

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**ALACHUA COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2018



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Karen Clarke served as Superintendent of the Alachua County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
April M. Griffin, Vice Chair from 11-14-17	1
Eileen F. Roy	2
Dr. Gunnar F. Paulson, Chair from 11-14-17, Vice Chair through 11-13-17	3
Dr. Leannetta McNealy	4
Robert P. Hyatt, Chair through 11-13-17	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 Philip B. Ciano, CPA, and the audit was supervised by Denita K. Tyre, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster.

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 13 percent of the assets and 43 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. The financial statements for the school internal funds and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, the Budgetary Comparison Schedule – General and Major Special Revenue Funds, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of District Contributions – Florida Retirement System Pension Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of District Contributions – Health Insurance Subsidy Pension Plan, Schedule of Changes in Net Pension Liability and Related Ratios – Early Retirement Plan, Schedule of District Contributions – Early Retirement Plan, Schedule of Investment Returns – Early Retirement Plan, and Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Alachua 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, 2018. 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 2017-18 fiscal year are as follows:

- The District's total net position increased by \$0.9 million, which represents a 1.8 percent increase from the 2016-17 fiscal year.
- General revenues total \$273.3 million, or 92.1 percent of all revenues in the 2017-18 fiscal year, as compared to \$263.2 million, or 91.6 percent for the 2016-17 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$23.6 million, or 7.9 percent as compared to \$24.2 million, or 8.4 percent in the prior year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$22.5 million at June 30, 2018, or 9.5 percent of General Fund expenditures as compared to \$23.1 million, or 10 percent at June 30, 2017.
- During the current year, General Fund expenditures exceeded revenues by \$3 million. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$5.1 million. Please note that the transfer from the Capital Projects – Local Capital Improvement Fund to the General Fund to cover maintenance expenditures is not classified as revenue in the General Fund.
- The District implemented an accounting change in the current fiscal year for the Implementation of Governmental Accounting Standards Board (GASB) Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See the notes to financial statements for more information on GASB Statement No. 75.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred

inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- **Governmental activities** – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component units** – The District presents 15 charter schools as discretely presented component units. Although legally separate organizations, the charter schools are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units are reported separately from the financial information presented for the primary government. Separately issued financial statements of the charter schools are available at the District's administrative office.

The District also presents the Alachua County School Board Leasing Corporation, (Leasing Corporation), as a blended component unit. Although also a legally separate entity, the Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the Board 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 entity-wide 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, Debt Service – Other Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains one proprietary fund, an internal service fund, to account for its health self-insurance program. Since this service predominantly benefits government-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

The District uses private-purpose trust funds to account for the District's early retirement program, the J. Dale Haynie Trust, and for a career service award program.

The district uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, 2018, compared to net position as of June 30, 2017:

Net Position, End of Year

	Governmental Activities	
	6-30-18	6-30-17
Current and Other Assets	\$ 87,987,099.17	\$ 89,398,469.39
Capital Assets	62,902,404.46	63,916,041.01
Total Assets	150,889,503.63	153,314,510.40
Deferred Outflows of Resources	65,517,242.20	57,505,010.65
Long-Term Liabilities	236,770,805.36	234,029,292.28
Other Liabilities	17,112,414.23	21,378,460.53
Total Liabilities	253,883,219.59	255,407,752.81
Deferred Inflows of Resources	12,568,931.00	6,373,291.73
Net Position:		
Net Investment in Capital Assets	10,855,933.92	7,401,433.60
Restricted	33,371,259.78	29,782,930.49
Unrestricted (Deficit)	(94,272,598.46)	(88,145,887.58)
Total Net Position	\$ (50,045,404.76)	\$ (50,961,523.49)

Net investment in capital assets represents the District's 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 largest portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$153.5 million in net pension liabilities, \$23.3 million in compensated absences payable, and \$7.7 million in other postemployment benefit obligations.

The net pension liability results from the District's participation in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan, which are cost-sharing multiple-employer defined benefit pension plans administered by Florida Division of Retirement. As a participating employer, the District is required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to report its proportionate share of the net pension liabilities. The District also maintains a single-employer Early Retirement Plan subject to GASB 68 reporting.

Governmental activities increased the District's net position by \$1.1 million during the 2017-18 fiscal year, detailed as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-18	6-30-17
Program Revenues:		
Charges for Services	\$ 6,423,036.57	\$ 6,644,549.85
Operating Grants and Contributions	14,927,923.17	14,675,588.67
Capital Grants and Contributions	2,249,065.55	2,873,151.66
General Revenues:		
Property Taxes, Levied for Operational Purposes	89,795,667.23	86,001,962.84
Property Taxes, Levied for Debt Service	3,391.24	5,475.61
Property Taxes, Levied for Capital Projects	21,985,980.12	20,038,308.06
Grants and Contributions Not Restricted to Specific Programs	156,448,181.99	152,613,418.58
Unrestricted Investment Earnings	1,084,858.99	788,169.25
Miscellaneous	3,988,994.64	3,749,964.85
Total Revenues	296,907,099.50	287,390,589.37
Functions/Program Expenses:		
Instruction	154,308,403.77	146,923,956.29
Student Support Services	15,410,485.81	15,573,349.27
Instructional Media Services	4,556,763.91	4,508,900.38
Instruction and Curriculum Development Services	8,733,065.64	9,149,506.46
Instructional Staff Training Services	2,246,053.49	3,073,618.73
Instruction-Related Technology	3,725,171.86	3,765,022.43
Board	986,977.39	923,371.28
General Administration	2,146,024.70	1,900,999.58
School Administration	15,987,497.06	15,414,634.20
Facilities Acquisition and Construction	4,785,083.45	4,325,801.46
Fiscal Services	1,983,468.56	1,878,070.21
Food Services	16,451,772.51	15,720,640.81
Central Services	4,157,465.28	3,614,630.31
Student Transportation Services	11,739,838.26	11,870,458.35
Operation of Plant	23,385,322.87	23,186,478.18
Maintenance of Plant	7,427,615.77	7,308,600.41
Administrative Technology Services	1,723,615.61	2,254,310.35
Community Services	3,857,918.81	3,620,387.35
Unallocated Interest on Long-Term Debt	1,569,200.27	1,658,042.09
Unallocated Depreciation Expense	10,624,103.75	11,363,009.65
Total Functions/Program Expenses	295,805,848.77	288,033,787.79
Change in Net Position	1,101,250.73	(643,198.42)
Net Position - Beginning	(50,961,523.49)	(50,318,325.07)
Adjustment to Beginning Net Position (1)	(185,132.00)	-
Net Position - Beginning, as Restated	(51,146,655.49)	(50,318,325.07)
Net Position - Ending	\$ (50,045,404.76)	\$ (50,961,523.49)

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

The largest revenue source is the State of Florida (45.6 percent). State revenues increased by \$3.7 million, or 2.8 percent, primarily due to an increase in the Florida Education Finance Program (FEFP). Revenues from State sources for current operations are primarily received through the FEFP funding formula. The FEFP formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Property taxes account for 37.7 percent of total revenues. Local tax revenues increased \$5.7 million, or 5.4 percent, as the result of an increase in the taxable assessed property value.

Instruction expenses represent 63.9 percent of total governmental expenses in the 2017-18 fiscal year. Instruction expenses increased by \$6 million, or 3.3 percent, from the previous year, primarily due to increases in employee salaries and benefits.

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 \$3.3 million during the fiscal year to \$59.8 million at June 30, 2018. Approximately 37.6 percent of this amount is unassigned fund balance (\$22.5 million), which is available for spending at the District's discretion. The remainder of the fund balance is not in spendable form (\$2 million), restricted for particular purposes (\$31.9 million), or assigned for particular purposes (\$3.4 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unreserved fund balance is \$22.5 million, while the total fund balance is \$33.8 million. The unassigned fund balance decreased by \$0.6 million, while the total fund balance increased by \$0.14 million during the fiscal year. Key factors in this increase are as follows:

- Total revenue increased by \$8.5 million due mainly to increases in the FEFP funding.
- Total expenditures increased by \$6.4 million, due mainly to an increase in employee salary and benefit expense.
- Total expenditures exceeded Revenues by \$3 million. Please note that the transfer from Capital Projects – Local Capital Improvement Fund to the General Fund to cover maintenance expenditures is not classified as revenue in the General Fund.

The Special Revenue – Other Fund has total revenues and expenditures of \$22.4 million each and the funding was mainly used for Federal-related education programs, primarily Title I and Special Education programs. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Fund has a total fund balance of \$6.2 million, all of which is restricted for interest and principal payments of the District's debt.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$14.8 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$2.7 million has been encumbered for various capital projects.

Proprietary Fund

Unrestricted net position of the District's Internal Service Fund totaled \$11 million at June 30, 2018. This fund is used to account for the District's individual self-insurance program for employee medical insurance fringe benefits.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the 2017-18 fiscal year, the District revises its budget and brings amendments to the Board when needed. These amendments are needed to adjust to actual revenues received and direct the resources where needed. The Board approves the final amendment to the budget after fiscal year end.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$8.9 million, or 3.6 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$10.1 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, is \$62.9 million (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Construction in progress at June 30, 2018, includes various capitalized renovation and remodeling projects.

