contributions to the HIS Plan totaled \$1,397,442 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a net pension liability of \$27,631,699 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the

total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.261067708 percent, which was a decrease of 0.008166715 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the HIS Plan pension expense of \$1,711,436. 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	\$ 423,029	\$ 46,945
Change of Assumptions	3,072,986	2,921,454
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	16,679	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	158,628	2,198,791
District HIS Contributions Subsequent to the Measurement Date	<u>1,397,442</u>	<u>-</u>
Total	\$ 5,068,764	\$ 5,167,190

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,397,442, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 35,582
2021	34,176
2022	(136,914)
2023	(336,540)
2024	(735,761)
Thereafter	<u>(356,411)</u>
Total	\$ (1,495,868)

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

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

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

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

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

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

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 31,470,886	\$ 27,631,699	\$ 24,431,514

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

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$6,635.54 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2019.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended

by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

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

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

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

The District's Investment Plan pension expense totaled \$1,509,563 for the fiscal year ended June 30, 2019.

Payables to the Investment Plan. At June 30, 2019, the District reported a payable of \$143,284.12 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2019.

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. Pursuant to Section 112.0801, Florida Statutes, employees who retire from the District and their eligible dependents 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. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	56
Active Employees	<u>1,325</u>
Total	<u>1,381</u>

Total OPEB Liability. The District's total OPEB liability of \$3,702,419 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to determine the total OPEB liability as of June 30, 2018.

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

Inflation	2.5 percent
Salary Increases	3.7 – 7.8 percent, including inflation
Discount Rate	3.62 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rate starting at 0 percent for 2018, 6.75 percent for 2019, and gradually decreasing to an ultimate trend rate of 4.24 percent plus 0.42 percent increase for excise tax.
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.

The discount rate was based on the daily rate of Fidelity’s 20-Year Municipal General Obligation AA Index closest to but not later than the measurement date.

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2016, 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, 2016, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.

Changes in the Total OPEB Liability. Below are the details regarding the total OPEB liability for the measurement period from June 30, 2017, to June 30, 2018.

	<u>Amount</u>
Balance at June 30, 2018	\$ 3,745,395
Changes for the year:	
Service Cost	188,955
Interest	133,884
Changes of Assumptions or Other Inputs	(18,706)
Benefit Payments	<u>(347,109)</u>
Net Changes	<u>(42,976)</u>
Balance at June 30, 2019	<u>\$ 3,702,419</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.62 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current rate:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 4,026,915	\$ 3,702,419	\$ 3,414,639

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 (-1 percent increasing to 3.66 percent) or 1 percentage point higher (1 percent increasing to 5.66 percent) than the current healthcare cost trend rates:

	1% Decrease (-1% increasing to 3.66%)	Healthcare Cost Trend Rates (0% increasing to 4.66%)	1% Increase (1% increasing to 5.66%)
Total OPEB Liability	\$ 3,198,744	\$ 3,702,419	\$ 4,325,608

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$301,466. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs Benefits Paid Subsequent to the Measurement Date	\$ -	\$ 177,094
	299,925	-
Total	\$ 299,925	\$ 177,094

The amount reported as deferred outflows of resources related to OPEB, totaling \$299,925, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. The deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (21,373)
2021	(21,373)
2022	(21,373)
2023	(21,373)
2024	(21,373)
Thereafter	(70,229)
Total	\$ (177,094)

F. Other Significant Commitments

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

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

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 115,781.42	\$ 12,867.05	\$ 9,810,526.14	\$ 1,324,759.46	\$ 11,263,934.07

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; and natural disasters. The District has established self-insurance programs for its employee health and hospitalization and its workers' compensation liability coverage. The Board is a member of the Florida School Board Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. FSBIT was established under the authority of Section 624.4622, Florida Statutes, for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards.

The District's health insurance program for its employees is provided on a self-insured basis up to specific limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claims above \$300,000 on an individual basis, and aggregate excess coverage of \$5 million when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

As of June 30, 2019, a liability in the amount of \$1,017,673.51 was actuarially determined to cover estimated incurred but not reported insurance claims payable.

