

Report No. 2024-113  
January 2024

**STATE OF FLORIDA AUDITOR GENERAL**

Financial and Federal Single Audit

**HIGHLANDS COUNTY  
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended  
June 30, 2023



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2022-23 fiscal year, Dr. Brenda Longshore served as Superintendent of the Highlands County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Isaac Durrance, Chair through 11-21-22	1
Donna Howerton, Chair from 11-22-22	2
Jan Shoop, Vice Chair from 11-22-22	3
Reese Martin from 11-22-22	4
Bill Brantley through 11-21-22	4
Nicole Radonski from 11-22-22	5
Jill Compton Twist through 11-21-22, Vice Chair	5

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

The team leader was Becky D. Grode, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

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

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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I program and Education Stabilization Fund were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs except that the District did not materially comply with the Eligibility requirement for the Title I program. The noncompliance and control deficiency finding is summarized below.

**Federal Award Finding No. 2023-001:** Contrary to Federal regulations, the District under allocated Title I Program funds totaling \$905,329 to 15 schools, resulting in questioned costs of that amount and an opinion qualification on compliance with Program eligibility requirements.

## AUDIT OBJECTIVES AND SCOPE

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

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements and material noncompliance with Federal awards requirements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements and accompanying Schedule of Expenditures of Federal Awards.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.
- Determined whether corrective actions were taken for findings included in our report No. 2023-105.

#### 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 Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Highlands County District School Board, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Highlands County District School Board, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the school internal funds, which represent 23 percent, 0 percent, 29 percent, 9 percent, and 9 percent, respectively, of the assets, liabilities, net position and fund balance, additions and revenues, and deductions and expenditures of the aggregate remaining fund information as of June 30, 2023. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns as of June 30, 2023. The financial statements of the school internal funds and the discretely presented component unit were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the financial statements of the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors.

## ***Basis for Opinions***

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

## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.



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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 18, 2024

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the Highlands County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2023. 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 2022-23 fiscal year are as follows:

- As of June 30, 2023, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$35,059,428.83.
- In total, net position increased \$3,543,641.38, which represents a 11.2 percent increase over the 2021-22 fiscal year.
- General revenues total \$156,839,183.47, or 91.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$15,195,031.34, or 8.8 percent of all revenues.
- Expenses total \$168,490,573.43. Only \$15,195,031.34 of these expenses was offset by program specific revenues, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totaled \$8,372,765.25, which is \$2,099,372.27 less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances total \$5,826,765.72, or 5.9 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 and business-type activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District’s services, including its educational programs such as basic and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Business-type activities – The District charges fees to cover the cost of certain services it provides. These activities account for the financial resources of the Heartland Educational Consortium.
- Component units:
  - The District presents the Highlands County Education Foundation, Inc. as a discretely presented component unit. Although a separate legal entity, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.
  - The Highlands County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District’s most significant funds. The District’s major

funds are the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Education Stabilization Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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

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

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

### **Notes to Financial Statements**

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

### **Other Information**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2023, compared to net position as of June 30, 2022:

**Net Position, End of Year**

	Governmental Activities		Business-Type Activities		Total	
	6-30-23	6-30-22	6-30-23	6-30-22	6-30-23	6-30-22
Current and Other Assets	\$ 39,322,945.09	\$ 39,018,634.47	\$ 1,236,236.57	\$ 767,571.69	\$ 40,559,181.66	\$ 39,786,206.16
Capital Assets	102,893,318.62	102,915,603.23	339,467.60	346,926.79	103,232,786.22	103,262,530.02
<b>Total Assets</b>	<b>142,216,263.71</b>	<b>141,934,237.70</b>	<b>1,575,704.17</b>	<b>1,114,498.48</b>	<b>143,791,967.88</b>	<b>143,048,736.18</b>
<b>Deferred Outflows of Resources</b>	<b>29,919,260.51</b>	<b>28,163,473.96</b>	<b>312,838.49</b>	<b>141,855.04</b>	<b>30,232,099.00</b>	<b>28,305,329.00</b>
Long-Term Liabilities	118,092,100.32	79,529,438.47	714,126.35	331,699.51	118,806,226.67	79,861,137.98
Other Liabilities	12,405,928.02	13,466,825.03	1,668.36	2,556.72	12,407,596.38	13,469,381.75
<b>Total Liabilities</b>	<b>130,498,028.34</b>	<b>92,996,263.50</b>	<b>715,794.71</b>	<b>334,256.23</b>	<b>131,213,823.05</b>	<b>93,330,519.73</b>
<b>Deferred Inflows of Resources</b>	<b>7,673,415.68</b>	<b>46,274,828.33</b>	<b>77,399.32</b>	<b>232,929.67</b>	<b>7,750,815.00</b>	<b>46,507,758.00</b>
Net Position:						
Net Investment in Capital Assets	69,648,318.62	66,880,603.23	339,467.60	346,926.79	69,987,786.22	67,227,530.02
Restricted	17,465,911.52	12,487,480.74	-	-	17,465,911.52	12,487,480.74
Unrestricted (Deficit)	(53,150,149.94)	(48,541,464.14)	755,881.03	342,240.83	(52,394,268.91)	(48,199,223.31)
<b>Total Net Position</b>	<b>\$ 33,964,080.20</b>	<b>\$ 30,826,619.83</b>	<b>\$ 1,095,348.63</b>	<b>\$ 689,167.62</b>	<b>\$ 35,059,428.83</b>	<b>\$ 31,515,787.45</b>

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result of accruing \$6,596,046.67 in compensated absences payable, \$3,499,561 in other postemployment benefit obligations, and \$75,465,619 in net pension liability.

Long-term liabilities increased and deferred inflows of resources decreased primarily due to the District recognizing its proportionate share of the Florida Retirement System's net pension liability and deferred inflows of resources.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2023, and June 30, 2022, are as follows:

## Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-23	6-30-22	6-30-23	6-30-22	6-30-23	6-30-22
Program Revenues:						
Charges for Services	\$ 196,925.91	\$ 188,684.18	\$ 500,525.89	\$ 342,693.30	\$ 697,451.80	\$ 531,377.48
Operating Grants and Contributions	14,045,676.02	11,849,145.54	-	-	14,045,676.02	11,849,145.54
Capital Grants and Contributions	451,903.52	435,219.41	-	-	451,903.52	435,219.41
General Revenues:						
Property Taxes, Levied for Operational Purposes	29,471,716.08	26,794,282.69	-	-	29,471,716.08	26,794,282.69
Property Taxes, Levied for Capital Projects	10,892,750.48	9,171,399.12	-	-	10,892,750.48	9,171,399.12
Local Sales Taxes	9,283,306.75	8,607,435.56	-	-	9,283,306.75	8,607,435.56
Grants and Contributions Not Restricted to Specific Programs	102,956,000.07	103,470,274.72	336,556.98	314,089.96	103,292,557.05	103,784,364.68
Unrestricted Investment Earnings	1,227,589.20	88,546.09	39,304.00	2,055.35	1,266,893.20	90,601.44
Miscellaneous	2,631,959.91	3,342,252.49	-	-	2,631,959.91	3,342,252.49
<b>Total Revenues</b>	<b>171,157,827.94</b>	<b>163,947,239.80</b>	<b>876,386.87</b>	<b>658,838.61</b>	<b>172,034,214.81</b>	<b>164,606,078.41</b>
Functions/Program Expenses:						
Instruction	79,269,500.96	72,622,072.68	-	-	79,269,500.96	72,622,072.68
Student Support Services	8,455,229.30	7,978,438.32	-	-	8,455,229.30	7,978,438.32
Instructional Media Services	915,288.29	814,047.49	-	-	915,288.29	814,047.49
Instruction and Curriculum Development Services	4,262,761.91	4,028,136.19	-	-	4,262,761.91	4,028,136.19
Instructional Staff Training Services	4,797,039.78	3,905,302.86	-	-	4,797,039.78	3,905,302.86
Instruction-Related Technology	2,315,533.32	1,904,866.37	-	-	2,315,533.32	1,904,866.37
Board	746,666.50	1,139,658.97	-	-	746,666.50	1,139,658.97
General Administration	1,594,619.05	1,826,337.39	-	-	1,594,619.05	1,826,337.39
School Administration	8,822,469.62	7,464,915.12	-	-	8,822,469.62	7,464,915.12
Facilities Acquisition and Construction	5,084,398.76	6,071,304.03	-	-	5,084,398.76	6,071,304.03
Fiscal Services	848,816.51	813,342.27	-	-	848,816.51	813,342.27
Food Services	10,805,355.52	9,141,621.56	-	-	10,805,355.52	9,141,621.56
Central Services	2,168,441.42	1,719,672.73	-	-	2,168,441.42	1,719,672.73
Student Transportation Services	7,429,640.50	7,031,104.97	-	-	7,429,640.50	7,031,104.97
Operation of Plant	12,577,484.84	10,053,325.05	-	-	12,577,484.84	10,053,325.05
Maintenance of Plant	8,564,033.92	5,436,726.87	-	-	8,564,033.92	5,436,726.87
Administrative Technology Services	1,039,913.14	1,028,483.88	-	-	1,039,913.14	1,028,483.88
Community Services	818,871.00	580,118.56	-	-	818,871.00	580,118.56
Unallocated Interest on Long-Term Debt	1,509,617.64	1,640,554.42	-	-	1,509,617.64	1,640,554.42
Unallocated Depreciation Expense	5,988,092.85	5,772,249.46	-	-	5,988,092.85	5,772,249.46
Loss on Disposal of Capital Assets	6,592.74	7,210.47	-	-	6,592.74	7,210.47
Heartland Educational Consortium	-	-	470,205.86	506,000.16	470,205.86	506,000.16
<b>Total Functions/Program Expenses</b>	<b>168,020,367.57</b>	<b>150,979,489.66</b>	<b>470,205.86</b>	<b>506,000.16</b>	<b>168,490,573.43</b>	<b>151,485,489.82</b>
<b>Change in Net Position</b>	<b>3,137,460.37</b>	<b>12,967,750.14</b>	<b>406,181.01</b>	<b>152,838.45</b>	<b>3,543,641.38</b>	<b>13,120,588.59</b>
Net Position - Beginning	30,826,619.83	17,858,869.69	689,167.62	536,329.17	31,515,787.45	18,395,198.86
<b>Net Position - Ending</b>	<b>\$ 33,964,080.20</b>	<b>\$ 30,826,619.83</b>	<b>\$ 1,095,348.63</b>	<b>\$ 689,167.62</b>	<b>\$ 35,059,428.83</b>	<b>\$ 31,515,787.45</b>

The largest revenue source of governmental activities is the State of Florida (38.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

For governmental activities, revenues from operating grants and contributions increased by \$2,196,530.48, or 18.5 percent, primarily due to an increase in food service revenue.