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

Long-Term Debt

At June 30, 2018, the District has total long-term debt outstanding of \$52.4 million. This amount is comprised of \$52.3 million of certificates of participations payable and \$62,000 of bonds payable.

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

OTHER MATTERS OF SIGNIFICANCE

The Alachua county voters approved an additional millage levy for operating purposes during the November 2016 election. The District budgeted \$14.7 million in local tax revenue from the additional millage for the 2017-18 fiscal year. The proceeds from the additional millage levy are to be used to restore and continue specific programs per the voter referendum.

The District will continue with current plans to reduce expenses and build reserves to offset future reductions.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Alachua County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Business Services Department, Alachua County Public Schools, 620 East University Avenue, Gainesville, Florida 32601.

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BASIC FINANCIAL STATEMENTS

Alachua County District School Board Statement of Net Position June 30, 2018

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and Cash Equivalents	\$ 70,440,038.79	\$ 3,132,853.00
Investments	5,887,613.36	640,130.00
Accounts Receivable	-	43,976.00
Interest Receivable	-	11.00
Due from Other Agencies	8,012,964.58	68,277.00
Deposits Receivable	-	30,705.00
Prepaid Items	-	103,162.00
Inventories	1,993,800.82	-
Restricted Investments	1,652,681.62	-
Capital Assets:		
Nondepreciable Capital Assets	9,328,225.93	1,156,933.00
Depreciable Capital Assets, Net	53,574,178.53	6,967,240.00
TOTAL ASSETS	<u>150,889,503.63</u>	<u>12,143,287.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	781,790.00	-
Pensions	64,034,778.00	1,073,760.00
Net Carrying Amount of Debt Refunding	700,674.20	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>65,517,242.20</u>	<u>1,073,760.00</u>
LIABILITIES		
Accrued Salaries and Benefits	2,927,573.04	169,519.00
Payroll Deductions and Withholdings	5,319,399.39	47,828.00
Accounts Payable	6,570,861.82	381,575.00
Sales Taxes Payable	878.85	180.00
Notes Payable	-	74,495.00
Construction Contracts Payable	191,727.00	-
Construction Contracts Payable - Retained Percentage	172,658.39	-
Due to Other Agencies	17,931.23	-
Deposits Payable	-	-
Unearned Revenues	135,522.51	1,935.00
Estimated Liability for Self-Insurance Program	1,775,862.00	-
Long-Term Liabilities:		
Portion Due Within 1 Year	10,704,957.70	217,661.00
Portion Due After 1 Year	226,065,847.66	6,210,328.00
TOTAL LIABILITIES	<u>253,883,219.59</u>	<u>7,103,521.00</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	276,579.00	-
Pensions	12,292,352.00	381,611.00
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,568,931.00</u>	<u>381,611.00</u>
NET POSITION		
Net Investment in Capital Assets	10,855,933.92	4,112,698.00
Restricted for:		
State Required Carryover Programs	2,912,685.09	-
Debt Service	6,227,686.76	66,826.00
Capital Projects	16,525,160.68	67,936.00
Food Service	3,615,839.76	-
Other Purposes	4,089,887.49	5,268.00
Unrestricted	(94,272,598.46)	1,479,187.00
TOTAL NET POSITION	<u>\$ (50,045,404.76)</u>	<u>\$ 5,731,915.00</u>

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

**Alachua County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 154,308,403.77	\$ 21,238.50	\$ -
Student Support Services	15,410,485.81	-	-
Instructional Media Services	4,556,763.91	-	-
Instruction and Curriculum Development Services	8,733,065.64	-	-
Instructional Staff Training Services	2,246,053.49	-	-
Instruction-Related Technology	3,725,171.86	-	-
Board	986,977.39	-	-
General Administration	2,146,024.70	-	-
School Administration	15,987,497.06	-	-
Facilities Acquisition and Construction	4,785,083.45	-	-
Fiscal Services	1,983,468.56	-	-
Food Services	16,451,772.51	1,865,870.82	14,927,923.17
Central Services	4,157,465.28	-	-
Student Transportation Services	11,739,838.26	275,177.08	-
Operation of Plant	23,385,322.87	-	-
Maintenance of Plant	7,427,615.77	-	-
Administrative Technology Services	1,723,615.61	-	-
Community Services	3,857,918.81	4,260,750.17	-
Unallocated Interest on Long-Term Debt	1,569,200.27	-	-
Unallocated Depreciation Expense*	10,624,103.75	-	-
Total Primary Government	\$ 295,805,848.77	\$ 6,423,036.57	\$ 14,927,923.17
Component Units			
Charter Schools	\$ 14,692,899.00	\$ 1,014,361.00	\$ 523,815.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Position

- Net Position - Beginning
- Adjustment to Beginning Net Position
- Net Position - Beginning, as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$ -	\$ (154,287,165.27)	\$ -
-	(15,410,485.81)	-
-	(4,556,763.91)	-
-	(8,733,065.64)	-
-	(2,246,053.49)	-
-	(3,725,171.86)	-
-	(986,977.39)	-
-	(2,146,024.70)	-
-	(15,987,497.06)	-
2,078,438.82	(2,706,644.63)	-
-	(1,983,468.56)	-
-	342,021.48	-
-	(4,157,465.28)	-
-	(11,464,661.18)	-
-	(23,385,322.87)	-
-	(7,427,615.77)	-
-	(1,723,615.61)	-
-	402,831.36	-
170,626.73	(1,398,573.54)	-
-	(10,624,103.75)	-
<u>\$ 2,249,065.55</u>	<u>(272,205,823.48)</u>	<u>-</u>
<u>\$ 914,707.00</u>	<u>-</u>	<u>(12,240,016.00)</u>
	89,795,667.23	-
	3,391.24	-
	21,985,980.12	-
	156,448,181.99	12,744,057.00
	1,084,858.99	20,776.00
	3,988,994.64	49,515.00
	<u>273,307,074.21</u>	<u>12,814,348.00</u>
	1,101,250.73	574,332.00
	(50,961,523.49)	5,157,583.00
	(185,132.00)	-
	<u>(51,146,655.49)</u>	<u>5,157,583.00</u>
	<u>\$ (50,045,404.76)</u>	<u>\$ 5,731,915.00</u>

**Alachua County District School Board
Balance Sheet – Governmental Funds
June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Debt Service - Other Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 36,142,649.17	\$ -	\$ -
Investments	-	-	4,572,735.65
Due from Other Funds	4,265,143.09	-	-
Due from Other Agencies	2,184,759.60	5,345,103.03	-
Inventories	930,992.61	-	-
Restricted Investments	-	-	1,652,681.62
TOTAL ASSETS	<u>\$ 43,523,544.47</u>	<u>\$ 5,345,103.03</u>	<u>\$ 6,225,417.27</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 2,661,991.27	\$ 228,456.01	\$ -
Payroll Deductions and Withholdings	4,544,117.37	516,188.26	-
Accounts Payable	2,485,671.72	591,145.27	-
Sales Taxes Payable	878.85	-	-
Construction Contracts Payable	-	-	-
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Funds	-	4,009,313.49	-
Due to Other Agencies	5,689.65	-	-
Unearned Revenues	4,431.65	-	-
Total Liabilities	<u>9,702,780.51</u>	<u>5,345,103.03</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventories	930,992.61	-	-
Restricted for:			
State Required Carryover Programs	2,912,685.09	-	-
Debt Service	-	-	6,225,417.27
Capital Projects	-	-	-
Food Service	-	-	-
Voter Approved Millage	2,593,602.82	-	-
Adult Education Programs	1,496,284.67	-	-
Total Restricted Fund Balance	<u>7,002,572.58</u>	<u>-</u>	<u>6,225,417.27</u>
Assigned for:			
State and Local Grants	485,170.14	-	-
Purchases on Order	1,257,574.73	-	-
Extended Day Enrichment Program	1,641,064.71	-	-
Total Assigned Fund Balance	<u>3,383,809.58</u>	<u>-</u>	<u>-</u>
Unassigned Fund Balance	22,503,389.19	-	-
Total Fund Balances	<u>33,820,763.96</u>	<u>-</u>	<u>6,225,417.27</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 43,523,544.47</u>	<u>\$ 5,345,103.03</u>	<u>\$ 6,225,417.27</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,471,688.38	\$ 4,570,891.39	\$ 55,185,228.94
1,312,608.22	2,269.49	5,887,613.36
-	-	4,265,143.09
11,128.37	300,909.77	7,841,900.77
-	1,062,808.21	1,993,800.82
-	-	1,652,681.62
<u>\$ 15,795,424.97</u>	<u>\$ 5,936,878.86</u>	<u>\$ 76,826,368.60</u>
\$ -	\$ 37,125.76	\$ 2,927,573.04
-	259,093.76	5,319,399.39
727,572.54	349,385.19	4,153,774.72
-	-	878.85
191,727.00	-	191,727.00
110,591.20	62,067.19	172,658.39
-	84,765.79	4,094,079.28
-	-	5,689.65
-	131,090.86	135,522.51
<u>1,029,890.74</u>	<u>923,528.55</u>	<u>17,001,302.83</u>
-	1,062,808.21	1,993,800.82
-	-	2,912,685.09
-	2,269.49	6,227,686.76
14,765,534.23	1,395,241.06	16,160,775.29
-	2,553,031.55	2,553,031.55
-	-	2,593,602.82
-	-	1,496,284.67
<u>14,765,534.23</u>	<u>3,950,542.10</u>	<u>31,944,066.18</u>
-	-	485,170.14
-	-	1,257,574.73
-	-	1,641,064.71
-	-	3,383,809.58
-	-	22,503,389.19
<u>14,765,534.23</u>	<u>5,013,350.31</u>	<u>59,825,065.77</u>
<u>\$ 15,795,424.97</u>	<u>\$ 5,936,878.86</u>	<u>\$ 76,826,368.60</u>