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
2017-18	\$ 723,093.67	\$ 15,871,651.17	\$(15,538,013.86)	\$ 1,056,730.98
2018-19	1,056,730.98	12,253,868.48	(12,292,925.95)	1,017,673.51

H. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 0	\$ 17,500,000	\$ 17,500,000	\$ 0

On September 14, 2018, the Charlotte County District School Board issued Tax Anticipation Note, Series 2018, in the amount of \$17.5 million. The note carried an interest rate of 4 percent and was repaid on June 28, 2019. Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

I. Long-Term Liabilities

1. Qualified Zone Academy Bonds Payable

On November 27, 2006, the District entered into a financing arrangement, characterized as a lease-purchase agreement, with the Leasing Corporation, whereby the District secured financing under the Qualified Zone Academy Bonds (QZAB) Program in the amount of \$5 million. The QZAB Program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). Interest on the debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of the sale.

The financing was accomplished through the issuance of Series 2006-QZAB Note on November 27, 2006. The financing proceeds were designated for technology upgrades/replacements, computer laptops, and instructional equipment/materials at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbor Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School. The Leasing Corporation issued the bonds, purchased the equipment, and then leased the equipment to the District under terms of the lease-purchase agreement.

Repayment of the original \$5 million financing proceeds is due in full on November 27, 2022. In connection with the financing, the District entered into a forward delivery agreement requiring annual deposits of \$242,708.40 into a sinking fund for 16 consecutive years, beginning November 27, 2007. The forward delivery agreement provides a guaranteed investment return of 3.25 percent per annum, which together with the required annual deposits, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. As of June 30, 2019, the market value of the sinking fund account was \$3,587,655.89.

2. Qualified School Construction Bond Payable

In the 2009-10 fiscal year, the District established a master lease-purchase program for the lease-purchase financing of various current and future educational facilities and sites. The

general terms of this program were determined pursuant to a Master Lease-Purchase Agreement and Master Trust Agreement between the District and the Leasing Corporation.

On May 28, 2010, the District entered into a financing arrangement with the Leasing Corporation under this program whereby the District secured financing under the Qualified School Construction Bonds (QSCB) program. The QSCB program was established by Section 1521 of the American Recovery and Reinvestment Act (ARRA) and codified in Section 54A and 54F of the Internal Revenue Code. Among other things, the program provides low interest cost financing to school districts to construct certain educational facilities. Interest on the debt is paid by the District and reimbursed in part by the Federal government.

The financing was accomplished through the issuance of a School Board of Charlotte County, Florida Master Lease Program – Master Lease Certificates, Series 2010A-QSCB in the principal amount of \$60 million. The certificate proceeds were for the replacement construction of two schools, Meadow Park Elementary School and Lemon Bay High School. Under terms of Lease Schedule 2010A to the Master Lease-Purchase Agreement, and other related agreements, the District provided a ground lease to the Leasing Corporation, then would construct, acquire, install, and lease-purchase the projects from the Leasing Corporation.

Repayment of the original \$60 million certificate proceeds is due in full on May 1, 2027. Interest payments are due semi-annually based on a 5.7 percent annual interest rate, and a Federal interest subsidy reimbursement is available at an annual rate of 5.29 percent. The subsidy was reduced for 2018, pursuant to the requirements of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended. Interest payments in 2019 were \$3,420,000 and interest subsidies were \$2,970,864. Rent paid by the District to the Leasing Corporation corresponds to the annual debt service requirements on the bonds. Rents are paid from “Available Revenues” of the District, including capital outlay millage revenues. The lease term ends on the date the certificates are paid in full.