Property tax revenues increased by \$4,398,784.75, or 12.2 percent, as a result of increased taxable assessed values.

Instruction expenses represent 47.2 percent of total governmental expenses in the 2022-23 fiscal year. Instruction expenses increased by \$6,647,428.28, or 9.2 percent, from the previous fiscal year due mainly to increases in instructional wages and required contributions to retirement benefits.

Operation of plant increased by \$2,524,159.79, or 25.1 percent, and maintenance of plant increased by \$3,127,307.05, or 57.5 percent, from the previous fiscal year due primarily to cleanup and repairs for damage incurred by Hurricane Ian.

The net position for the business-type activities increased \$406,181.01, or 58.9 percent, primarily due to an increase in program revenues.

## 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 \$2,726,908.57 during the fiscal year to \$24,017,952.14 at June 30, 2023. Of the total fund balance, \$4,627,803.20, or 19.3 percent, is unassigned fund balance, which is available for spending at the District's discretion; \$1,130,520.22 is nonspendable; \$17,060,666.20 is restricted; and \$1,198,962.52 is assigned.

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$4,627,803.20, while the total fund balance is \$8,372,765.25. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 5.9 percent of the total General Fund revenues, while total fund balance represents 8.4 percent of total General Fund revenues. Total fund balance decreased by \$2,099,372.27 during the fiscal year primarily due to increases in salaries and benefits.

The Special Revenue – Other Fund has total revenues and expenditures of 13,881,017.75 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Education Stabilization Fund has total revenues and expenditures of \$25,205,867.84 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Other Fund has a total fund balance of \$10,841,872.90, an increase of \$3,240,047.61 over the prior fiscal year. These funds are restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$5,424,529 has been encumbered for various projects. The fund balance increased in the current fiscal year due to less capital projects funded by this fund but paid by the Special Revenue – Federal Education Stabilization Fund.



## **Proprietary Funds**

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Net position of the Heartland Educational Consortium Enterprise Fund increased by \$406,181.01 during the 2022-23 fiscal year to \$1,095,348.63 at June 30, 2023.

The net position of the Internal Service Funds decreased by \$1,361,348.75 to \$2,899,064.93, as a result of claims and administration fees exceeding premiums. Both the health and dental plans are financially solvent and are approved annually on a calendar basis by the Florida Office of Insurance Regulation.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2022-23 fiscal year, the Board revised the District budget several times. These budget amendments fall primarily into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the fiscal year to record new grants. The second category includes changes in State FEFP revenue estimates during the fiscal year. The final category includes the Board-approved transfers between expenditure functions and objects. Original budgets were subsequently amended to reflect increased FEFP funding.

State revenue budgeted amounts exceeded actual revenues largely due to a reduction in FEFP for the Family Empowerment Scholarships. The District's budgeted instructional expenditures exceeded actual expenditures due to the Family Empowerment Scholarships, that lowered FEFP.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### **Capital Assets**

For the current fiscal year, capital assets decreased \$29,743.80 due to depreciation expense exceeding capital asset additions. Additional information on the District's capital assets can be found in the notes to the financial statements.

#### **Long-Term Debt**

At June 30, 2023, the District had total long-term debt outstanding of \$33,245,000, composed of \$2,700,000 of bonds payable and \$30,545,000 of certificates of participation. During the current fiscal year, the debt decreased by \$2,790,000 due to the principal payments.

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

### OTHER MATTERS OF SIGNIFICANCE

Approximately 66.2 percent of the total General Fund revenues are from the State of Florida. The primary source of revenue for the State is the States sales tax, which is an unstable revenue stream. Economic conditions, which affect consumer spending both nationally and especially in the State of Florida will impact the amount of revenues received by the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment have a significant impact on establishing the State budget as well as the District budget.

## REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent's Office, Highlands County District School Board, 426 School Street, Sebring, Florida 33870.

# BASIC FINANCIAL STATEMENTS

## Highlands County District School Board Statement of Net Position June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 28,569,734.00	\$ 1,138,999.77	\$ 29,708,733.77	\$ 11,106.00
Accounts Receivable	234,016.68	97,236.80	331,253.48	-
Due from Other Agencies	9,193,488.36	-	9,193,488.36	-
Deposits Receivable	195,185.83	-	195,185.83	-
Inventories	1,130,520.22	-	1,130,520.22	-
Capital Assets:				
Nondepreciable Capital Assets	5,764,446.00	126,607.00	5,891,053.00	-
Depreciable Capital Assets, Net	97,128,872.62	212,860.60	97,341,733.22	-
<b>TOTAL ASSETS</b>	<b>142,216,263.71</b>	<b>1,575,704.17</b>	<b>143,791,967.88</b>	<b>11,106.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	28,747,526.00	307,988.00	29,055,514.00	-
OPEB	1,171,734.51	4,850.49	1,176,585.00	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,919,260.51</b>	<b>312,838.49</b>	<b>30,232,099.00</b>	<b>-</b>
<b>LIABILITIES</b>				
Accrued Salaries and Benefits	7,727,434.77	-	7,727,434.77	-
Payroll Deductions and Withholdings	196,249.38	-	196,249.38	-
Accounts Payable	2,579,258.26	1,668.36	2,580,926.62	-
Due to Other Agencies	73.03	-	73.03	-
Deposits Payable	47,491.64	-	47,491.64	-
Unearned Revenue	1,866.69	-	1,866.69	-
Estimated Liability for Self-Insurance Program	1,853,554.25	-	1,853,554.25	-
Long-Term Liabilities:				
Portion Due Within 1 Year	3,679,404.76	833.75	3,680,238.51	-
Portion Due After 1 Year	114,412,695.56	713,292.60	115,125,988.16	-
<b>TOTAL LIABILITIES</b>	<b>130,498,028.34</b>	<b>715,794.71</b>	<b>131,213,823.05</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	6,941,622.00	74,370.00	7,015,992.00	-
OPEB	731,793.68	3,029.32	734,823.00	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,673,415.68</b>	<b>77,399.32</b>	<b>7,750,815.00</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	69,648,318.62	339,467.60	69,987,786.22	-
Restricted for:				
State Required Carryover Programs	725,694.81	-	725,694.81	-
Debt Service	228,211.41	-	228,211.41	-
Capital Projects	13,638,092.34	-	13,638,092.34	-
Food Service	1,778,883.14	-	1,778,883.14	-
Other Purposes	1,095,029.82	-	1,095,029.82	-
Unrestricted	(53,150,149.94)	755,881.03	(52,394,268.91)	11,106.00
<b>TOTAL NET POSITION</b>	<b>\$ 33,964,080.20</b>	<b>\$ 1,095,348.63</b>	<b>\$ 35,059,428.83</b>	<b>\$ 11,106.00</b>

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

**Highlands County District School Board  
Statement of Activities  
For the Fiscal Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 79,269,500.96	\$ -	\$ -	\$ -
Student Support Services	8,455,229.30	-	-	-
Instructional Media Services	915,288.29	-	-	-
Instruction and Curriculum Development Services	4,262,761.91	-	-	-
Instructional Staff Training Services	4,797,039.78	-	-	-
Instruction-Related Technology	2,315,533.32	-	-	-
Board	746,666.50	-	-	-
General Administration	1,594,619.05	-	-	-
School Administration	8,822,469.62	-	-	-
Facilities Acquisition and Construction	5,084,398.76	-	-	451,903.52
Fiscal Services	848,816.51	-	-	-
Food Services	10,805,355.52	196,925.91	11,038,863.02	-
Central Services	2,168,441.42	-	-	-
Student Transportation Services	7,429,640.50	-	3,006,813.00	-
Operation of Plant	12,577,484.84	-	-	-
Maintenance of Plant	8,564,033.92	-	-	-
Administrative Technology Services	1,039,913.14	-	-	-
Community Services	818,871.00	-	-	-
Unallocated Interest on Long-Term Debt	1,509,617.64	-	-	-
Unallocated Depreciation Expense*	5,988,092.85	-	-	-
Loss on Disposal of Capital Assets	6,592.74	-	-	-
<b>Total Governmental Activities</b>	<u>168,020,367.57</u>	<u>196,925.91</u>	<u>14,045,676.02</u>	<u>451,903.52</u>
<b>Business-Type Activities:</b>				
Heartland Educational Consortium	470,205.86	500,525.89	-	-
<b>Total Primary Government</b>	<u>\$ 168,490,573.43</u>	<u>\$ 697,451.80</u>	<u>\$ 14,045,676.02</u>	<u>\$ 451,903.52</u>
<b>Component Unit</b>				
Highlands County Education Foundation, Inc.	\$ 102,269.00	\$ 0.00	\$ 112,164.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