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**Alachua County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

Total Fund Balances - Governmental Funds \$ 59,825,065.77

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. 62,902,404.46

Deferred charges on bond refundings are not expensed in the government-wide statements, but are reported as deferred outflows of resources and amortized over the life of the debt. 700,674.20

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:

Certificates of Participation Payable	\$ 51,539,597.00	
Unamortized Premium	781,162.35	
Bonds Payable	62,000.00	
Compensated Absences Payable	23,258,278.01	
Net Pension Liability	153,477,519.00	
Other Postemployment Benefits Payable	<u>7,652,249.00</u>	(236,770,805.36)

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

Deferred Outflows Related to OPEB	\$ 781,790.00	
Deferred Inflows Related to OPEB	<u>(276,579.00)</u>	505,211.00

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 64,034,778.00	
Deferred Inflows Related to Pensions	<u>(12,292,352.00)</u>	51,742,426.00

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 11,049,619.17

Net Position - Governmental Activities **\$ (50,045,404.76)**

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

**Alachua County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Debt Service - Other Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 86,214.35	\$ 5,127,674.82	\$ -
Federal Through State and Local	1,045,608.29	17,320,239.75	-
State	132,851,970.20	-	-
Local:			
Property Taxes	89,795,667.23	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	8,948,488.21	457.50	(31,629.75)
Total Local Revenues	<u>98,744,155.44</u>	<u>457.50</u>	<u>(31,629.75)</u>
Total Revenues	<u>232,727,948.28</u>	<u>22,448,372.07</u>	<u>(31,629.75)</u>
Expenditures			
Current - Education:			
Instruction	137,076,916.83	13,705,211.73	-
Student Support Services	12,642,263.81	2,384,165.87	-
Instructional Media Services	4,427,947.77	10,798.08	-
Instruction and Curriculum Development Services	5,163,203.32	3,329,098.67	-
Instructional Staff Training Services	1,265,156.62	931,472.54	-
Instruction-Related Technology	3,582,461.51	58,913.32	-
Board	979,844.32	-	-
General Administration	1,102,888.43	1,012,417.81	-
School Administration	15,536,137.43	16,115.47	-
Facilities Acquisition and Construction	44,706.17	53,510.38	-
Fiscal Services	1,923,637.10	4,750.00	-
Food Services	-	-	-
Central Services	3,898,273.95	181,039.73	-
Student Transportation Services	11,112,319.98	87,734.91	-
Operation of Plant	22,866,703.05	302,903.47	-
Maintenance of Plant	7,252,002.15	-	-
Administrative Technology Services	1,681,531.18	-	-
Community Services	3,758,607.51	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	370,008.77	116,982.58	-
Charter School Improvement	-	-	-
Other Capital Outlay	1,024,969.15	253,257.51	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>235,709,579.05</u>	<u>22,448,372.07</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,981,630.77)</u>	<u>-</u>	<u>(31,629.75)</u>
Other Financing Sources (Uses)			
Transfers In	3,057,577.00	-	538,854.08
Insurance Loss Recoveries	60,745.50	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>3,118,322.50</u>	<u>-</u>	<u>538,854.08</u>
Net Change in Fund Balances	136,691.73	-	507,224.33
Fund Balances, Beginning	33,684,072.23	-	5,718,192.94
Fund Balances, Ending	<u>\$ 33,820,763.96</u>	<u>\$ 0.00</u>	<u>\$ 6,225,417.27</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,213,889.17
-	14,742,153.17	33,108,001.21
-	2,451,310.13	135,303,280.33
21,985,980.12	3,391.24	111,785,038.59
-	1,865,870.82	1,865,870.82
307,457.98	176,458.55	9,401,232.49
<u>22,293,438.10</u>	<u>2,045,720.61</u>	<u>123,052,141.90</u>
<u>22,293,438.10</u>	<u>19,239,183.91</u>	<u>296,677,312.61</u>
-	-	150,782,128.56
-	-	15,026,429.68
-	-	4,438,745.85
-	-	8,492,301.99
-	-	2,196,629.16
-	-	3,641,374.83
-	-	979,844.32
-	-	2,115,306.24
-	-	15,552,252.90
3,733,153.41	354,791.49	4,186,161.45
-	-	1,928,387.10
-	16,243,126.74	16,243,126.74
-	-	4,079,313.68
-	-	11,200,054.89
-	-	23,169,606.52
-	-	7,252,002.15
-	-	1,681,531.18
-	-	3,758,607.51
3,677,071.42	1,762,730.53	5,926,793.30
598,922.00	-	598,922.00
2,245,468.84	468,117.51	3,991,813.01
4,648,127.00	163,000.00	4,811,127.00
1,479,783.03	11,806.79	1,491,589.82
<u>16,382,525.70</u>	<u>19,003,573.06</u>	<u>293,544,049.88</u>
<u>5,910,912.40</u>	<u>235,610.85</u>	<u>3,133,262.73</u>
-	510,952.68	4,107,383.76
67,319.69	2,715.99	130,781.18
<u>(2,408,275.08)</u>	<u>(1,699,108.68)</u>	<u>(4,107,383.76)</u>
<u>(2,340,955.39)</u>	<u>(1,185,440.01)</u>	<u>130,781.18</u>
3,569,957.01	(949,829.16)	3,264,043.91
11,195,577.22	5,963,179.47	56,561,021.86
<u>\$ 14,765,534.23</u>	<u>\$ 5,013,350.31</u>	<u>\$ 59,825,065.77</u>

Alachua 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, 2018

Net Change in Fund Balances - Governmental Funds **\$ 3,264,043.91**

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. (1,013,636.55)

Refunding gains and losses result from the difference between the reacquisition cost of refunded bonds and the carrying amount. Refunding gains and losses are amortized over the life of the related debt in the statement of activities. (77,610.45)

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 paid in excess of the amount earned in the current fiscal year. 605,786.21

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. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following details the amount of long-term debt principal and amortization in the current period.

Bonds Payable	\$	163,000.00	
Certificates of Participation		4,648,127.00	
Amortization of Premiums		99,005.71	4,910,132.71

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

Decrease in OPEB Liability	\$	477,564.00	
Increase in Deferred Outflows of Resources - OPEB		781,790.00	
Decrease in Deferred Inflows of Resources - OPEB		28,810.00	1,288,164.00

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

FRS Pension Contribution	\$	9,380,533.00	
HIS Pension Contribution		2,548,439.00	
ERP Pension Contribution		852,392.00	
FRS Pension Expense		(15,919,329.00)	
HIS Pension Expense		(3,845,642.00)	
ERP Pension Expense		(484,873.00)	(7,468,480.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (407,149.10)

Change in Net Position - Governmental Activities **\$ 1,101,250.73**

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

**Alachua County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2018**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 15,254,809.85</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,417,087.10
Due to Other Agencies	12,241.58
Estimated Liability for Self-Insurance Program	<u>1,775,862.00</u>
Total Liabilities	<u>4,205,190.68</u>
NET POSITION	
Unrestricted	<u>\$ 11,049,619.17</u>

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

**Alachua County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	<u>\$ 27,420,940.85</u>
OPERATING EXPENSES	
Purchased Services	3,093,265.58
Insurance Claims	<u>24,978,727.14</u>
Total Operating Expenses	<u>28,071,992.72</u>
Operating Loss	(651,051.87)
NONOPERATING REVENUES	
Interest	<u>243,902.77</u>
Change in Net Position	(407,149.10)
Total Net Position - Beginning	<u>11,456,768.27</u>
Total Net Position - Ending	<u>\$ 11,049,619.17</u>

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

**Alachua County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2018**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Premium Payments Received	\$ 27,420,940.85
Cash Payments for Services	(5,178,219.33)
Cash Payments for Insurance Claims	<u>(25,580,522.14)</u>
Net Cash Used by Operating Activities	<u>(3,337,800.62)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>243,902.77</u>
Net Decrease in Cash and Cash Equivalents	(3,093,897.85)
Cash and Cash Equivalents, Beginning	<u>18,348,707.70</u>
Cash and Cash Equivalents, Ending	<u>\$ 15,254,809.85</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>\$ (651,051.87)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	(2,062,686.05)
Due to Other Agencies	(22,267.70)
Estimated Liability for Self-Insurance Program	<u>(601,795.00)</u>
Total Adjustments	<u>(2,686,748.75)</u>
Net Cash Used by Operating Activities	<u>\$ (3,337,800.62)</u>