In connection with the financing and pursuant to a Series 2010A Supplemental Master Trust Agreement, the Leasing Corporation assigned its rights to the rent collections to a Trustee (Regions Bank), requiring the District to deposit the 17 annual “basic” rent payments of \$3,529,412 (corresponding to the principal portion of the bond), beginning in 2011, into a sinking fund held by the Trustee, as security for the bond. These amounts will be sufficient to pay the \$60 million principal balance at maturity. Investment income earned in the Sinking Fund can be used to reduce future annual rent payments. At June 30, 2019, the fair value of the sinking fund account was \$31,963,402.55.

3. Bonds Payable

State school bonds payable at June 30, 2019, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2014-B, Refunding	\$ 56,000.00	2	2020
Add: Unamortized Premium	<u>23,936.03</u>		
Total Bonds Payable	<u>\$ 79,936.03</u>		

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2020	\$ 57,120.00	\$ 56,000.00	\$ 1,120.00
Add: Unamortized Premium	<u>23,936.03</u>	<u>23,936.03</u>	<u>-</u>
Total	<u>\$ 81,056.03</u>	<u>\$ 79,936.03</u>	<u>\$ 1,120.00</u>

4. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Qualified Zone Academy Bonds Payable	\$ 5,000,000.00	\$ -	\$ -	\$ 5,000,000.00	\$ -
Qualified School Construction Bonds Payable	60,000,000.00	-	-	60,000,000.00	-
Bonds Payable	179,330.21	-	99,394.18	79,936.03	79,936.03
Estimated Insurance Claims Payable	1,056,730.98	12,214,811.01	12,253,868.48	1,017,673.51	947,946.51
Compensated Absences Payable	10,992,401.20	1,435,898.12	1,326,794.69	11,101,504.63	1,601,819.22
Other Postemployment Benefit Obligations	3,745,395.00	322,839.00	365,815.00	3,702,419.00	299,925.00
Net Pension Liability	81,048,949.00	44,000,792.00	45,247,935.00	79,801,806.00	676,343.00
Total Governmental Activities	<u>\$ 162,022,806.39</u>	<u>\$ 57,974,340.13</u>	<u>\$ 59,293,807.35</u>	<u>\$ 160,703,339.17</u>	<u>\$ 3,605,969.76</u>

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. Estimated insurance claims payable is generally liquidated with the resources of the Internal Service Fund.

J. 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.

K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 1,151,336.56	\$ -
Special Revenue:		
Other Federal Programs	-	699,826.49
Capital Projects:		
Local Capital Improvement	529,988.00	-
Nonmajor Governmental	-	529,988.00
Internal Service	-	118,615.22
Fiduciary	-	332,894.85
Total	\$ 1,681,324.56	\$ 1,681,324.56

Interfund receivables and payables are temporary loans of cash between funds for a period of less than 13 months. The temporary loans will be repaid in the next fiscal year.

L. Revenues

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Categorical Educational Programs - Class Size Reduction	\$ 16,842,902.00
Florida Education Finance Program	14,212,603.00
Workforce Development Program	1,806,327.00
Florida Best and Brightest Scholarship Programs	1,211,852.54
Motor Vehicle License Tax (Capital Outlay and Debt Service)	699,050.12
School Recognition	675,258.00
Voluntary Prekindergarten Program	533,500.42
Gross Receipts Tax (Public Education Capital Outlay)	277,117.00
Sales Tax Distribution	148,833.32
Food Service Supplement	113,919.00
State License Tax	97,224.67
Miscellaneous	896,396.00
Total	\$ 37,514,983.07

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 2018 tax roll for the 2018-19 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	4.100	\$ 75,507,800
Basic Discretionary Local Effort	0.748	13,775,569
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	27,624,805
Total	6.348	\$ 116,908,174

M. 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	\$ 5,129,205.65	\$ -
Debt Service:		
Federal Economic Stimulus	3,322,710.52	-
Capital Projects:		
Local Capital Improvement	-	8,417,507.57
Nonmajor Governmental	242,708.40	277,177.00
Total	\$ 8,694,624.57	\$ 8,694,684.57

Interfund transfers represent permanent transfers of money between funds. In general, funds are transferred to the General Fund from the capital projects funds to finance various District maintenance projects and equipment purchases. Transfers to debt service funds are to fund the required annual sinking fund payments.