**Net Position - Ending**

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

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

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (79,269,500.96)	\$ -	\$ (79,269,500.96)	\$ -
(8,455,229.30)	-	(8,455,229.30)	-
(915,288.29)	-	(915,288.29)	-
(4,262,761.91)	-	(4,262,761.91)	-
(4,797,039.78)	-	(4,797,039.78)	-
(2,315,533.32)	-	(2,315,533.32)	-
(746,666.50)	-	(746,666.50)	-
(1,594,619.05)	-	(1,594,619.05)	-
(8,822,469.62)	-	(8,822,469.62)	-
(4,632,495.24)	-	(4,632,495.24)	-
(848,816.51)	-	(848,816.51)	-
430,433.41	-	430,433.41	-
(2,168,441.42)	-	(2,168,441.42)	-
(4,422,827.50)	-	(4,422,827.50)	-
(12,577,484.84)	-	(12,577,484.84)	-
(8,564,033.92)	-	(8,564,033.92)	-
(1,039,913.14)	-	(1,039,913.14)	-
(818,871.00)	-	(818,871.00)	-
(1,509,617.64)	-	(1,509,617.64)	-
(5,988,092.85)	-	(5,988,092.85)	-
(6,592.74)	-	(6,592.74)	-
<u>(153,325,862.12)</u>	<u>-</u>	<u>(153,325,862.12)</u>	<u>-</u>
-	30,320.03	30,320.03	-
<u>(153,325,862.12)</u>	<u>30,320.03</u>	<u>(153,295,542.09)</u>	<u>-</u>
-	-	-	9,895.00
29,471,716.08	-	29,471,716.08	-
10,892,750.48	-	10,892,750.48	-
9,283,306.75	-	9,283,306.75	-
102,956,000.07	336,556.98	103,292,557.05	-
1,227,589.20	39,304.00	1,266,893.20	312.00
2,631,959.91	-	2,631,959.91	-
<u>156,463,322.49</u>	<u>375,860.98</u>	<u>156,839,183.47</u>	<u>312.00</u>
3,137,460.37	406,181.01	3,543,641.38	10,207.00
<u>30,826,619.83</u>	<u>689,167.62</u>	<u>31,515,787.45</u>	<u>899.00</u>
<u>\$ 33,964,080.20</u>	<u>\$ 1,095,348.63</u>	<u>\$ 35,059,428.83</u>	<u>\$ 11,106.00</u>

**Highlands County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,337,041.11	\$ 3,441.59	\$ -
Accounts Receivable	234,016.68	-	-
Due from Other Funds	4,796,391.33	-	-
Due from Other Agencies	333,171.90	2,875,272.12	3,876,871.72
Deposits Receivable	195,185.83	-	-
Inventories	725,274.90	-	-
<b>TOTAL ASSETS</b>	<u>\$ 16,621,081.75</u>	<u>\$ 2,878,713.71</u>	<u>\$ 3,876,871.72</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accrued Salaries and Benefits	\$ 5,926,997.26	\$ 886,126.53	\$ 578,958.88
Payroll Deductions and Withholdings	196,249.38	-	-
Accounts Payable	1,246,440.22	80,623.58	221,213.00
Due to Other Funds	875,227.36	1,910,096.91	3,076,699.84
Due to Other Agencies	-	-	-
Deposits Payable	3,402.28	-	-
Unearned Revenue	-	1,866.69	-
<b>Total Liabilities</b>	<u>8,248,316.50</u>	<u>2,878,713.71</u>	<u>3,876,871.72</u>
Fund Balances:			
Nonspendable:			
Inventories	725,274.90	-	-
Restricted for:			
State Required Carryover Programs	725,694.81	-	-
Fuel Tax	676,468.16	-	-
State and Local Grants	418,561.66	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	<u>1,820,724.63</u>	<u>-</u>	<u>-</u>
Assigned for:			
Supplies, Equipment, and Books	164,834.11	-	-
School Budgets and Donations	1,034,128.41	-	-
Total Assigned Fund Balance	<u>1,198,962.52</u>	<u>-</u>	<u>-</u>
Unassigned Fund Balance	<u>4,627,803.20</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balances</b>	<u>8,372,765.25</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 16,621,081.75</u>	<u>\$ 2,878,713.71</u>	<u>\$ 3,876,871.72</u>

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

<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 9,279,192.73	\$ 4,758,605.30	\$ 24,378,280.73
-	-	234,016.68
-	-	4,796,391.33
1,641,796.68	205,080.94	8,932,193.36
-	-	195,185.83
-	405,245.32	1,130,520.22
<u>\$ 10,920,989.41</u>	<u>\$ 5,368,931.56</u>	<u>\$ 39,666,588.15</u>
\$ -	\$ 335,352.10	\$ 7,727,434.77
-	-	196,249.38
79,116.51	70,355.19	1,697,748.50
-	115,747.89	5,977,772.00
-	73.03	73.03
-	44,089.36	47,491.64
-	-	1,866.69
<u>79,116.51</u>	<u>565,617.57</u>	<u>15,648,636.01</u>
-	405,245.32	1,130,520.22
-	-	725,694.81
-	-	676,468.16
-	-	418,561.66
-	228,211.41	228,211.41
10,841,872.90	2,796,219.44	13,638,092.34
-	1,373,637.82	1,373,637.82
<u>10,841,872.90</u>	<u>4,398,068.67</u>	<u>17,060,666.20</u>
-	-	164,834.11
-	-	1,034,128.41
-	-	1,198,962.52
-	-	4,627,803.20
<u>10,841,872.90</u>	<u>4,803,313.99</u>	<u>24,017,952.14</u>
<u>\$ 10,920,989.41</u>	<u>\$ 5,368,931.56</u>	<u>\$ 39,666,588.15</u>

**Highlands County District School Board  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2023**

**Total Fund Balances - Governmental Funds** \$ 24,017,952.14

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 102,893,318.62

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 2,899,064.93

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

Deferred Outflows Related to Pensions	\$ 28,747,526.00	
Deferred Outflows Related to OPEB	1,171,734.51	
Deferred Inflows Related to Pensions	(6,941,622.00)	
Deferred Inflows Related to OPEB	<u>(731,793.68)</u>	22,245,844.83

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

Bonds Payable	\$ (2,700,000.00)	
Certificates of Participation Payable	(30,545,000.00)	
Compensated Absences Payable	(6,506,742.89)	
Net Pension Liability	(74,855,223.43)	
Total OPEB Liability	<u>(3,485,134.00)</u>	<u>(118,092,100.32)</u>

**Net Position - Governmental Activities** **\$ 33,964,080.20**

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



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**Highlands County District School Board  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 79,536.38	\$ -	\$ 1,048,974.10
Federal Through State and Local State	695,394.03 65,871,231.87	13,881,017.75 -	24,156,893.74 -
Local:			
Property Taxes	29,471,716.08	-	-
Local Sales Taxes	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	3,446,596.55	-	-
Total Local Revenues	<u>32,918,312.63</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>99,564,474.91</u>	<u>13,881,017.75</u>	<u>25,205,867.84</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	61,499,746.34	6,126,280.13	10,467,009.63
Student Support Services	5,745,771.68	1,865,495.41	718,475.34
Instructional Media Services	866,721.27	-	34,982.92
Instruction and Curriculum Development Services	1,735,509.11	1,540,312.29	923,675.45
Instructional Staff Training Services	1,014,143.68	2,238,230.86	1,473,470.79
Instruction-Related Technology Board	503,196.61 733,977.37	1,457,313.28 -	320,657.84 1,607.61
General Administration	707,929.83	399,077.37	463,945.58
School Administration	8,361,528.13	-	330,004.30
Facilities Acquisition and Construction	-	-	1,000,974.10
Fiscal Services	776,699.07	-	59,519.87
Food Services	-	-	227,114.22
Central Services	1,979,210.98	-	157,047.88
Student Transportation Services	6,378,474.31	3,165.42	313,914.07
Operation of Plant	11,036,759.16	3,233.68	1,351,537.77
Maintenance of Plant	3,862,760.19	759.31	4,540,580.08
Administrative Technology Services	1,003,801.25	-	20,678.20
Community Services	806,717.87	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	3,889.70	1,028,065.52
Other Capital Outlay	150,900.33	243,260.30	1,772,606.67
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<u>107,163,847.18</u>	<u>13,881,017.75</u>	<u>25,205,867.84</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(7,599,372.27)</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	5,500,000.00	-	-
Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>5,500,000.00</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(2,099,372.27)</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning	10,472,137.52	-	-
<b>Fund Balances, Ending</b>	<u>\$ 8,372,765.25</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 1,128,510.48
-	10,930,048.02	49,663,353.54
9,404.34	781,079.38	66,661,715.59
-	10,892,750.48	40,364,466.56
9,283,306.75	-	9,283,306.75
-	196,925.91	196,925.91
159,201.46	243,508.79	3,849,306.80
<u>9,442,508.21</u>	<u>11,333,185.18</u>	<u>53,694,006.02</u>
<u>9,451,912.55</u>	<u>23,044,312.58</u>	<u>171,147,585.63</u>
-	-	78,093,036.10
-	-	8,329,742.43
-	-	901,704.19
-	-	4,199,496.85
-	-	4,725,845.33
-	-	2,281,167.73
-	-	735,584.98
-	-	1,570,952.78
-	-	8,691,532.43
3,443,009.38	579,811.82	5,023,795.30
-	-	836,218.94
-	10,417,875.44	10,644,989.66
-	-	2,136,258.86
-	-	6,695,553.80
-	-	12,391,530.61
-	-	8,404,099.58
-	-	1,024,479.45
-	-	806,717.87
1,019,298.68	31,602.45	2,082,856.35
1,749,556.88	629,172.00	4,545,496.18
-	2,790,000.00	2,790,000.00
-	1,509,617.64	1,509,617.64
<u>6,211,864.94</u>	<u>15,958,079.35</u>	<u>168,420,677.06</u>
<u>3,240,047.61</u>	<u>7,086,233.23</u>	<u>2,726,908.57</u>
-	4,076,364.71	9,576,364.71
-	(9,576,364.71)	(9,576,364.71)
-	(5,500,000.00)	-
3,240,047.61	1,586,233.23	2,726,908.57
7,601,825.29	3,217,080.76	21,291,043.57
<u>\$ 10,841,872.90</u>	<u>\$ 4,803,313.99</u>	<u>\$ 24,017,952.14</u>