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

Alachua County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2018

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 561,070.03	\$ 400,233.78	\$ 3,786,379.00
Investments:			
Equities	2,250,306.19	-	-
Corporate Bonds	685,840.98	-	-
Treasury Bonds	642,438.00	-	-
Money Market Funds	24,456.93	-	-
Other	96,886.29	-	-
Accounts Receivable	-	-	41,023.00
Inventory	-	-	14,546.69
TOTAL ASSETS	<u>4,260,998.42</u>	<u>400,233.78</u>	<u>\$ 3,841,948.69</u>
LIABILITIES			
Accounts Payable	-	-	6,921.00
Due to Other Funds	-	-	171,063.81
Internal Accounts Payable	-	-	3,663,963.88
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>\$ 3,841,948.69</u>
NET POSITION			
Held in Trust for Pension Benefits	4,260,998.42	-	
Held in Trust for Scholarships and Other Purposes	-	400,233.78	
TOTAL NET POSITION	<u>\$ 4,260,998.42</u>	<u>\$ 400,233.78</u>	

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

**Alachua County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2018**

	Pension Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 852,392.00	\$ -
Investment Income:		
Interest, Dividends, and Other	52,856.90	5,459.66
Gain on Sale of Investments	4,702.98	-
Net Increase in Fair Value of Investments	144,198.63	-
Net Investment Income	201,758.51	5,459.66
Total Additions	1,054,150.51	5,459.66
DEDUCTIONS		
Participant Benefits	738,525.36	-
Purchased Services	13,000.00	-
Total Deductions	751,525.36	-
Change in Net Position	302,625.15	5,459.66
Net Position - Beginning	3,958,373.27	394,774.12
Net Position - Ending	\$ 4,260,998.42	\$ 400,233.78

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

The Alachua County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Alachua 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 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 Alachua County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.I.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 Units. The component units columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District. The component unit columns in the basic financial statements include the financial data of 15 charter schools: Alachua Learning Academy Elementary School and Alachua Learning Academy Middle School, each programs of The Alachua Learning Center, Inc; Alachua MYcroSchool of Integrated Academics and Technologies, Inc.; Boulware Springs Charter School, Inc.; The Caring and Sharing Learning School, Inc.; Einstein School, Inc.; Expressions Learning Arts Academy, Inc.; Florida School for Integrated Academics and Technologies Gainesville, Inc.; Genesis Preparatory School of Gainesville, Inc.; Healthy Learning Academy, Inc.; Micanopy Academy, Inc.; Micanopy Area Cooperative School, Inc.; One Room School House Project and One Room Middle School, each programs of The One Room School House Project, Inc.; and Resilience Charter School, Inc.

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

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2018. The audit reports are filed in the District's administrative offices at 620 East University Avenue, Gainesville, Florida, 32601.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds,

each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Debt Service – Other Fund - to account for resources accumulated and payments made for the principal and interest on long-term debt of governmental funds.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including: construction, remodeling and addition projects; District-wide maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment purchases; payments for educational facilities and sites due under lease-purchase agreements (COPS); payments for renting and leasing education facilities and sites; payments of loans approved pursuant to Sections 1011.14 and 1011.15, Florida Statutes; and payment of the cost of leasing relocatable educational facilities.

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

- Internal Service Fund – to account for the District’s individual self-insurance program.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Private-Purpose Trust Funds – to account for resources of the J. Dale Haynie Trust Fund, the Diamond Sports Park, and the career services award program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, these balances are eliminated in the preparation of the government-wide financial statements. 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, 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.

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property

taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Property taxes, sales taxes, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. 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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary, pension trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

Investments made locally, including investments held for the pension fund, consist of money market funds, United States Government bonds, corporate bonds, and equities and are reported at fair value.

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. The central stores, transportation, maintenance, and the food service nonfood inventories are valued at cost on the moving-average basis. The purchased food inventories are valued at final year-end contract price, 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 with a useful life greater than one year. 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the weighted-average composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	9 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 12 years
Audio Visual Materials and Computer Software	4 - 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, the Health Insurance Subsidy (HIS) defined benefit plan, and the Early Retirement Plan (ERP), and additions to/deductions from the FRS, HIS, and ERP fiduciary net position have been determined on the same basis as they are reported by the FRS, HIS, and ERP 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. Certificates of participation premiums are deferred and amortized over the life of the debt using the effective interest method and are reported net of applicable premiums.

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

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of 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, 2018.

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 adoption of Board Policy 6100, authorized the Superintendent to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between

estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

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

The Board adopted the 2017 tax levy on September 5, 2017. 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 Alachua County Tax Collector at fiscal year end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could differ from those estimates.

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 75. The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This Statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statements for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The beginning net position of the District was decreased by \$185,132 due to implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, decreased by \$120,257 to \$8,129,813 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75. The adjustment to beginning net position includes \$305,389 for the establishment of beginning balance for deferred inflows of resources related to OPEB. The beginning balance for deferred outflows of resources was not restated.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have

a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

As described in Note I.F.2., the District reports investments at fair value, except for investments in investment pools, which are carried at amortized cost. Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the district has the ability to access.
- Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The District's investments at June 30, 2018, are reported as follows:

<u>Investments Reported as Cash Equivalents</u>	<u>Maturities</u>	<u>Credit Rating (1)</u>	<u>Fair Value</u>
<u>Reported at Amortized Cost</u>			
Governmental Funds:			
SBA Florida PRIME	30 Day Average	AAAm	\$ 32,193,652.55
Fiduciary Funds:			
SBA Florida PRIME	30 Day Average	AAAm	563,844.67
<u>Reported at Net Asset Value</u>			
Governmental Funds:			
Florida FIT Cash Pool	95 Days Average	AAAf/S1+	26,734,517.29
Total Investments Reported as Cash Equivalents			\$ 59,492,014.51
			Fair Value
			(Level 1)
<u>Investments</u>			
Governmental Funds:			
Money Market Mutual Funds:			
First American Government Obligations Fund (2)	No Maturity	AAAm	\$ 1,344,775.86
SBA Debt Service Accounts	6 months	Not Rated	2,269.49
United States Treasury Bonds (3)	8-31-18	Not Rated	1,620,697.18
United States Treasury Bonds	8-15-27	Not Rated	4,572,552.45
Total Governmental Funds Investments			7,540,294.98
Fiduciary Funds:			
Money Market			
United States Treasury Bonds	N/A	Not Rated	24,456.93
United States Treasury Bonds	1.98 years	Not Rated	116,718.00
United States Treasury Bonds	4.79 years	Not Rated	525,720.00
Corporate Bonds	1 - 5 years	Baa	116,212.80
Corporate Bonds	5 - 10 years	Baa	486,086.40
Corporate Bonds	10 - 30 years	Baa	83,541.78
Equities	N/A	Not Rated	2,250,306.19
Other			96,886.29
Total Fiduciary Funds Investments			3,699,928.39
Total Investments at Fair Value			\$ 11,240,223.37

(1) Ratings from Standard and Poor's (S&P).

(2) These funds are held under a trust agreement in connection with the Certificates of Participation, Series 2005 Qualified Zone Academy Bonds (QZAB), and 2010A and 2010B financing arrangements (see Note III.I.1.). Money market funds include amounts invested in securities that are issued or guaranteed as to payment of principal and interest by the United States Government.

(3) These funds are held under a security delivery agreement in connection with the Certificates of Participation, 2005-QZAB (see Note III.I.1.).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government 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, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

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

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District

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

In conjunction with the issuance of its \$1,794,000 Certificates of Participation, Series 2005 QZAB, the Board, U.S. Bank, as successor Trustee, and Wells Fargo Bank, N. A., as provider, entered into a Security Delivery Agreement dated December 22, 2005. The original deposits totaled \$1,176,198.25 and will accrue to a total value of \$1,794,000 on December 22, 2020, at the guaranteed rate of 3.57 percent. At the time of each deposit by the Board, the Trustee purchases and holds on behalf of the Board eligible securities from the provider. Eligible securities include direct obligations of the United States Treasury and certain obligations of Federal agencies, which represent the full faith and credit of the United States of America, and other securities as outlined in the Security Delivery Agreement.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

Concentration of credit risk for investments of the District's early retirement program, reported in the Pension Trust Fund, is described in Note III.E.3.

C. Due from Other Agencies

The amount due from other agencies in the Special Revenue – Other Fund includes, in part, \$4,100,771.34 due from the Florida Department of Education and \$1,154,262.19 due from the United States Department of Human Services, each for reimbursement of expenditures for grants funded on a cost reimbursement basis.

D. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 5,664,706.69	\$ -	\$ -	\$ 5,664,706.69
Construction in Progress	<u>1,314,871.81</u>	<u>5,926,793.30</u>	<u>3,578,145.87</u>	<u>3,663,519.24</u>
Total Capital Assets Not Being Depreciated	<u>6,979,578.50</u>	<u>5,926,793.30</u>	<u>3,578,145.87</u>	<u>9,328,225.93</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	38,389,304.08	955,017.40	228,264.04	39,116,057.44
Buildings and Fixed Equipment	368,219,696.41	2,623,128.47	4,041,042.49	366,801,782.39
Furniture, Fixtures, and Equipment	24,445,618.69	1,315,453.58	1,053,494.47	24,707,577.80
Motor Vehicles	21,348,726.68	2,646,105.18	946,842.90	23,047,988.96
Audio Visual Materials and Computer Software	<u>3,415,430.61</u>	<u>30,254.25</u>	-	<u>3,445,684.86</u>
Total Capital Assets Being Depreciated	<u>455,818,776.47</u>	<u>7,569,958.88</u>	<u>6,269,643.90</u>	<u>457,119,091.45</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	32,199,800.54	1,215,620.78	228,264.04	33,187,157.28
Buildings and Fixed Equipment	319,495,934.93	7,693,424.59	4,041,042.49	323,148,317.03
Furniture, Fixtures, and Equipment	22,810,796.71	1,634,821.98	1,053,494.47	23,392,124.22
Motor Vehicles	20,982,254.21	366,472.47	946,842.90	20,401,883.78
Audio Visual Materials and Computer Software	<u>3,393,527.57</u>	<u>21,903.04</u>	-	<u>3,415,430.61</u>
Total Accumulated Depreciation	<u>398,882,313.96</u>	<u>10,932,242.86</u>	<u>6,269,643.90</u>	<u>403,544,912.92</u>
Total Capital Assets Being Depreciated, Net	<u>56,936,462.51</u>	<u>(3,362,283.98)</u>	-	<u>53,574,178.53</u>
Governmental Activities Capital Assets, Net	<u>\$ 63,916,041.01</u>	<u>\$ 2,564,509.32</u>	<u>\$ 3,578,145.87</u>	<u>\$ 62,902,404.46</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 308,139.11
Unallocated	<u>10,624,103.75</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 10,932,242.86</u>

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing

multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's FRS, HIS, and ERP pension expense totaled \$20,249,844 for the fiscal year ended June 30, 2018.

FRS Pension Plan

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

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

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

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

does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 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	7.92
FRS, Elected County Officers	3.00	45.50
FRS, Senior Management Service	3.00	22.71
DROP – Applicable to Members from All of the Above Classes	0.00	13.26
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 \$9,380,533 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$98,781,681 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.333955110 percent, which was a decrease of 0.003473850 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the Plan pension expense of \$15,919,329. 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	\$ 9,065,781	\$ 547,200
Change of Assumptions	33,197,619	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	2,448,057
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	1,042,420	4,051,672
District FRS Contributions Subsequent to the Measurement Date	9,380,533	-
Total	\$ 52,686,353	\$ 7,046,929

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$9,380,533, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. 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>
2019	\$ 4,592,115
2020	13,089,825
2021	8,674,720
2022	1,197,346
2023	6,273,359
Thereafter	2,431,526
Total	\$ 36,258,891

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.1 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.6 percent to 7.1 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1 percent) or 1 percentage point higher (8.1 percent) than the current rate:

	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
District's Proportionate Share of the Net Pension Liability	\$ 178,788,876	\$ 98,781,681	\$ 32,357,378

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

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of \$1,163,737.88 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

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, 2018, 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, 2018, 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 \$2,548,439 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a net pension liability of \$50,463,229 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.471951473 percent, which was an increase of 0.002268142 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the HIS Plan pension expense of \$3,845,642. 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	\$ -	\$ 105,073
Change of Assumptions	7,093,395	4,363,609
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	27,986	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	641,818	731,544
District HIS Contributions Subsequent to the Measurement Date	2,548,439	-
Total	<u>\$ 10,311,638</u>	<u>\$ 5,200,226</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,548,439, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. 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>
2019	\$ 834,295
2020	829,000
2021	826,458
2022	509,067
2023	206,664
Thereafter	(642,511)
Total	\$ 2,562,973

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.58 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58 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 2.85 percent to 3.58 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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 57,585,227	\$ 50,463,229	\$ 44,530,998

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

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of \$246,263.87 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.) as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information

for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$1,430,154 for the fiscal year ended June 30, 2018.

Payables to the Investment Plan. At June 30, 2018, the District reported a payable of \$229,307.20 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2018.

3. Early Retirement Plan

Plan Description

As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (ERP) effective January 1, 1984. The ERP is a single-employer defined benefit pension plan. The purpose of the ERP is to provide District employees, who elect to retire under the early retirement provisions of the FRS, described in Note III.E.1., with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement age. The Board administers ERP assets in a Pension Trust Fund and is responsible for their investment. The Board acts as the administrative agent for the ERP. A separate report for the ERP is not available.

Plan Membership

As of June 30, 2017, the most recent valuation date, there were 153 retirees and beneficiaries receiving benefits.

Eligibility

A member of the ERP was eligible upon attainment of age 55 to 61, completion of 25 or more years of creditable service, and having applied for retirement under the FRS. For those retiring during the period from July 1, 2008 (August 1, 2008 for teachers), through June 30, 2009, at least 20 years of creditable service must represent employment by the School Board of Alachua County and the employee must have at least 20 years of experience in the FRS. For those retiring during the period from July 1, 2009, through June 30, 2013, the 15 years immediately preceding retirement must be as an employee of the School Board of Alachua County.

The ERP closed to new enrollees on or after July 1, 2013.

Benefits Provided

Benefits are paid in the amount of the reduction in monthly benefits from the FRS as a consequence of early retirement.

Contributions and Reserves

The ERP was established by the Board on January 1, 1984, and may be subsequently amended by Board action. Pursuant to the ERP agreement, no contributions shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual service cost of the ERP.

Periodic employer contributions to the ERP are determined on an actuarial basis using the Entry Age Normal Cost Method. Annual service cost is funded on a current basis.

Significant actuarial assumptions used to compute annual required contributions are the same as those to determine the total pension liability.

Contributions to the ERP in the 2017-18 fiscal year totaled \$852,392, all of which were paid by the Board. The computation of the annual required contributions for 2018 was based on the same (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method, and (d) other significant factors as used to determine annual required contributions in the previous year.

All of the assets in the District's Pension Trust Fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose.

Costs of administering the ERP are financed through the ERP's resources (employer contributions and investment earnings).

Summary of Significant Accounting Policies

Significant accounting policies related to basis of accounting and method of asset valuation are disclosed in Note I.E. Additional investment disclosures related to the Pension Trust Fund are in Note III.B.

Investments

Investment Policy. The ERP's investment policy is established and may be amended by the Board. ERP assets are to be managed in a moderately conservative manner with the objective of preserving the purchasing power of the participant's assets, with a secondary objective of the growth of capital. The policy allows for equity investments (not to exceed 65 percent of the ERP assets), fixed income investments, which should be well diversified to avoid undue exposure to any single economic sector of individual issuer, and investments in U.S. Government guaranteed obligations with no limitation.

Concentrations. The ERP's investments at June 30, 2018, consisted of the following:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Percentage of</u> <u>Plan Net Assets</u>
State Board of Administration:		
Florida PRIME (1)	\$ 163,610.89	4.23%
Stifel:		
Equities	2,250,306.19	58.25%
Corporate Bonds	685,840.98	17.75%
U.S. Government Bonds	642,438.00	16.63%
Money Market Funds	24,456.93	0.63%
Other	96,886.29	2.51%
Total	<u>\$ 3,863,539.28</u>	<u>100.00%</u>

(1) Reported as Cash and Cash Equivalents.

Rate of Return. For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$4,232,609. The net pension liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016, and updates were used to determine the net pension liability as of June 20, 2017. The District's fiduciary net position as of June 30, 2018, totaled \$4,260,998.42. The components of the net pension liability of the ERP measured as of June 30, 2018, were as follows:

Total Pension Liability	\$ 8,301,358.00
Plan Fiduciary Net Position	<u>(4,260,998.42)</u>
Net Pension Liability	<u>\$ 4,040,359.58</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.33%

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$484,873. 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</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ 184,395	\$ 45,197
District ERP Contributions Subsequent to the Measurement Date	<u>852,392</u>	<u>-</u>
Total	<u>\$ 1,036,787</u>	<u>\$ 45,197</u>

The deferred outflows of resources, totaling \$852,392, resulting from District contributions to the ERP Plan subsequent to the measurement date will be recognized as a reduction of the net

pension liability in the fiscal year ended June 30, 2019. The other amounts reported as deferred outflows 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>
2019	\$ 36,346
2020	65,098
2021	41,865
2022	<u>(4,111)</u>
Total	<u>\$ 139,198</u>

Actuarial Assumptions

The assumptions used to measure the total pension liability as of the measurement date include an inflation assumption of 2.5 percent per year and annual cost-of-living adjustments of 3 percent per year. Mortality rates were taken from gender distinct RP-2000 Healthy Participant Mortality Tables. For female participants 100 percent White Collar Annuitant rates are used, for male participants a blend of 50 percent White Collar Annuitant rates with 50 percent Blue Collar Annuitant rates are used. Mortality improvements for all members are generationally projected using Scale BB.

Discount Rate

GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the total pension liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, benefit payments, expenses, and investment returns are projected into the future. The projected Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. For years that assets are projected to be on hand in a future year, the assumed net long-term rate of return is used as the discount rate. For years when assets are not projected to be insufficient to meet benefit payments, the use of a specific municipal yield is used as the discount rate, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects: (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of this valuation, the expected rate of return on pension plan investments is 6.5 percent; the municipal bond rate is 3.56 percent.

The employer complies with Florida Statutes by making contributions to the trust in the amounts at least equal to the actuarially determined contribution. It was assumed that the employer would continue to comply with the funding requirement imposed by such statutes. Based on this current

contribution policy, the plan is expected to eliminate the unfunded actuarial accrued liability by 2025 and, consequently, the pension plan's fiduciary net position together with the future contributions are expected to be available to finance all projected future benefit payments of current plan members.