III. CONSORTIUMS

The District is a member of the Greater Florida Consortium of School Boards. This consortium is organized to provide educational information, interpretation, and consultation assistance to the affected districts.

IV. NON-FEDERAL SHARE FOR HEAD START PROGRAMS

For the Head Start and Early Head Start grants, the District is required to provide 20 percent of the total amount expended using non-Federal funds and donated goods and services. Local funds expended were for facilities, equipment and district support staff, such as therapists, psychologists and teachers. Donated goods and services were provided by the community and were used for the benefit of the program. During this fiscal year, for grant number 04CH4774/04 with a period ending October 31, 2018, the required amount of non-Federal share is \$228,208.45. For grant number 04CH4774/05 the required amount of non-Federal share during the period November 1, 2018, through June 30, 2019, is \$398,734.61.

V. SUBSEQUENT EVENTS

The Board authorized the issuance of a tax anticipation note (Note) in the amount of \$16,500,000. The proceeds will be used for operating expenses for the fiscal year ending June 30, 2020. The closing of the Note took place on September 6, 2019, and the Note matures on March 31, 2020. The stated interest rate is 2 percent.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 175,000.00	\$ 175,000.00	\$ 281,069.20	\$ 106,069.20
Federal Through State and Local	1,080,000.00	1,183,373.00	805,844.70	(377,528.30)
State	34,634,790.00	35,721,622.00	35,720,136.25	(1,485.75)
Local:				
Property Taxes	85,879,877.00	86,395,877.00	86,396,821.58	944.58
Miscellaneous	4,229,040.00	5,067,122.00	5,929,941.59	862,819.59
Total Local Revenues	90,108,917.00	91,462,999.00	92,326,763.17	863,764.17
Total Revenues	125,998,707.00	128,542,994.00	129,133,813.32	590,819.32
Expenditures				
Current - Education:				
Instruction	80,108,259.00	81,320,112.00	77,138,053.54	4,182,058.46
Student Support Services	8,440,492.00	8,455,065.00	8,313,435.95	141,629.05
Instructional Media Services	1,519,003.00	1,525,603.00	1,483,146.52	42,456.48
Instruction and Curriculum Development Services	2,644,454.00	2,664,381.00	2,536,019.59	128,361.41
Instructional Staff Training Services	1,485,025.00	1,485,025.00	1,405,499.09	79,525.91
Instruction-Related Technology	1,162,857.00	1,162,857.00	1,100,798.03	62,058.97
Board	776,951.00	776,951.00	730,567.19	46,383.81
General Administration	346,191.00	400,187.00	386,875.74	13,311.26
School Administration	9,438,638.00	9,438,638.00	9,228,658.42	209,979.58
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	865,023.00	865,023.00	833,513.65	31,509.35
Central Services	2,321,668.00	2,321,668.00	2,118,042.18	203,625.82
Student Transportation Services	6,356,374.00	6,356,374.00	6,291,631.54	64,742.46
Operation of Plant	12,649,071.00	12,649,071.00	12,063,920.66	585,150.34
Maintenance of Plant	4,208,288.00	4,208,288.00	3,889,933.71	318,354.29
Administrative Technology Services	1,353,628.00	1,368,628.00	1,312,035.19	56,592.81
Community Services	188,193.00	188,193.00	186,418.98	1,774.02
Debt Service:				
Interest and Fiscal Charges	160,000.00	315,200.00	315,183.04	16.96
Total Expenditures	134,024,115.00	135,501,264.00	129,333,733.02	6,167,530.98
Deficiency of Revenues Over Expenditures	(8,025,408.00)	(6,958,270.00)	(199,919.70)	6,758,350.30
Other Financing Sources				
Transfers In	5,100,000.00	5,130,000.00	5,129,205.65	(794.35)
Loss Recoveries	-	-	58,085.48	58,085.48
Total Other Financing Sources	5,100,000.00	5,130,000.00	5,187,291.13	57,291.13
Net Change in Fund Balances	(2,925,408.00)	(1,828,270.00)	4,987,371.43	6,815,641.43
Fund Balances, Beginning	13,884,474.00	13,884,474.00	13,868,838.60	(15,635.40)
Fund Balances, Ending	\$ 10,959,066.00	\$ 12,056,204.00	\$ 18,856,210.03	\$ 6,800,006.03