**Highlands County District School Board  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2023**

**Net Change in Fund Balances - Governmental Funds** \$ 2,726,908.57

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. (15,691.87)

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. (6,592.74)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 2,790,000.00

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. (251,951.23)

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

Increase in Total OPEB Liability	\$ (617,879.00)	
Increase in Deferred Outflows of Resources - OPEB	482,576.54	
Decrease in Deferred Inflows of Resources - OPEB	88,477.65	(46,824.81)

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	\$ 7,087,984.99	
HIS Pension Contribution	1,298,845.14	
FRS Pension Expense	(8,155,109.06)	
HIS Pension Expense	(928,759.87)	(697,038.80)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities. (1,361,348.75)

**Change in Net Position - Governmental Activities** \$ 3,137,460.37

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

**Highlands County District School Board  
Statement of Net Position – Proprietary Funds  
June 30, 2023**

	<u>Enterprise Fund</u>	
	<u>Heartland Educational Consortium</u>	<u>Internal Service Funds</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,138,999.77	\$ 4,191,453.27
Accounts Receivable	97,236.80	-
Due from Other Funds	-	1,181,380.67
Due from Other Agencies	-	261,295.00
<b>Total Current Assets</b>	<u>1,236,236.57</u>	<u>5,634,128.94</u>
Noncurrent Assets:		
Nondepreciable Capital Assets	126,607.00	-
Depreciable Capital Assets, Net	212,860.60	-
<b>Total Noncurrent Assets</b>	<u>339,467.60</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>1,575,704.17</u>	<u>5,634,128.94</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	307,988.00	-
OPEB	4,850.49	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>312,838.49</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	1,668.36	881,509.76
Estimated Liability for Self-Insurance Program	-	1,853,554.25
Total OPEB Liability	833.75	-
<b>Total Current Liabilities</b>	<u>2,502.11</u>	<u>2,735,064.01</u>
Noncurrent Liabilities:		
Compensated Absences Payable	89,303.78	-
Net Pension Liability	610,395.57	-
Total OPEB Liability	13,593.25	-
<b>Total Noncurrent Liabilities</b>	<u>713,292.60</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>715,794.71</u>	<u>2,735,064.01</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	74,370.00	-
OPEB	3,029.32	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>77,399.32</u>	<u>-</u>
<b>NET POSITION</b>		
Investment in Capital Assets	339,467.60	-
Unrestricted	755,881.03	2,899,064.93
<b>TOTAL NET POSITION</b>	<u>\$ 1,095,348.63</u>	<u>\$ 2,899,064.93</u>

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

**Highlands County District School Board  
Statement of Revenues, Expenses, and Changes in Fund  
Net Position – Proprietary Funds  
For the Fiscal Year Ended June 30, 2023**

	<u>Enterprise Fund</u>	
	<u>Heartland Educational Consortium</u>	<u>Internal Service Funds</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 500,525.89	\$ -
Premiums	-	17,053,832.80
Other	-	924,158.47
<b>Total Operating Revenues</b>	<u>500,525.89</u>	<u>17,977,991.27</u>
<b>OPERATING EXPENSES</b>		
Salaries	194,535.79	58,289.00
Employee Benefits	66,599.01	21,814.66
Purchased Services	135,146.24	-
Energy Services	12,692.75	-
Materials and Supplies	39,894.74	155,843.07
Capital Outlay	1,212.10	-
Insurance Claims	-	16,468,159.81
Other	7,664.22	2,635,233.48
Depreciation	12,461.01	-
<b>Total Operating Expenses</b>	<u>470,205.86</u>	<u>19,339,340.02</u>
<b>Operating Income (Loss)</b>	<u>30,320.03</u>	<u>(1,361,348.75)</u>
<b>NONOPERATING REVENUES</b>		
Interest	39,304.00	-
State Grants	336,556.98	-
<b>Total Nonoperating Revenues</b>	<u>375,860.98</u>	<u>-</u>
<b>Change in Net Position</b>	406,181.01	(1,361,348.75)
Total Net Position - Beginning	<u>689,167.62</u>	<u>4,260,413.68</u>
<b>Total Net Position - Ending</b>	<u>\$ 1,095,348.63</u>	<u>\$ 2,899,064.93</u>

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

**Highlands County District School Board  
Statement of Cash Flows – Proprietary Funds  
For the Fiscal Year Ended June 30, 2023**

	<b>Enterprise Fund</b>	<b>Internal</b>
	<b>Heartland Educational Consortium</b>	<b>Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Services	\$ 429,129.05	\$ -
Cash Received from Premiums	-	17,282,191.57
Cash Received from Other Operating Revenues	-	924,158.47
Cash Payments to Suppliers for Goods and Services	(197,378.84)	(2,557,496.19)
Cash Payments to Employees for Services	(205,341.33)	(80,103.66)
Cash Payments for Insurance Claims	-	(16,388,396.50)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>26,408.88</b>	<b>(819,646.31)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Received from State Grants	336,556.98	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(5,001.82)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	39,304.00	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>397,268.04</b>	<b>(819,646.31)</b>
Cash and Cash Equivalents, Beginning	741,731.73	5,011,099.58
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 1,138,999.77</b>	<b>\$ 4,191,453.27</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 30,320.03	\$ (1,361,348.75)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,461.01	-
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Accounts Receivable	(71,396.84)	-
Due from Other Funds	-	287,436.93
Due from Other Agencies	-	(59,078.16)
Accrued Salaries and Benefits	(119.57)	-
Accounts Payable	(768.79)	233,580.36
Compensated Absences Payable	52,345.46	-
Estimated Liability for Self-Insurance Program	-	79,763.31
Net Pension Liability	331,435.38	-
Total OPEB Liability	(1,354.00)	-
Deferred Outflows of Resources Related to OPEB	(1,057.45)	-
Deferred Inflows of Resources Related to OPEB	(1,485.35)	-
Deferred Outflows of Resources Related to Pensions	(169,926.00)	-
Deferred Inflows of Resources Related to Pensions	(154,045.00)	-
<b>Total Adjustments</b>	<b>(3,911.15)</b>	<b>541,702.44</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 26,408.88</b>	<b>\$ (819,646.31)</b>

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

**Highlands County District School Board  
Statement of Fiduciary Net Position – Fiduciary Funds  
June 30, 2023**

	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 808,921.60	\$ 3,539,776.00
<b>NET POSITION</b>		
Held in Trust for Scholarships and Other Purposes	808,921.60	-
Restricted for Student Groups	-	3,539,776.00
<b>TOTAL NET POSITION</b>	<b>\$ 808,921.60</b>	<b>\$ 3,539,776.00</b>

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



**Highlands County District School Board  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Fiscal Year Ended June 30, 2023**

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
<b>ADDITIONS</b>		
Gifts and Contributions	\$ 6,000.00	\$ -
Student Group Collections	-	3,920,454.00
Investment Earnings	28,598.99	-
<b>Total Additions</b>	<u>34,598.99</u>	<u>3,920,454.00</u>
<b>DEDUCTIONS</b>		
Scholarship Payments	41,500.00	-
Student Group Disbursements	-	3,582,831.00
<b>Total Deductions</b>	<u>41,500.00</u>	<u>3,582,831.00</u>
<b>Change in Net Position</b>	(6,901.01)	337,623.00
Net Position - Beginning	<u>815,822.61</u>	<u>3,202,153.00</u>
<b>Net Position - Ending</b>	<u>\$ 808,921.60</u>	<u>\$ 3,539,776.00</u>

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

# ***NOTES TO FINANCIAL STATEMENTS***

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## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Highlands County School District's (District) governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation and maintenance departments are allocated to the student transportation services and maintenance of plant functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

### **B. Reporting Entity**

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

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

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

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

**Discretely Presented Component Unit.** The component unit 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 it is legally separate from the District.

The Highlands County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to provide charitable and educational aid to the District, to promote education, and to encourage research, learning, and the dissemination of information. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2023. The audit report is filed in the District's administrative offices at 426 School Street, Sebring, Florida 33870.

### **C. Basis of Presentation: Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

### **D. Basis of Presentation: Fund Financial Statements**

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal grant program resources provided as emergency relief to address the impact of COVID-19 on elementary and secondary schools.

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

The District reports the following major enterprise fund:

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

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

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

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

## **E. Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

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

### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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

### **2. Investments**

Investments consist of amounts placed in the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investment in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which

shares are owned in the fund rather than the underlying investments. This investment is reported at fair value, which is amortized cost.

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

### 3. Inventories

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

### 4. Capital Assets

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

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	13 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	8 years
Audio Visual Materials and Computer Software	5 years

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

### 5. Pensions

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

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

## **6. Long-Term Liabilities**

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

## **7. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has 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, 2023.

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

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

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

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

### **2. State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time



equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified time periods following the date of the original reporting. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

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

### **3. District Property Taxes**

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

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

The Board adopted the 2022 tax levy on September 6, 2022. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

#### **4. Capital Outlay Surtax**

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

#### **5. Educational Impact Fees**

The County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2007. In June 2008, the ordinance was amended, in part, to establish revised collection rates for the fee. For most new residential construction, the fee is collected by the County and each municipality within the County based on interlocal agreement. The fee shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and is not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related cost of indebtedness necessitated by new residential development. The County approved the suspension of the fee for the 2009-10 fiscal year, and the Board of County Commissioners extended this suspension through December 2024.