Generally speaking, a plan that receives actual contributions in accordance with a funding policy or contribution policy that employs an individual actuarial cost method (such as entry age method in use by this employer) and closed amortization over a reasonable period (such as this employer) will not have a cross-over date and, therefore, will use its net long-term expected rate of return as the discount rate for GASB purposes. Therefore, for this year, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the ERP calculated using a SDR of 6.5 percent, as well as what the plan's net pension liability would be if it were calculated using a SDR that is 1 percent lower (5.5 percent) or 1 percent higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net Pension Liability Measured at June 30, 2018	\$ 4,746,023	\$ 4,040,360	\$ 3,427,610
Net Pension Liability Measured at June 30, 2017	4,936,107	4,232,609	3,622,788

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District 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 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 member 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 all of the criteria in GASB Statement No. 75, paragraph 4.

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, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	363
Active Employees	<u>3,486</u>
Total	<u>3,849</u>

Total OPEB Liability. The District's total OPEB liability of \$7,652,249 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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

Inflation	2.5 percent, annually
Discount Rate	3.56 percent
Salary Increases	Salary increase rates used in the July 1, 2016, actuarial valuation of the FRS; 3.7 – 7.8 percent, including inflation.
Retirement Age	Retirement rates used in the July 1, 2016, actuarial valuation of the FRS. They are based on the results of a Statewide experience study covering the period 2008 through 2013.
Mortality	Mortality tables used in the July 1, 2016, actuarial valuation of the FRS. They are based on the results of a Statewide experience study covering the period 2008 through 2013.
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 7 percent and gradually decreasing to an ultimate trend rate of 4.24 percent plus 0.4 percent increase for excise tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

The discount rate used to measure the total pension liability was 3.56 percent. For plans that do not have formal assets, the discount rate should equal a yield or index rate for 20-year, tax-exempt general obligation municipal bond with an average AA/Aa or higher rating as of the measurement date. For the purpose of the OPEB Plan actuarial valuation, the municipal bond rate of 3.56 percent was based on the daily rate closest to but not later than the measurement date of the "Fidelity General Obligation AA Index."

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2016, actuarial valuation of the FRS Defined Benefit Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB Plan actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2016, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in

valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.

Changes in the Total OPEB Liability. The following table shows the change in the District's OPEB Plan liability:

	<u>Amount</u>
Balance at June 30, 2017, as Restated	\$ 8,129,813
Changes for the year:	
Service Cost	372,754
Interest	236,861
Changes of Assumptions and Other Inputs	(305,389)
Benefit Payments	<u>(781,790)</u>
Net Changes	<u>(477,564)</u>
Balance at June 30, 2018	<u>\$ 7,652,249</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017.

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 (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

	<u>1% Decrease (2.56%)</u>	<u>Healthcare Cost Trend Rates (3.56%)</u>	<u>1% Increase (4.56%)</u>
Total OPEB Liability	\$ 8,132,588	\$ 7,652,249	\$ 7,189,781

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 percent decreasing to 3.64 percent) or 1 percentage point higher (8 percent decreasing to 5.64 percent) than the current healthcare cost trend rates:

	<u>1% Decrease (6% Decreasing to 3.64%)</u>	<u>Current Healthcare Cost Trend Rates (7% Decreasing to 4.64%)</u>	<u>1% Increase (8% Decreasing to 5.64%)</u>
Total OPEB Liability	\$ 6,785,378	\$ 7,652,249	\$ 8,696,721

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$580,805. At June 30, 2018, 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>
Change of Assumptions or Other Inputs	\$ -	\$ 276,579
Benefits Paid Subsequent to the Measurement Date	<u>781,790</u>	<u>-</u>
Total	<u>\$ 781,790</u>	<u>\$ 276,579</u>

The deferred outflows of resources related to OPEB resulting from benefits paid subsequent to the measurement date, totaling \$781,790, will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ (28,810)
2020	(28,810)
2021	(28,810)
2022	(28,810)
2023	(28,810)
Thereafter	<u>(132,529)</u>
Total	<u>\$ (276,579)</u>

G. Encumbrances

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

The following is a schedule of encumbrances at June 30, 2018:

<u>Major Funds</u>				
<u>General</u>	<u>Special Revenue - Other</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 1,257,574.73</u>	<u>\$ 805,582.35</u>	<u>\$ 2,716,034.84</u>	<u>\$ 966,754.94</u>	<u>\$ 5,745,946.86</u>

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Alachua County District School Board is a member of the Florida School Board Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. FSBIT was established under the authority of Section 624.4622, Florida Statutes, for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards.

The District has established self-insurance programs for its employee health and hospitalization coverage. The District's health and hospitalization insurance program is being provided on a self-insurance basis up to specified limits. The District has entered into an agreement with a commercial insurance company to provide specific excess coverage of amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims exceed a loss limit established by the policy. The District has also contracted with a commercial insurance company to administer the terms of the programs under an agreement wherein the claims for benefits are paid by the insurance company, which is subsequently reimbursed by the District for claims paid plus an administrative expense. The District reports the financial transactions of its employee group insurance programs in an internal service fund.

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

A liability in the amount of \$1,775,862 was determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2018.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2016-17	\$ 2,650,092.90	\$ 22,657,588.93	\$(22,930,024.83)	\$ 2,377,657.00
2017-18	2,377,657.00	24,978,727.14	(25,580,522.14)	1,775,862.00

I. Long-Term Liabilities

1. Certificates of Participation

Certificates of Participation at June 30, 2018, are as follows:

<u>Series</u>	<u>Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 2005-QZAB	\$ 1,794,000	(1)	2021	\$ 1,794,000
Series 2010A	11,211,997	4.98	2027	11,211,997
Series 2010B	4,635,600	4.49	2027	7,163,003
Series 2010C, Refunding	6,929,100	2.89	2021	9,872,500
Series 2011, Refunding	6,848,900	2.94	2021	9,629,900
Series 2013, Refunding	20,120,000	3.26 - 3.85	2029	20,285,000
Subtotal	51,539,597			
Plus: Unamortized Premium	781,162			
Total Certificates of Participation	\$ 52,320,759			

- (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB's. The rate of return to the holders was established by the United States Government at the time of sale.

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Alachua School Board Leasing Corporation (Corporation) whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of Certificates of Participation by the Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Corporation, with rental fees of \$1 per year, except for the 2005-QZAB which are secured by computer equipment. The initial terms of the leases end on the earlier of the maturity date, or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms of five years. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangements. The lease payments, which are used to make debt service payments on the certificates, are payable from funds appropriated annually by the District for such purpose from the local capital outlay tax levy or other funds legally available. The District properties included in the ground leases under these arrangements include land on which the projects have been constructed. The projects related to the ground leases are as follows:

Series 2010A Qualified School Construction Bonds

Santa Fe High School Classroom Addition
Meadowbrook Elementary School

Series 2010B Build America Bonds

Meadowbrook Elementary School

Series 2010C Refunding and Series 2011 Refunding

Certain projects described in the Certificates of Participation, Series 2001, maturing in the years 2011 to 2021

Series 2013 Refunding

Certain projects described in the Certificates of Participation, Series 2013, maturing in the years 2013 to 2029

The lease under the Series 2005-QZAB issue includes computer equipment purchased throughout the District. Lease payments, with the exception of the Series 2005-QZAB issues, are payable by the District, semiannually, on July 1 and January 1.

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>
2019	\$ 6,275,330.81	\$ 4,972,779.00	\$ 1,302,551.81
2020	6,076,482.91	4,918,176.00	1,158,306.91
2021	8,080,256.77	7,067,629.00	1,012,627.77
2022	3,480,817.02	2,587,148.00	893,669.02
2023	3,478,566.84	2,705,243.00	773,323.84
2024-2028	28,608,622.51	26,473,622.00	2,135,000.51
2029	2,913,525.00	2,815,000.00	98,525.00
Total Minimum Lease Payments	58,913,601.86	51,539,597.00	7,374,004.86
Plus: Unamortized Premiums	781,162.35	781,162.35	-
Total	\$ 59,694,764.21	\$ 52,320,759.35	\$ 7,374,004.86

The Series 2005-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of December 22, 2005, will mature on December 22, 2020, for the original \$1,794,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$235,240 for five consecutive years beginning on December 22, 2006, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity.

2. Bonds Payable

Bonds payable at June 30, 2018, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2009A, Refunding	\$ 30,000	5	2019
Series 2014B, Refunding	32,000	2 - 5	2020
Total Bonds Payable	\$ 62,000		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2019	\$ 48,620.00	\$ 46,000.00	\$ 2,620.00
2020	16,320.00	16,000.00	320.00
Total Bonds Payable	\$ 64,940.00	\$ 62,000.00	\$ 2,940.00

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Debt and Unamortized Amounts:					
Certificates of Participation	\$ 56,187,724.00	\$ -	\$ 4,648,127.00	\$ 51,539,597.00	\$ 4,972,779.00
Unamortized Premium	852,177.11	-	71,014.76	781,162.35	-
Bonds Payable	225,000.00	-	163,000.00	62,000.00	46,000.00
Unamortized Premium	27,990.95	-	27,990.95	-	-
Total Capital Asset Related Debt	57,292,892.06	-	4,910,132.71	52,382,759.35	5,018,779.00
Compensated Absences Payable	23,864,064.22	2,158,728.34	2,764,514.55	23,258,278.01	2,694,337.70
Net Pension Liability	144,622,266.00	53,680,028.00	44,824,775.00	153,477,519.00	2,210,051.00
Other Postemployment Benefits Payable (1)	8,129,813.00	609,615.00	1,087,179.00	7,652,249.00	781,790.00
Total Governmental Activities	\$233,909,035.28	\$56,448,371.34	\$53,586,601.26	\$236,770,805.36	\$10,704,957.70

(1) OPEB payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Note II.