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,316,951.00	\$ 2,316,951.00	\$ 2,507,772.24	\$ 190,821.24
9,927,619.00	10,956,772.00	8,771,474.92	(2,185,297.08)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>12,244,570.00</u>	<u>13,273,723.00</u>	<u>11,279,247.16</u>	<u>(1,994,475.84)</u>
6,349,274.00	7,050,880.00	5,642,643.44	1,408,236.56
1,156,898.00	1,198,883.00	827,059.47	371,823.53
-	3,050.00	3,049.50	0.50
1,571,601.00	1,747,582.00	1,747,236.63	345.37
2,280,851.00	2,484,043.00	2,216,314.32	267,728.68
11,880.00	11,180.00	-	11,180.00
-	1,101.00	1,100.62	0.38
576,049.00	586,569.00	489,685.19	96,883.81
124,353.00	144,352.00	137,616.12	6,735.88
27,381.00	20,904.00	20,538.51	365.49
-	-	-	-
-	-	-	-
38,797.00	44,405.00	27,407.22	16,997.78
107,486.00	100,589.00	100,550.81	38.19
-	65,820.00	65,789.49	30.51
-	256.00	255.84	0.16
-	-	-	-
-	-	-	-
<u>12,244,570.00</u>	<u>13,459,614.00</u>	<u>11,279,247.16</u>	<u>2,180,366.84</u>
-	(185,891.00)	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	(185,891.00)	-	185,891.00
-	-	-	-
<u>\$ 0.00</u>	<u>\$ (185,891.00)</u>	<u>\$ 0.00</u>	<u>\$ 185,891.00</u>

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 188,955	\$ 202,219
Interest	133,884	112,984
Changes of Assumptions or Other Inputs	(18,706)	(199,300)
Benefit Payments	<u>(347,109)</u>	<u>(75,204)</u>
Net Change in Total OPEB Liability	(42,976)	40,699
Total OPEB Liability - Beginning	<u>3,745,395</u>	<u>3,704,696</u>
Total OPEB Liability - Ending	<u>\$ 3,702,419</u>	<u>\$ 3,745,395</u>
Covered-Employee Payroll	\$ 80,894,560	\$ 81,639,624
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.58%	4.59%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.173204545%	0.176681365%	0.189108069%	0.206055534%	0.252797400%	0.193020325%
District's Proportionate Share of the FRS Net Pension Liability	\$ 52,170,107	\$ 52,261,162	\$ 47,749,936	\$ 26,614,836	\$ 12,525,083	\$ 33,227,389
District's Covered Payroll	\$ 85,281,045	\$ 85,825,992	\$ 88,705,232	\$ 87,860,115	\$ 86,635,181	\$ 83,239,500
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	61.17%	60.89%	53.83%	30.29%	14.46%	39.92%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 5,129,161	\$ 4,936,190	\$ 4,599,451	\$ 4,611,702	\$ 5,023,809	\$ 4,496,497
FRS Contributions in Relation to the Contractually Required Contribution	<u>(5,129,161)</u>	<u>(4,936,190)</u>	<u>(4,599,451)</u>	<u>(4,611,702)</u>	<u>(5,023,809)</u>	<u>(4,496,497)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 84,195,314	\$ 85,281,045	\$ 85,825,992	\$ 88,705,232	\$ 87,860,115	\$ 86,635,181
FRS Contributions as a Percentage of Covered Payroll	6.09%	5.79%	5.36%	5.20%	5.72%	5.19%