#### **6. Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

#### **7. Compensated Absences**

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

#### **8. Proprietary Fund Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for services. Operating expenses include personnel costs, purchased services, and related costs. The principal operating revenues of the District's internal service funds are charges for employee health and dental

insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash Deposits with Financial Institutions

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

### B. Investments

The District's investments at June 30, 2023, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA: Florida PRIME (1)	37 Day Average	<u>\$ 2,579,337.35</u>

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

### **Interest Rate Risk**

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

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review

the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2023, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy limits investments to the Local Government Surplus Funds Trust Fund [Florida PRIME]; United States Government securities; direct obligations of United States Government agencies and instrumentalities; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes, repurchase agreements set forth by the District’s master repurchase agreement secured by the collateral composed of negotiable direct obligations of the United States Government, United States Government Agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper rated Prime-1 by Moody’s and A-1 by Standard & Poor’s, or if backed by a letter of credit the long-term debt of the line of credit provider must be rated A or better by at least two nationally recognized rating agencies; bankers acceptances rated at least Prime-1 by Moody’s and A-1 by Standard & Poor’s; state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated Aa by Moody’s and AA by Standard & Poor’s for long-term debt, or rated at least MIG-2 by Moody’s and SP-2 by Standard & Poor’s for short-term debt; shares of open-end, no-load mutual funds registered under the Federal Investment Company Act of 1940, and operated in accordance with Title 17, Section 270.2a-7, Code of Federal Regulations, and provided the mutual fund is rated AAm or AAm-G or better by Standard & Poor’s, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that said fund contain no derivatives.

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

## C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,764,446.00	\$ -	\$ -	\$ 5,764,446.00
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	15,798,669.82	784,291.36	-	16,582,961.18
Buildings and Fixed Equipment	187,096,875.96	1,272,976.25	-	188,369,852.21
Furniture, Fixtures, and Equipment	7,745,169.79	2,676,575.88	1,229,266.21	9,192,479.46
Motor Vehicles	13,630,646.19	541,209.00	192,942.40	13,978,912.79
Audio Visual Materials and Computer Software	12,292,989.41	1,363,894.54	-	13,656,883.95
Total Capital Assets Being Depreciated	236,564,351.17	6,638,947.03	1,422,208.61	241,781,089.59
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	12,135,316.76	416,175.70	-	12,551,492.46
Buildings and Fixed Equipment	99,764,877.86	3,582,532.72	-	103,347,410.58
Furniture, Fixtures, and Equipment	6,510,979.70	695,414.18	1,222,673.47	5,983,720.41
Motor Vehicles	11,151,970.21	666,546.05	192,942.40	11,625,573.86
Audio Visual Materials and Computer Software	9,850,049.41	1,293,970.25	-	11,144,019.66
Total Accumulated Depreciation	139,413,193.94	6,654,638.90	1,415,615.87	144,652,216.97
Total Capital Assets Being Depreciated, Net	97,151,157.23	(15,691.87)	6,592.74	97,128,872.62
Governmental Activities Capital Assets, Net	\$ 102,915,603.23	\$ (15,691.87)	\$ 6,592.74	\$ 102,893,318.62
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 126,607.00	\$ -	\$ -	\$ 126,607.00
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	396,248.00	-	-	396,248.00
Furniture, Fixtures, and Equipment	71,141.42	5,001.82	-	76,143.24
Audio Visual Materials and Computer Software	999.50	-	-	999.50
Total Capital Assets Being Depreciated	468,388.92	5,001.82	-	473,390.74
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	179,675.39	10,891.17	-	190,566.56
Furniture, Fixtures, and Equipment	67,394.24	1,569.84	-	68,964.08
Audio Visual Materials and Computer Software	999.50	-	-	999.50
Total Accumulated Depreciation	248,069.13	12,461.01	-	260,530.14
Total Capital Assets Being Depreciated, Net	220,319.79	(7,459.19)	-	212,860.60
Business-Type Activities Capital Assets, Net	\$ 346,926.79	\$ (7,459.19)	\$ 0.00	\$ 339,467.60

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 633,218.75
Maintenance of Plant	33,327.30
Unallocated	<u>5,988,092.85</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 6,654,638.90</u>
BUSINESS-TYPE ACTIVITIES	
Heartland Educational Consortium	<u>\$ 12,461.01</u>

## D. Retirement Plans

### 1. FRS – Defined Benefit Pension Plans

#### General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$9,133,125 for the fiscal year ended June 30, 2023.

#### 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>
<b>Regular Members Initially Enrolled Before July 1, 2011</b>	
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
<b>Regular Members Initially Enrolled On or After July 1, 2011</b>	
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
<b>Elected County Officers</b>	3.00
<b>Senior Management Service</b>	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 2022-23 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	11.91
FRS, Elected County Officers	3.00	57.00
FRS, Senior Management Service	3.00	31.57
DROP – Applicable to Members from All of the Above Classes	0.00	18.60
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 \$7,123,603 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a liability of \$55,063,936 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District’s proportionate



share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.147989365 percent, which was a decrease of 0.000257802 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized a Plan pension expense of \$8,199,698. 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	\$ 2,615,219	\$ -
Change of Assumptions	6,781,354	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	3,635,864	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	4,021,349	1,885,731
District FRS Contributions Subsequent to the Measurement Date	7,123,603	-
<b>Total</b>	<b>\$ 24,177,389</b>	<b>\$ 1,885,731</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$7,123,603, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. 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>
2024	\$ 3,921,144
2025	1,575,169
2026	(601,931)
2027	9,784,903
2028	488,770
<b>Total</b>	<b>\$ 15,168,055</b>

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.70 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.4%	1.3%

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

**Discount Rate.** The discount rate used to measure the total pension liability was 6.7 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 changed from 6.8 percent to 6.7 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 6.7 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 (5.7 percent) or 1 percentage point higher (7.7 percent) than the current rate:

	<u>1% Decrease (5.7%)</u>	<u>Current Discount Rate (6.7%)</u>	<u>1% Increase (7.7%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 95,229,292	\$ 55,063,936	\$ 21,480,920

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

## **HIS Pension Plan**

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

**Benefits Provided.** For the fiscal year ended June 30, 2023, 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, 2023, 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 \$1,305,372 for the fiscal year ended June 30, 2023.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2023, the District reported a net pension liability of \$20,401,683 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.192621402 percent, which was an increase of 0.001426222 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized the HIS Plan pension expense of \$933,427. 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	\$ 619,239	\$ 89,769
Change of Assumptions	1,169,438	3,156,127
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	29,537	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	1,754,539	1,884,365
District HIS Contributions Subsequent to the Measurement Date	1,305,372	-
<b>Total</b>	<u>\$ 4,878,125</u>	<u>\$ 5,130,261</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,305,372, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. 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>
2024	\$ (428,701)
2025	(46,417)
2026	(339,304)
2027	(180,490)
2028	(375,363)
Thereafter	(187,233)
<b>Total</b>	<u>\$ (1,557,508)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.54 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.54 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis,

the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.16 percent to 3.54 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 3.54 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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<b>1% Decrease (2.54%)</b>	<b>Current Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
District's Proportionate Share of the Net Pension Liability	\$ 23,341,200	\$ 20,401,683	\$ 17,969,293

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

## 2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	9.30
FRS, Elected County Officers	14.34
FRS, Senior Management Service	10.67

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, 2023, 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 \$2,364,560.02 for the fiscal year ended June 30, 2023.

## **E. Other Postemployment Benefit Obligations**

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

be amended through recommendations of the Insurance Committee and action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

**Employees Covered by Benefit Terms.** At June 30, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	31
Active Employees	<u>1,409</u>
Total	<u>1,440</u>

**Total OPEB Liability.** The District’s total OPEB liability of \$3,499,561 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

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

Inflation	2.25 percent
Salary Increases	3.4 percent to 7.8 percent, including inflation
Discount Rate	3.69 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with a trend rate starting at 7.5 percent and gradually decreasing to an ultimate trend of 4 percent over a 28-year period.
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death.”
Expenses	Administrative expenses are included in the per capita health costs.

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA rating as of the measurement date. For the purpose of the OPEB Plan actuarial valuation, the municipal bond rate of 3.69 percent 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, 2021, 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, 2021, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan. Due to the composition of the population, only assumption applicable to Regular Class members of FRS have been used in this valuation.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2022	\$ 2,883,036
Changes for the year:	
Service Cost	165,755
Interest	56,423
Differences Between Expected and Actual Experience	192,520
Changes of Assumptions or Other Inputs	422,003
Benefit Payments	<u>(220,176)</u>
Net Changes	<u>616,525</u>
Balance at June 30, 2023	<u>\$ 3,499,561</u>

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

- The discount rate was changed from 1.92 percent as of the beginning of the measurement period to 3.69 percent as of June 30, 2022.
- The medical claims costs and premiums were updated based on actual premium information provided for the valuation.
- The healthcare cost trend rates were revised.

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 (2.69 percent) or 1 percentage point higher (4.69 percent) than the current rate:

	<u>1% Decrease (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1% Increase (4.69%)</u>
Total OPEB Liability	\$ 3,720,088	\$ 3,499,561	\$ 3,281,045

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 (6.5 percent decreasing to 3 percent) or 1 percentage point higher (8.5 percent decreasing to 5 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,116,220	\$ 3,499,561	\$ 3,952,758

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$245,172. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 211,711	\$ 236,311
Changes of Assumptions or Other Inputs	762,630	498,512
Benefits Paid Subsequent to the Measurement Date	202,244	-
<b>Total</b>	<b>\$ 1,176,585</b>	<b>\$ 734,823</b>

The deferred outflows of resources related to OPEB resulting from benefits paid subsequent to the measurement date, totaling \$202,244, will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 22,994
2025	22,994
2026	22,994
2027	22,994
2028	26,880
Thereafter	120,662
<b>Total</b>	<b>\$ 239,518</b>

## F. Other Significant Commitments

**Encumbrances.** Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next fiscal year's appropriations are likewise encumbered. At June 30, 2023, the Special Revenue – Federal Education Stabilization Fund and the Capital Projects – Other Fund had encumbrances totaling \$4,466,626 and \$5,424,529, respectively.

## G. Risk Management Programs

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

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

Property damage coverage is managed by the SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except named windstorm and flood). The named windstorm and hurricane deductible is 3 percent of replacement cost value with a minimum of \$100,000 per occurrence and a maximum of \$25 million per occurrence. The deductible for all other windstorm and hail events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents, plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. The SCERMP's purchased excess property loss limit during the 2022-23 fiscal year was \$100 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2022-23 fiscal year was \$1 million. The SCERMP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insured retention. Employers' liability is included subject to \$2 million per occurrence.