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

J. Fund Balance Reporting

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

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

K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 4,265,143.09	\$ -
Special Revenue:		
Other	-	4,009,313.49
Nonmajor Governmental	-	84,765.79
Fiduciary:		
Agency	-	171,063.81
Total	\$ 4,265,143.09	\$ 4,265,143.09

Interfund receivables and payables generally occur during the normal course of District operations for departmental costs and utilities, except that amounts due to the General Fund from the Special Revenue – Other Fund represent temporary loans to pay for expenditures that had not been reimbursed by the grantor agencies. All balances are expected to be repaid in less than 1 year.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2017-18 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 81,178,507.00
Categorical Educational Program - Class Size Reduction	30,543,214.00
Supplemental Academic Instruction	8,326,488.00
Student Transportation	3,982,516.00
Florida Best and Brightest Teacher and Principal Scholarship Programs	3,167,338.03
Instructional Materials	2,524,089.00
School Recognition	1,334,007.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,075,835.86
Preschool Projects	977,591.92
Gross Receipts Tax (Public Education Capital Outlay)	830,579.00
Workforce Development Program	439,145.00
Charter School Capital Outlay	357,577.00
Food Service Supplement	202,244.58
Mobile Home License Tax	82,479.60
Miscellaneous	281,668.34
Total	\$ 135,303,280.33

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 2017 tax roll for the 2017-18 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.377	\$ 66,799,328
Basic Discretionary Local Effort	0.748	11,415,549
Voted School Tax:		
Additional Operating One Mill	1.000	15,261,440
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	22,892,275
Total	<u>7.625</u>	<u>\$ 116,368,592</u>

M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 3,057,577.00	\$ -
Debt Service:		
Other	538,854.08	-
Capital Projects:		
Local Capital Improvement	-	2,408,275.08
Nonmajor Governmental	<u>510,952.68</u>	<u>1,699,108.68</u>
Total	<u>\$ 4,107,383.76</u>	<u>\$ 4,107,383.76</u>

The principal purpose of the interfund transfers were to provide for expenditures originally paid out of other funds (e.g., portable rentals and maintenance were paid out of the General Fund but with Capital Projects funds moneys).

IV. LITIGATION

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 190,000.00	\$ 190,000.00	\$ 86,214.35	\$ (103,785.65)
Federal Through State and Local	1,000,000.00	1,000,000.00	1,045,608.29	45,608.29
State	130,668,240.00	130,417,811.00	132,851,970.20	2,434,159.20
Local:				
Property Taxes	90,044,482.00	89,841,689.00	89,795,667.23	(46,021.77)
Miscellaneous	6,460,866.00	7,677,811.40	8,948,488.21	1,270,676.81
Total Local Revenues	96,505,348.00	97,519,500.40	98,744,155.44	1,224,655.04
Total Revenues	228,363,588.00	229,127,311.40	232,727,948.28	3,600,636.88
Expenditures				
Current - Education:				
Instruction	134,635,806.06	142,076,997.20	137,076,916.83	5,000,080.37
Student Support Services	12,034,723.74	12,696,863.93	12,642,263.81	54,600.12
Instructional Media Services	4,503,190.54	4,590,933.36	4,427,947.77	162,985.59
Instruction and Curriculum Development Services	5,067,424.89	5,227,281.56	5,163,203.32	64,078.24
Instructional Staff Training Services	1,149,696.70	1,571,222.88	1,265,156.62	306,066.26
Instruction-Related Technology	3,111,413.04	3,683,587.16	3,582,461.51	101,125.65
Board	1,079,977.81	1,115,656.48	979,844.32	135,812.16
General Administration	918,503.09	1,134,450.20	1,102,888.43	31,561.77
School Administration	14,823,900.37	15,575,278.13	15,536,137.43	39,140.70
Facilities Acquisition and Construction	488,885.17	240,678.53	44,706.17	195,972.36
Fiscal Services	1,783,032.21	1,937,018.36	1,923,637.10	13,381.26
Central Services	3,888,971.25	4,421,325.00	3,898,273.95	523,051.05
Student Transportation Services	11,517,105.56	11,638,035.90	11,112,319.98	525,715.92
Operation of Plant	23,210,549.31	23,887,622.03	22,866,703.05	1,020,918.98
Maintenance of Plant	7,260,834.66	7,436,481.71	7,252,002.15	184,479.56
Administrative Technology Services	1,641,846.54	1,839,766.86	1,681,531.18	158,235.68
Community Services	4,047,115.84	4,096,509.30	3,758,607.51	337,901.79
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	370,008.77	370,008.77	-
Other Capital Outlay	-	1,024,969.15	1,024,969.15	-
Total Expenditures	231,162,976.78	244,564,686.51	235,709,579.05	8,855,107.46
Excess (Deficiency) of Revenues Over Expenditures	(2,799,388.78)	(15,437,375.11)	(2,981,630.77)	12,455,744.34
Other Financing Sources (Uses)				
Transfers In	5,500,000.00	5,500,000.00	3,057,577.00	(2,442,423.00)
Loss Recoveries	-	-	60,745.50	60,745.50
Total Other Financing Sources (Uses)	5,500,000.00	5,500,000.00	3,118,322.50	(2,381,677.50)
Net Change in Fund Balances	2,700,611.22	(9,937,375.11)	136,691.73	10,074,066.84
Fund Balances, Beginning	33,684,072.23	33,684,072.23	33,684,072.23	-
Fund Balances, Ending	\$ 36,384,683.45	\$ 23,746,697.12	\$ 33,820,763.96	\$ 10,074,066.84

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 4,888,322.61	\$ 5,371,135.26	\$ 5,127,674.82	\$ (243,460.44)
16,357,938.69	25,472,889.96	17,320,239.75	(8,152,650.21)
-	-	-	-
-	-	-	-
-	-	457.50	457.50
-	-	457.50	457.50
<u>21,246,261.30</u>	<u>30,844,025.22</u>	<u>22,448,372.07</u>	<u>(8,395,653.15)</u>
12,338,105.20	18,153,367.24	13,705,211.73	4,448,155.51
2,373,785.92	3,121,692.37	2,384,165.87	737,526.50
-	10,941.00	10,798.08	142.92
3,565,339.73	4,218,768.22	3,329,098.67	889,669.55
1,473,161.54	2,584,148.38	931,472.54	1,652,675.84
90,606.34	61,688.43	58,913.32	2,775.11
-	-	-	-
1,019,042.13	1,329,700.18	1,012,417.81	317,282.37
-	16,115.47	16,115.47	-
9,300.00	80,977.60	53,510.38	27,467.22
-	5,029.22	4,750.00	279.22
82,601.00	228,939.70	181,039.73	47,899.97
13,226.00	298,185.77	87,734.91	210,450.86
278,593.44	362,731.55	302,903.47	59,828.08
-	-	-	-
-	-	-	-
2,500.00	1,500.00	-	1,500.00
-	116,982.58	116,982.58	-
-	253,257.51	253,257.51	-
<u>21,246,261.30</u>	<u>30,844,025.22</u>	<u>22,448,372.07</u>	<u>8,395,653.15</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 372,754
Interest	236,861
Changes of Assumptions and Other Inputs	(305,389)
Benefit Payments	<u>(781,790)</u>
Net Change in Total OPEB Liability	(477,564)
Total OPEB Liability - Beginning, as Restated	<u>8,129,813</u>
Total OPEB Liability - Ending	<u>\$ 7,652,249</u>
Covered-Employee Payroll	\$ 132,329,035
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.78%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.333955110%	0.337428960%	0.363005442%	0.376718195%	0.360131413%
District's Proportionate Share of the FRS Net Pension Liability	\$ 98,781,681	\$ 85,201,077	\$ 46,887,021	\$ 22,935,350	\$ 61,994,644
District's Covered Payroll	\$ 150,492,423	\$ 145,149,581	\$ 143,480,067	\$ 143,475,121	\$ 137,035,421
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	65.64%	58.70%	32.68%	15.99%	45.24%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 9,380,533	\$ 8,737,907	\$ 8,228,743	\$ 8,850,381	\$ 8,251,727
FRS Contributions in Relation to the Contractually Required Contribution	<u>(9,380,533)</u>	<u>(8,737,907)</u>	<u>(8,228,743)</u>	<u>(8,850,381)</u>	<u>(8,251,727)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 153,785,895	\$ 150,492,423	\$ 145,149,581	\$ 143,480,067	\$ 143,475,121
FRS Contributions as a Percentage of Covered Payroll	6.10%	5.81%	5.67%	6.17%	5.75%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the HIS Net Pension Liability	0.471951473%	0.469683331%	0.472913056%	0.482660875%	0.471044120%
District's Proportionate Share of the HIS Net Pension Liability	\$ 50,463,229	\$ 54,739,647	\$ 48,229,693	\$ 45,129,970	\$ 41,010,584
District's Covered Payroll	\$ 150,492,423	\$ 145,149,581	\$ 143,480,067	\$ 143,475,121	\$ 137,035,421
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.53%	37.71%	33.61%	31.45%	29.93%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required HIS Contribution	\$ 2,548,439	\$ 2,498,167	\$ 2,407,426	\$ 1,807,768	\$ 1,653,434
HIS Contributions in Relation to the Contractually Required Contribution	(2,548,439)	(2,498,167)	(2,407,426)	(1,807,768)	(1,653,434)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 153,785,895	\$ 150,492,423	\$ 145,149,581	\$ 143,480,067	\$ 143,475,121
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.26%	1.15%