(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)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the HIS Net Pension Liability	0.261067708%	0.269234423%	0.287123520%	0.289535232%	0.291585519%	0.285622663%
District's Proportionate Share of the HIS Net Pension Liability	\$ 27,631,699	\$ 28,787,787	\$ 33,463,057	\$ 29,528,039	\$ 27,263,957	\$ 24,867,208
District's Covered Payroll	\$ 85,281,045	\$ 85,825,992	\$ 88,705,232	\$ 87,860,115	\$ 86,635,181	\$ 83,239,500
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	32.40%	33.54%	37.72%	33.61%	31.47%	29.87%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required HIS Contribution	\$ 1,397,442	\$ 1,415,777	\$ 1,424,866	\$ 1,471,691	\$ 1,106,784	\$ 998,874
HIS Contributions in Relation to the Contractually Required Contribution	(1,397,442)	(1,415,777)	(1,424,866)	(1,471,691)	(1,106,784)	(998,874)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 84,195,314	\$ 85,281,045	\$ 85,825,992	\$ 88,705,232	\$ 87,860,115	\$ 86,635,181
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by State law and SBE rules.
- Appropriations are controlled at the object level (e.g., 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.

Changes of Assumptions. The discount rate was changed from 3.56 percent in 2017 to 3.62 percent in 2018.

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

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

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

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	19002	\$ -	\$ 1,863,557.70
National School Lunch Program	10.555	19001, 19003	-	6,779,238.67
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	-	268,115.55
Total Child Nutrition Cluster			-	8,910,911.92
Student Financial Assistance Cluster				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	669,291.67
Federal Pell Grant Program	84.063	N/A	-	6,079.00
Total Student Financial Assistance Cluster			-	675,370.67
Special Education Cluster				
United States Department of Education:				
Special Education - Grants to States:				
Florida Department of Education	84.027	263	-	3,441,923.21
Sarasota County District School Board		None	-	82,947.22
Total Special Education - Grants to States	84.027		-	3,524,870.43
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	86,143.07
Total Special Education Cluster			-	3,611,013.50
Not Clustered				
United States Department of Defense				
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	177,696.20
United States Department of Education				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	-	199,603.70
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	-	3,686,032.34
Career and Technical Education - Basic Grants to States	84.048	151, 161	-	188,460.98
Education for Homeless Children and Youth	84.196	127	-	46,305.00
Charter Schools	84.282	298	269,679.29	269,679.29
English Language Acquisition State Grants	84.365	102	-	62,151.51
Supporting Effective Instruction State Grants	84.367	224	-	563,537.33
Student Support and Academic Enrichment Program	84.424	241	-	189,179.57
Hurricane Education Recovery:				
Immediate Aid to Restart School Operations	84.938A	105	-	5,040.97
Assistance for Homeless Children and Youth	84.938B	107	-	1,354.19
Temporary Emergency Impact Aid for Displaced Students	84.938C	106	-	103,373.00
Total Hurricane Education Recovery	84.938		-	109,768.16
Total United States Department of Education			269,679.29	5,314,717.88
United States Department of Health and Human Services				
Head Start	93.600	N/A	-	2,507,772.24
Total Expenditures of Federal Awards			\$ 269,679.29	\$ 21,197,482.41

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 Charlotte County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance - National School Lunch Program. Includes \$576,384.69 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Head Start. Expenditures include \$912,833.81 for grant number/program year 04CH4774/04 and \$1,594,938.43 for grant number/program year 04CH4774/05.
- (6) Hurricane Education Recovery. The District incurred \$103,373 in expenditures for the Hurricane Education Recovery grant in the 2017-18 fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. For the aggregate discretely presented component units, 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 2020



Sherrill F. Norman, CPA
Auditor General

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over the major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for the major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of the major Federal program:	
CFDA Numbers: 10.553, 10.555, and 10.559	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement or Federal awards 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.