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

The District is self-insured for health insurance coverage which is administered by a third-party administrator. The health insurance program is reported in an internal service fund. The District purchases reinsurance coverage which covers any individual claim over \$275,000 per year, and aggregate claims over \$2 million.

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

A liability in the amount of \$1,853,554.25 was determined by the District to cover estimated incurred, but not reported, insurance claims payable at June 30, 2023.

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

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
2021-22	\$ 1,738,107.44	\$ 15,802,714.09	\$ (15,767,030.59)	\$ 1,773,790.94
2022-23	1,773,790.94	16,468,159.81	(16,388,396.50)	1,853,554.25

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

## H. Long-Term Liabilities

### 1. Certificates of Participation

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

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

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

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,073,337.52	\$ 2,825,000.00	\$ 1,248,337.52
2025	4,072,087.52	2,965,000.00	1,107,087.52
2026	4,073,837.52	3,115,000.00	958,837.52
2027	4,073,087.52	3,270,000.00	803,087.52
2028	4,074,587.52	3,435,000.00	639,587.52
2029-2032	16,293,750.06	14,935,000.00	1,358,750.06
<b>Total Minimum Lease Payments</b>	<b>\$ 36,660,687.66</b>	<b>\$ 30,545,000.00</b>	<b>\$ 6,115,687.66</b>

### 2. Bonds Payable

Bonds payable at June 30, 2023, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
District Revenue Bonds: Series 2014, Refunding	<u>\$ 2,700,000</u>	3 - 5	2042

### **District Revenue Bonds**

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

The District pledged a total of \$4,047,100 of pledged revenues in connection with the District Revenue Bonds Series 2014, described above. During the 2022-23 fiscal year, the District recognized pledged revenues totaling \$223,250 and expended \$220,225 (98.6 percent) of these revenues for debt service directly collateralized by these revenues. The pledged revenues are committed until final maturity of the debt on September 1, 2041. Approximately 95 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2023, are as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
District Revenue Bonds:			
2024	\$ 217,225.00	\$ 100,000.00	\$ 117,225.00
2025	219,150.00	105,000.00	114,150.00
2026	220,650.00	110,000.00	110,650.00
2027	216,800.00	110,000.00	106,800.00
2028	217,862.50	115,000.00	102,862.50
2029-2033	1,097,162.50	650,000.00	447,162.50
2034-2038	1,081,500.00	800,000.00	281,500.00
2039-2042	776,750.00	710,000.00	66,750.00
<b>Total District Revenue Bonds</b>	<b>\$ 4,047,100.00</b>	<b>\$ 2,700,000.00</b>	<b>\$ 1,347,100.00</b>

### **3. Changes in Long-Term Liabilities**

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

<b><u>Description</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due In One Year</u></b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable	\$ 2,800,000.00	\$ -	\$ 100,000.00	\$ 2,700,000.00	\$ 100,000.00
Certificates of Participation Payable	33,235,000.00	-	2,690,000.00	30,545,000.00	2,825,000.00
Compensated Absences Payable	6,254,791.66	774,490.14	522,538.91	6,506,742.89	552,994.51
Net Pension Liability	34,372,391.81	74,898,768.70	34,415,937.08	74,855,223.43	-
Total OPEB Liability	2,867,255.00	833,251.69	215,372.69	3,485,134.00	201,410.25
<b>Total Governmental Activities</b>	<b>\$ 79,529,438.47</b>	<b>\$ 76,506,510.53</b>	<b>\$ 37,943,848.68</b>	<b>\$ 118,092,100.32</b>	<b>\$ 3,679,404.76</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Compensated Absences Payable	\$ 36,958.32	\$ 52,345.46	\$ -	\$ 89,303.78	\$ -
Net Pension Liability	278,960.19	543,867.30	212,431.92	610,395.57	-
Total OPEB Liability	15,781.00	3,449.31	4,803.31	14,427.00	833.75
<b>Total Business-Type Activities</b>	<b>\$ 331,699.51</b>	<b>\$ 599,662.07</b>	<b>\$ 217,235.23</b>	<b>\$ 714,126.35</b>	<b>\$ 833.75</b>

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

## I. Fund Balance Reporting

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

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

## J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 4,796,391.33	\$ 875,227.36
Special Revenue:		
Other	-	1,910,096.91
Federal Education Stabilization	-	3,076,699.84
Nonmajor Governmental	-	115,747.89
Internal Service	1,181,380.67	-
<b>Total</b>	<b>\$ 5,977,772.00</b>	<b>\$ 5,977,772.00</b>

The interfund receivables and payables represent temporary loans between funds to cover expenditures incurred prior to reimbursement from outside parties. All balances are expected to be repaid within 1 year.

## K. Revenues

### 1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2022-23 fiscal year:

<u>Source</u>	<u>Amount</u>
Governmental Funds:	
Florida Education Finance Program	\$ 53,000,269.00
Categorical Educational Program - Class Size Reduction	11,443,456.00
Voluntary Prekindergarten Program	760,742.04
Motor Vehicle License Tax (Capital Outlay and Debt Service)	434,932.66
State License Tax	253,634.52
Educational Facilities Security Grant	223,250.00
School Recognition	117,682.00
Food Service Supplement	108,815.00
Miscellaneous	318,934.37
<b>Subtotal Governmental Funds</b>	<b>66,661,715.59</b>
Enterprise Funds:	
Regional Educational Consortium Services	300,000.00
Miscellaneous	36,556.98
<b>Subtotal Enterprise Funds</b>	<b>336,556.98</b>
<b>Total</b>	<b>\$ 66,998,272.57</b>

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 2022 tax roll for the 2022-23 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	3.303	\$ 24,754,019
Basic Discretionary Local Effort	0.748	5,605,818
<b>Capital Projects - Local Capital Improvement Fund</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	11,241,661
<b>Total</b>	<b>5.551</b>	<b>\$ 41,601,498</b>

## L. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Interfund</u>	<u>Transfers Out</u>
Major:		
General	\$ 5,500,000.00	\$ -
Nonmajor Governmental	4,076,364.71	9,576,364.71
<b>Total</b>	<b>\$ 9,576,364.71</b>	<b>\$ 9,576,364.71</b>

Transfers out from the nonmajor Capital Projects – Local Capital Improvement Fund were to provide debt service payments and provide funding for certain expenditures of the District’s facilities, maintenance, and technology departments and to fund property and casualty insurance premiums.

### III. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2022-23 fiscal year:

	<b>Total</b>	<b>Group Health Insurance</b>	<b>Employee Dental Plan</b>
Total Assets	\$ 5,634,128.94	\$ 4,461,734.90	\$ 1,172,394.04
Liabilities and Net Position:			
Accounts Payable	\$ 881,509.76	\$ 867,628.86	\$ 13,880.90
Estimated Liability for Self-Insurance Program	1,853,554.25	1,777,641.73	75,912.52
Net Position:			
Unrestricted	2,899,064.93	1,816,464.31	1,082,600.62
Total Liabilities and Net Position	\$ 5,634,128.94	\$ 4,461,734.90	\$ 1,172,394.04
Revenues:			
Premium Contributions	\$17,053,832.80	\$16,175,318.65	\$ 878,514.15
Other	924,158.47	924,158.47	-
Total Revenues	17,977,991.27	17,099,477.12	878,514.15
Total Expenses	(19,339,340.02)	(18,597,104.87)	(742,235.15)
Change in Net Position	\$ (1,361,348.75)	\$ (1,497,627.75)	\$ 136,279.00

### IV. CONSORTIUMS

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

# OTHER REQUIRED SUPPLEMENTARY INFORMATION

## Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2023

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 170,000.00	\$ 170,000.00	\$ 79,536.38	\$ (90,463.62)
Federal Through State and Local	670,000.00	670,000.00	695,394.03	25,394.03
State	73,051,921.00	76,837,611.80	65,871,231.87	(10,966,379.93)
Local:				
Property Taxes	28,939,668.00	29,439,668.00	29,471,716.08	32,048.08
Miscellaneous	2,374,458.00	2,996,873.46	3,446,596.55	449,723.09
Total Local Revenues	31,314,126.00	32,436,541.46	32,918,312.63	481,771.17
<b>Total Revenues</b>	<b>105,206,047.00</b>	<b>110,114,153.26</b>	<b>99,564,474.91</b>	<b>(10,549,678.35)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	67,023,567.56	69,684,035.62	61,499,746.34	8,184,289.28
Student Support Services	5,803,793.00	6,601,790.46	5,745,771.68	856,018.78
Instructional Media Services	770,262.00	896,120.87	866,721.27	29,399.60
Instruction and Curriculum Development Services	1,484,234.00	1,777,946.12	1,735,509.11	42,437.01
Instructional Staff Training Services	819,771.00	1,098,068.62	1,014,143.68	83,924.94
Instruction-Related Technology	351,530.00	582,002.33	503,196.61	78,805.72
Board	591,550.00	760,981.71	733,977.37	27,004.34
General Administration	505,972.00	722,537.77	707,929.83	14,607.94
School Administration	7,656,056.00	8,433,877.46	8,361,528.13	72,349.33
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	712,633.00	781,028.67	776,699.07	4,329.60
Food Services	-	-	-	-
Central Services	1,721,913.00	2,316,737.92	1,979,210.98	337,526.94
Student Transportation Services	6,598,003.00	6,589,168.06	6,378,474.31	210,693.75
Operation of Plant	10,428,286.44	11,700,830.58	11,036,759.16	664,071.42
Maintenance of Plant	3,198,631.00	3,978,988.70	3,862,760.19	116,228.51
Administrative Technology Services	925,100.00	1,008,756.87	1,003,801.25	4,955.62
Community Services	414,745.00	921,273.51	806,717.87	114,555.64
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	421,946.33	-	421,946.33
Other Capital Outlay	-	255,957.44	150,900.33	105,057.11
<b>Total Expenditures</b>	<b>109,006,047.00</b>	<b>118,532,049.04</b>	<b>107,163,847.18</b>	<b>11,368,201.86</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,800,000.00)</b>	<b>(8,417,895.78)</b>	<b>(7,599,372.27)</b>	<b>818,523.51</b>
<b>Other Financing Sources</b>				
Transfers In	3,800,000.00	5,500,000.00	5,500,000.00	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(2,917,895.78)</b>	<b>(2,099,372.27)</b>	<b>818,523.51</b>
Fund Balances, Beginning	10,472,137.52	10,472,137.52	10,472,137.52	-
<b>Fund Balances, Ending</b>	<b>\$ 10,472,137.52</b>	<b>\$ 7,554,241.74</b>	<b>\$ 8,372,765.25</b>	<b>\$ 818,523.51</b>