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

**Schedule of Changes in Net Pension
Liability and Related Ratios – Early Retirement Plan
Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:					
Interest	\$ 508,412	\$ 515,082	\$ 542,196	\$ 535,600	\$ 534,065
Differences Between Expected and Actual Experience	340,489	122,460	(13,541)	85,869	68,749
Changes in Assumptions	-	-	-	-	1,230,536
Benefit Payments, Including Refunds of Member Contributions	<u>(738,525)</u>	<u>(741,802)</u>	<u>(733,136)</u>	<u>(723,476)</u>	<u>(704,972)</u>
Net Change in Total Pension Liability	110,376	(104,260)	(204,481)	(102,007)	1,128,378
Total Pension Liability, Beginning	<u>8,190,982</u>	<u>8,295,242</u>	<u>8,499,723</u>	<u>8,601,730</u>	<u>7,473,352</u>
Total Pension Liability, Ending (A)	<u>\$ 8,301,358</u>	<u>\$ 8,190,982</u>	<u>\$ 8,295,242</u>	<u>\$ 8,499,723</u>	<u>\$ 8,601,730</u>
Plan Fiduciary Net Position:					
Employer Contributions	\$ 852,392	\$ 832,205	\$ 790,474	\$ 745,502	\$ 208,514
Net Investment Income	201,758	258,258	3,583	109,146	393,297
Benefit Payments, Including Refunds of Member Contributions	(738,525)	(741,802)	(733,136)	(723,476)	(704,972)
Administrative Expense	<u>(13,000)</u>	<u>(3,988)</u>	<u>(20,988)</u>	<u>(24,862)</u>	<u>(9,593)</u>
Net Change in Plan Fiduciary Net Position	302,625	344,673	39,933	106,310	(112,754)
Plan Fiduciary Net Position, Beginning	<u>3,958,373</u>	<u>3,613,700</u>	<u>3,573,767</u>	<u>3,467,458</u>	<u>3,580,212</u>
Plan Fiduciary Net Position, Ending (B)	<u>\$ 4,260,998</u>	<u>\$ 3,958,373</u>	<u>\$ 3,613,700</u>	<u>\$ 3,573,768</u>	<u>\$ 3,467,458</u>
Net Pension Liability, Ending (A)-(B)	<u>\$ 4,040,360</u>	<u>\$ 4,232,609</u>	<u>\$ 4,681,542</u>	<u>\$ 4,925,955</u>	<u>\$ 5,134,272</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	51.33%	48.33%	43.56%	42.05%	40.31%
Covered Payroll	NA	NA	NA	NA	NA
Net Pension Liability As a Percentage of Covered Payroll	NA	NA	NA	NA	NA

Notes to Schedule:

- (1) The amounts presented for each fiscal year are as of June 30.
- (2) The Early Retirement Plan was closed to new enrollees on July 1, 2013.
- (3) GASB Statement No. 67 was adopted for the 2013-14 fiscal year and 10-year trend information will be developed from that date forward.

**Schedule of District Contributions – Early Retirement Plan
Last 10 Fiscal Years**

Fiscal Year Ending June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll (1)	Contributions as a Percentage of Covered-Employee Payroll
2009	\$ 741,494	\$ 741,856	\$ (362)	\$ 129,623,633	0.57%
2010	789,193	789,193	-	126,794,672	0.62%
2011	732,610	732,610	-	130,414,767	0.56%
2012	495,614	806,287	(310,673)	123,016,217	0.66%
2013	467,497	562,617	(95,120)	N/A	N/A
2014	614,307	208,514	405,793	N/A	N/A
2015	745,502	745,502	-	N/A	N/A
2016	790,474	790,474	-	N/A	N/A
2017	832,205	832,205	-	N/A	N/A
2018	852,392	852,392	-	N/A	N/A

(1) The Early Retirement Plan was closed to new enrollees on July 1, 2013.

**Schedule of Investment Returns – Early Retirement Plan
Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	2.11%	7.67%	-0.02%	3.58%	13.94%

- (1) The rates presented are for the fiscal years ended June 30.
(2) GASB Statement No. 67 was adopted for the 2013-14 fiscal year and 10-year trend information will be developed from that date forward.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.6 percent to 7.1 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was increased from 2.85 percent to 3.58 percent.

5. Early Retirement Plan - Schedule of Contributions

Valuation Date: July 1, 2017

Actuarially determined contribution rates are calculated as of July 1 of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Method	10 Years
Asset Valuation Method	Market Value of Assets
Inflation	2.5 percent
Salary Increases	Not applicable as there are no new participants
Post Retirements COLA	3 percent (automatic per plan provisions)
Investment Rate of Return	6.5 percent per year compounded annually, net of pension plan investment expense.
Retirement Age	Not applicable, as there are no new participants.
Mortality	RP2000 Mortality Tables – Healthy Annuitant Mortality tables, 100 percent White Collar Annuitant rates are used for female participants; a blend of 50 percent White Collar Annuitant rates with 50 percent Blue Collar Annuitant rates are used for male participants. Mortality improvements for all members are generationally projected using Scale BB.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Alachua County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	18002	\$ -	\$ 2,848,256.34
National School Lunch Program	10.555	18001, 18003	-	10,206,632.64
Summer Food Service Program for Children	10.559	18006, 18007	-	397,551.85
Total Child Nutrition Cluster			-	13,452,440.83
Special Education Cluster:				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	-	6,205,003.35
Levy County District School Board		None	-	2,000.00
University of South Florida		None	-	457.50
Total Special Education - Grants to States	84.027		-	6,207,460.85
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	181,954.19
Total Special Education Cluster			-	6,389,415.04
Temporary Assistance for Needy Families Cluster:				
United States Department of Health and Human Services:				
University of South Florida:				
Temporary Assistance for Needy Families	93.558	None	-	59,921.63
Not Clustered				
United States Department of Agriculture:				
Farm to School Grant Program	10.575	N/A	-	100,369.97
Florida Department of Health:				
Child and Adult Care Food Program	10.558	None	-	1,022,574.46
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Discretionary Grants Limited Availability	10.579	None	-	228.28
Fresh Fruit and Vegetable Program	10.582	18004	-	187,242.91
Total United States Department of Agriculture			-	1,310,415.62
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	33,108.40
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	44,989.37
Total United States Department of Defense			-	78,097.77
National Science Foundation:				
University of Florida:				
Education and Human Resources	47.076	None	-	6,389.28
United States Department of Education:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	-	7,154,115.00
Migrant Education - State Grant Program	84.011	217	-	935,927.08
Career and Technical Education - Basic Grants to States	84.048	161	-	307,568.60
Education for Homeless Children and Youth	84.196	127	-	66,934.08
Charter Schools	84.282	298	311,783.93	311,783.93
Twenty-First Century Community Learning Centers	84.287	244	-	1,059,249.73
English Language Acquisition State Grants	84.365	102	-	133,869.96
Student Support and Academic Enrichment Program	84.424	241	-	80,854.42

(Continued)

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
United States Department of Education (Continued):				
Supporting Effective Instruction State Grants	84.367			
Florida Department of Education		224	-	756,961.47
University of Florida		None	-	35,662.10
Total Supporting Effective Instruction State Grants	84.367		-	792,623.57
University of Kansas:				
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	None	-	434.21
Total United States Department of Education			<u>311,783.93</u>	<u>10,843,360.58</u>
United States Department of Health and Human Services:				
Head Start	93.600	N/A	-	4,969,207.08
Total Expenditures of Federal Awards			<u>\$ 311,783.93</u>	<u>\$ 37,109,247.83</u>

The notes below are an integral part of this Schedule.

- Notes:
- (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Alachua County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
 - (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
 - (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
 - (4) Noncash Assistance – National School Lunch Program. Includes \$852,340.68 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
 - (5) Head Start. Expenditures include \$487,193.54 for grant number/program year 04CH4753/03 and \$4,482,013.54 for grant number/program year 04CH4753/04.



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Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 19, 2019



Sherrill F. Norman, CPA
Auditor General

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

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

Report on Compliance for the Major Federal Program

We have audited the Alachua County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2018. The District's major Federal program is identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 19, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over the major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for the major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of the major Federal program:	
CFDA Numbers: 10.553, 10.555, and 10.559	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$1,113,277
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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