Special Revenue - Other Fund				Special Revenue - Federal Education Stabilization Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,974.10	\$ 1,048,974.10	\$ -
14,859,651.93	17,010,191.63	13,881,017.75	(3,129,173.88)	5,109,427.43	54,839,638.86	24,156,893.74	(30,682,745.12)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
14,859,651.93	17,010,191.63	13,881,017.75	(3,129,173.88)	5,109,427.43	55,888,612.96	25,205,867.84	(30,682,745.12)
6,823,326.00	7,043,810.33	6,126,280.13	917,530.20	2,418,792.69	26,318,429.64	10,467,009.63	15,851,420.01
1,961,776.93	2,171,709.11	1,865,495.41	306,213.70	186,514.00	1,898,042.48	718,475.34	1,179,567.14
-	-	-	-	-	138,655.92	34,982.92	103,673.00
1,428,896.78	1,887,172.50	1,540,312.29	346,860.21	185,912.00	2,762,703.37	923,675.45	1,839,027.92
2,903,535.89	3,510,312.31	2,238,230.86	1,272,081.45	84,133.00	6,155,557.35	1,473,470.79	4,682,086.56
1,317,884.00	1,495,070.63	1,457,313.28	37,757.35	-	569,041.30	320,657.84	248,383.46
-	-	-	-	-	1,607.61	1,607.61	-
373,289.33	454,577.07	399,077.37	55,499.70	120,000.00	568,257.68	463,945.58	104,312.10
-	-	-	-	95,268.00	779,668.46	330,004.30	449,664.16
-	-	-	-	-	1,000,974.10	1,000,974.10	-
-	-	-	-	-	184,556.89	59,519.87	125,037.02
-	-	-	-	-	230,114.22	227,114.22	3,000.00
-	-	-	-	-	333,749.02	157,047.88	176,701.14
44,446.00	103,310.70	3,165.42	100,145.28	-	842,260.84	313,914.07	528,346.77
3,000.00	3,233.68	3,233.68	-	500,000.00	1,351,537.77	1,351,537.77	-
3,497.00	800.00	759.31	40.69	1,518,807.74	9,296,095.81	4,540,580.08	4,755,515.73
-	-	-	-	-	20,678.20	20,678.20	-
-	-	-	-	-	-	-	-
-	3,890.00	3,889.70	0.30	-	1,028,065.52	1,028,065.52	-
-	336,305.30	243,260.30	93,045.00	-	2,370,457.68	1,772,606.67	597,851.01
14,859,651.93	17,010,191.63	13,881,017.75	3,129,173.88	5,109,427.43	55,850,453.86	25,205,867.84	30,644,586.02
-	-	-	-	-	38,159.10	-	(38,159.10)
-	-	-	-	-	-	-	-
-	-	-	-	-	38,159.10	-	(38,159.10)
-	-	-	-	-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 38,159.10	\$ 0.00	\$ (38,159.10)

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service Cost	\$ 165,755	\$ 147,607	\$ 193,343	\$ 187,475	\$ 166,380	\$ 177,667
Interest	56,423	69,780	117,428	127,921	106,587	91,903
Differences Between Expected and Actual Experience	192,520	-	(318,745)	-	64,647	-
Changes of Assumptions or Other Inputs	422,003	80,177	(612,133)	127,596	421,893	(102,979)
Benefit Payments	<u>(220,176)</u>	<u>(230,170)</u>	<u>(245,173)</u>	<u>(216,632)</u>	<u>(265,173)</u>	<u>(352,092)</u>
<b>Net Change in Total OPEB Liability</b>	<u>616,525</u>	<u>67,394</u>	<u>(865,280)</u>	<u>226,360</u>	<u>494,334</u>	<u>(185,501)</u>
Total OPEB Liability - Beginning	<u>2,883,036</u>	<u>2,815,642</u>	<u>3,680,922</u>	<u>3,454,562</u>	<u>2,960,228</u>	<u>3,145,729</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 3,499,561</u>	<u>\$ 2,883,036</u>	<u>\$ 2,815,642</u>	<u>\$ 3,680,922</u>	<u>\$ 3,454,562</u>	<u>\$ 2,960,228</u>
Covered-Employee Payroll	\$ 66,517,670	\$ 53,813,961	\$ 52,246,564	\$ 52,965,016	\$ 51,422,346	\$ 48,594,805
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	5.26%	5.36%	5.39%	6.95%	6.72%	6.09%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.152312412%	\$ 26,219,745	\$ 57,977,043	45.22%	88.54%
2014	0.156398242%	9,542,592	61,174,266	15.60%	96.09%
2015	0.152282002%	19,669,263	61,310,553	32.08%	92.00%
2016	0.138923724%	35,078,349	61,645,573	56.90%	84.88%
2017	0.126222049%	37,335,635	57,284,629	65.18%	83.89%
2018	0.156526932%	47,146,723	63,501,302	74.25%	84.26%
2019	0.134695817%	46,386,097	62,565,942	74.14%	82.61%
2020	0.134252842%	58,187,160	64,605,266	90.07%	78.85%
2021	0.148247167%	11,198,389	67,655,163	16.55%	96.40%
2022	0.147989365%	55,063,936	70,205,830	78.43%	82.89%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 3,425,785	\$ (3,425,785)	\$ -	\$ 61,174,266	5.60%
2015	3,712,765	(3,712,765)	-	61,310,553	6.06%
2016	3,406,729	(3,406,729)	-	61,645,573	5.53%
2017	3,285,871	(3,285,871)	-	57,284,629	5.74%
2018	4,460,892	(4,460,892)	-	63,501,302	7.02%
2019	4,211,774	(4,211,774)	-	62,565,942	6.73%
2020	4,502,442	(4,502,442)	-	64,605,266	6.97%
2021	5,667,123	(5,667,123)	-	67,655,163	8.38%
2022	6,314,975	(6,314,975)	-	70,205,830	8.99%
2023	7,123,603	(7,123,603)	-	78,707,064	9.05%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.200363755%	\$ 17,444,299	\$ 57,977,043	30.09%	1.78%
2014	0.205875517%	19,249,863	61,174,266	31.47%	0.99%
2015	0.202085952%	20,609,588	61,310,553	33.62%	0.50%
2016	0.199618510%	23,264,710	61,645,573	37.74%	0.97%
2017	0.179663558%	19,210,457	57,284,629	33.54%	1.64%
2018	0.219423532%	23,224,033	63,501,302	36.57%	2.15%
2019	0.187069164%	20,931,167	62,565,942	33.45%	2.63%
2020	0.186130495%	22,726,230	64,605,266	35.18%	3.00%
2021	0.191195180%	23,452,963	67,655,163	34.67%	3.56%
2022	0.192621402%	20,401,683	70,205,830	29.06%	4.81%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 705,260	\$ (705,260)	\$ -	\$ 61,174,266	1.15%
2015	772,498	(772,498)	-	61,310,553	1.26%
2016	1,023,366	(1,023,366)	-	61,645,573	1.66%
2017	950,831	(950,831)	-	57,284,629	1.66%
2018	1,189,939	(1,189,939)	-	63,501,302	1.87%
2019	1,038,615	(1,038,615)	-	62,565,942	1.66%
2020	1,072,447	(1,072,447)	-	64,605,266	1.66%
2021	1,123,065	(1,123,065)	-	67,655,163	1.66%
2022	1,165,522	(1,165,522)	-	70,205,830	1.66%
2023	1,305,372	(1,305,372)	-	78,707,064	1.66%

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

## 1. Budgetary Basis of Accounting

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

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2023, total OPEB liability increased from the prior fiscal year as a result of changes to assumptions as discussed below:

- The discount rate was changed from 1.92 percent as of the beginning of the measurement period to 3.69 percent as of June 30, 2022.
- The medical claims costs and premiums were updated based on actual premium information provided for the valuation.
- The healthcare cost trend rates were revised.

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

*Changes of Assumptions.* In 2022, the long-term expected rate of return was decreased from 6.8 percent to 6.7 percent.

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

*Changes of Assumptions.* In 2022, the municipal bond rate used to determine total pension liability was increased from 2.16 percent to 3.54 percent and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.

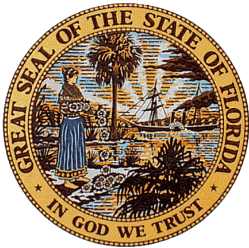
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Highlands County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Total Expenditures
<b>Clustered</b>			
<b>Child Nutrition Cluster</b>			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	23002	\$ 1,909,851.00
National School Lunch Program	10.555	23001, 23003	8,102,101.75
Summer Food Service Program for Children	10.559	22006, 22007, 23006, 23007	259,603.49
Fresh Fruit and Vegetable Program	10.582	23004	236,760.34
<b>Total Child Nutrition Cluster</b>			<b>10,508,316.58</b>
<b>Special Education Cluster</b>			
United States Department of Education:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	4,674,005.21
COVID-19 Special Education - Grants to States	COVID-19, 84.027	263	403,924.62
<b>Total Special Education - Grants to States</b>			<b>5,077,929.83</b>
Special Education - Preschool Grants	84.173	267	103,682.99
COVID-19 Special Education - Preschool Grants	COVID-19, 84.173	267	1,682.74
<b>Total Special Education - Preschool Grants</b>			<b>105,365.73</b>
<b>Total Special Education Cluster</b>			<b>5,183,295.56</b>
<b>Not Clustered</b>			
<b>United States Department of Agriculture</b>			
Florida Department of Health:			
Child and Adult Care Food Program	10.558	A-5438	421,731.44
<b>United States Department of Defense</b>			
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	46,030.83
Army Junior Reserve Officers Training Corps	12.UNK	N/A	33,505.55
<b>Total United States Department of Defense</b>			<b>79,536.38</b>
<b>United States Federal Communications Commission</b>			
Emergency Connectivity Fund Program	COVID-19, 32.009	N/A	1,048,974.10
<b>United States Department of Education</b>			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 226	6,754,190.18
Migrant Education - State Grant Program	84.011	217	761,820.29
Career and Technical Education - Basic Grants to States	84.048	161	292,099.73
Education for Homeless Children and Youth	84.196	127	69,378.74
Rural Education	84.358	110	241,504.46
English Language Acquisition State Grants	84.365	102	74,873.80
Supporting Effective Instruction State Grants	84.367	224	535,183.06
Student Support and Academic Enrichment Program	84.424	241	374,279.29
Education Stabilization Fund:	84.425		
Florida Department of Education:			
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	3,653.89
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	10,200,565.21
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	13,036,241.71
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth Fund	COVID-19, 84.425W	122	34,056.33
South Florida State College:			
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	None	476,769.24
Total Education Stabilization Fund	84.425		<b>23,751,286.38</b>
<b>Total United States Department of Education</b>			<b>32,854,615.93</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 50,096,469.99</b>

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Highlands County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance:
- (A) National School Lunch Program – Includes \$950,799 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Emergency Connectivity Fund Program – Includes \$1,048,974.10 of equipment and services received at fair value during the fiscal year.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



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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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Highlands County District School Board as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Report on Internal Control Over Financial Reporting**

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

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



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

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

### **Report on Compliance and Other Matters**

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

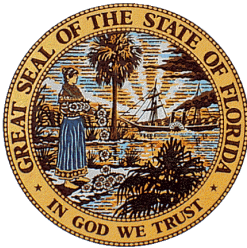
### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 18, 2024



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

### Report on Compliance for Each Major Federal Program

#### *Qualified and Unmodified Opinions*

We have audited the Highlands County District School Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2023. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

#### *Qualified Opinion on the Title I Program*

In our opinion, except for the noncompliance described in the ***Basis for Qualified and Unmodified Opinions*** section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Title I program for the fiscal year ended June 30, 2023.

#### *Unmodified Opinion on the Other Major Federal Program*

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major Federal program identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2023.

#### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing*

*Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the ***Auditor's Responsibilities for the Audit of Compliance*** section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major Federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Matter Giving Risk to Qualified Opinion on the Title I Program***

As described in the accompanying **Schedule of Findings and Questioned Costs**, the District did not comply with requirements regarding the Title I program, as described in Federal Award Finding No. 2023-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

#### ***Responsibilities of Management for Compliance***

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

#### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Other Matters**

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

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Award Finding No. 2023-001 to be a material weakness.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over the compliance finding identified in our compliance audit described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The District is

responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. The District's response and **CORRECTIVE ACTION PLAN** were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 18, 2024

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

### **Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

### **Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major Federal programs: Unmodified for the Education Stabilization Fund and qualified for the Title I Program (ALN 84.010).

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

Identification of major Federal programs:

Assistance Listing Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$1,502,894

Auditee qualified as low risk auditee? Yes

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reported.

## SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

### U.S. DEPARTMENT OF EDUCATION

<b>Finding Number</b>	<b>2023-001</b>
<b>Assistance Listing Number</b>	84.010
<b>Program Title</b>	<b>Title I Grants to Local Educational Agencies</b>
<b>Compliance Requirement</b>	Eligibility
<b>Pass-Through Entity</b>	Florida Department of Education (FDOE)
<b>Federal Grant/Contract Number and Grant Year</b>	S010A220009 – 2023
<b>Statistically Valid Sample</b>	Not Applicable
<b>Finding Type</b>	Opinion Qualification, Noncompliance, and Material Weakness
<b>Questioned Costs</b>	\$905,329
<b>Prior Year Finding</b>	Not Applicable
<b>Finding</b>	Contrary to Federal regulations, the District under allocated Title I Program funds totaling \$905,329 to 15 schools.
<b>Criteria</b>	Title 34, Section 200.78, Code of Federal Regulations, requires the District to allocate Title I schoolwide program funds to schools identified as eligible and selected to participate, in rank order, on the basis of the total number of children from low-income families in each school. The District is not required to allocate the same per-pupil amount (PPA) to each participating school provided that it allocates higher PPAs to schools with higher concentrations of poverty than to schools with lower concentrations of poverty.
<b>Condition</b>	<p>The District annually applies for Title I Program funding and the application includes a budget and an eligibility survey to document the amounts budgeted per participating school. During the 2022-23 fiscal year, the District expended \$6,754,190 from the Title I Program, including \$5,517,453 expended for the District's 16 elementary, middle, and high schools.</p> <p>As part of our audit, we requested for examination District records supporting the budget allocation amounts to the 16 schools and final budget amounts evidencing the allocations were provided. However, District records indicated that the ranking of all 16 District Title I schools did not agree with the ranking based on the percent of students from low-income families. Specifically, 15 schools with poverty concentrations ranging from 52.13 to 83.17 percent were allocated and received \$16,835 to \$202,116 less per pupil funding than a school with a lower poverty concentration of 46.80 percent.</p>
<b>Cause</b>	The District experienced changes in key personnel and had not established effective procedures for monitoring Title I budgets at participating schools.
<b>Effect</b>	Educational services at the 15 District schools under allocated Title I Program funds totaling \$905,329 were not funded at required levels. In response to our inquiries, District personnel concurred with the calculated questioned costs.
<b>Recommendation</b>	The District should establish procedures for ensuring and documenting that Title I Program resources are properly allocated to schools. In addition, the District should provide documentation to the FDOE supporting the allowability of the

questioned costs totaling \$905,329 or allocate that amount to the applicable underfunded Title I schools.

**District Response**

Title I rank and serve budgets are based on the original/final budgets. The total budget per school should never change and should match the rank and serve allocation. Because of staff turnover in Federal Programs, Business Operations, and Finance, the District was unable to ensure the schools remained in rank and serve order for 2022-2023. An error was made during the year-end budget cleanup, which changed the schools' original budget. Budget revisions were done, to the Title I budget, to clean up negatives and bring major function object positive at year-end. The entry should have been done within the individual school budgets so the total budget would match the original/final budget. If this entry had not been done, the rank and serve allocations would match to the original budget.

Previously, the District has monitored the program correctly and has maintained the District's rank and serve order.

The District will provide training and guidance to the new staff overseeing the grant and the budget allocations to ensure and enforce rank and serve order is maintained going forward.

The District has reached out to DOE for guidance on correcting the finding and will follow up with Sean Freeman in the audit resolution and monitoring department once the audit report is published.



# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



**Administration**  
 Brenda Longshore, Superintendent  
 426 School Street  
 Sebring, FL 33870  
 (863) 471-5665  
 longshob@highlands.k12.fl.us

December 8, 2023

We wish to thank your office for the professionalism and courtesy shown by your staff during the audit. We are confident that the District will benefit from this review.

(Finding No.)	Program/Area	Brief Description	Status	Comments
2023-105 (2022-001)	Special Education Cluster (SEC) (ALNs 84.027 and 84.173)	The District did not always comply with Federal regulations by maintaining records to accurately reflect employee work performed for and support the distribution of employee salaries and benefits charged to the SEC.	Partially corrected	Processes were updated to include roster verification and timely submission of PAR forms. However, it will not be fully corrected until June 30, 2024.
2023-105 (2022-002)	Education Stabilization Fund (ALNs 84.425D and 84.425U)	District controls did not always ensure compliance with the Davis-Bacon Act for Federally funded construction projects exceeding \$2,000.	Fully corrected	

Sincerely,

Dr. Brenda Longshore  
 Superintendent of Schools

BL:bh

Dr. Brenda Longshore, Superintendent  
 Jan Shoop, Chairperson · Nicole Radonski, Vice Chairperson  
 Reese Martin · Donna Howerton · Isaac Durrance

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# CORRECTIVE ACTION PLAN

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

January 17, 2024

Sherrill F. Norman, CPA  
Auditor General  
State of Florida  
G74 Claude Densen Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Subject: Audit Response

Dear Ms. Norman:

We have enclosed our responses to the preliminary and tentative audit findings of the audit conducted by your office for the period ending June 30, 2023.

**Finding No. 2023-001: Contrary to Federal regulation, the District under allocated Title I Program Funds**

Title I rank and serve budgets are based on the original/final budgets. The total budget per school should never change and should match the rank and serve allocation. Because of staff turnover in Federal Programs, Business Operations, and Finance, the District was unable to ensure the schools remained in rank and serve order for 2022-2023. An error was made during the year-end budget cleanup, which changed the schools' original budget. Budget revisions were done, to the Title I budget, to clean up negatives and bring major function object positive at year-end. The entry should have been done within the individual school budgets so the total budget would match the original/final budget. If this entry had not been done, the rank and serve allocations would match to the original budget.

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We wish to thank your office for the professionalism and courtesy shown by your staff during the audit. We are confident that the District will benefit from this review.

Sincerely,

Dr. Brenda Longshore  
Superintendent of Schools

AT:BL/bh

Dr. Brenda Longshore, Superintendent  
Janet Shoop, Chairperson · Nicole Radonski, Vice-Chairperson  
Reese Martin · Donna Howerton · Isaac Durrance

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