

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2019-191
March 2019

**PUTNAM 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, Dr. Richard M. Surrency Sr. served as Superintendent of the Putnam County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Nichole M. Cummings, Vice Chair	1
David M. Buckles	2
Sandra Gilyard	3
Kathleen Jorgensen	4
Jane T. Crawford, Chair	5

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

The team leader was Sue Granger, and the audit was supervised by Randy R. Arend, 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 Putnam 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; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding AM 2018-001: District accountability over school internal funds needs to be enhanced.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Special Education Cluster and School Improvement Grants were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the School Board and its officers with administrative and stewardship responsibilities for District operations 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 programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2018-149.

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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam 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 9 percent of the assets and 49 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam 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**, **Ten-Year Claims Development Information – North East Florida Educational Consortium – Risk Management Property/Casualty Program**, 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 25, 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 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Putnam 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:

- As of June 30, 2018, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$22,957,559.97.
- In total, net position increased by \$371,754.26, which represents a 1.6 percent increase over the 2016-17 fiscal year.
- General revenues total \$107,987,184.33, or 78.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$29,908,409.15, or 21.7 percent of all revenues.
- Expenses total \$139,697,311.22. Only \$29,808,409.15 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$10,026,079.70, which is \$3,194,738.34 more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances total \$8,203,870.36, or 9.9 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District’s services, including its educational programs such as basic, 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.
- Business-type activities – The District is the fiscal agent for the North East Florida Educational Consortium (NEFEC), which provides various programs and services to 15 members including the school districts of Baker, Bradford, Columbia, Dixie, Flagler, Gilchrist, Hamilton, Lafayette, Levy, Nassau, Putnam, Suwannee, and Union counties as well as the P. K. Yonge Development Research School and the Florida School for the Deaf and the Blind. The NEFEC charges fees to cover the cost of certain services it provides.
- Component units – The District presents three separate legal entities in this report. The Children’s Reading Center, Inc., which owns and operates the Children’s Reading Center Charter School; the Putnam Academy of Arts and Sciences, Inc., which owns and operates the Putnam Academy of Arts and Sciences; and EDGE for Educational Excellence, Inc., which owns and operates the Putnam Edge High School, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

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

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

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

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise funds to account for the NEFEC programs, including the Risk Management (Property/Casualty) as well as other programs and services.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the Putnam County District School Board Health Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the NEFEC Risk Management (Property/Casualty) Program Fund and the NEFEC Other Programs Fund.

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's net pension liability, its progress in funding its obligation to provide other postemployment benefits to its employees, and trend data on revenues and claims development for the NEFEC Risk Management (Property/Casualty) Program.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2018, compared to net position as of June 30, 2017:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-18	6-30-17	6-30-18	6-30-17	6-30-18	6-30-17
Current and Other Assets	\$25,688,086.73	\$19,519,873.46	\$37,249,796.63	\$38,599,406.15	\$62,937,883.36	\$58,119,279.61
Capital Assets	42,660,499.94	45,409,849.28	744,381.61	799,665.30	43,404,881.55	46,209,514.58
Total Assets	68,348,586.67	64,929,722.74	37,994,178.24	39,399,071.45	106,342,764.91	104,328,794.19
Deferred Outflows of Resources	25,421,378.47	22,544,204.53	2,150,615.53	2,013,752.47	27,571,994.00	24,557,957.00
Long-Term Liabilities	84,715,940.75	83,417,613.85	18,210,830.66	17,837,168.19	102,926,771.41	101,254,782.04
Other Liabilities	1,475,601.09	2,395,525.84	243,665.44	73,881.60	1,719,266.53	2,469,407.44
Total Liabilities	86,191,541.84	85,813,139.69	18,454,496.10	17,911,049.79	104,646,037.94	103,724,189.48
Deferred Inflows of Resources	5,832,202.04	2,365,462.01	478,958.96	211,293.99	6,311,161.00	2,576,756.00
Net Position:						
Net Investment in Capital Assets	39,494,499.94	43,655,107.01	744,381.61	799,665.30	40,238,881.55	44,454,772.31
Restricted	13,027,208.16	9,408,829.97	-	-	13,027,208.16	9,408,829.97
Unrestricted (Deficit)	(50,775,486.84)	(53,768,611.41)	20,466,957.10	22,490,814.84	(30,308,529.74)	(31,277,796.57)
Total Net Position	\$ 1,746,221.26	\$ (704,674.43)	\$21,211,338.71	\$23,290,480.14	\$22,957,559.97	\$22,585,805.71

The increases in deferred outflows of resources and deferred inflows of resources are primarily due to the fluctuation in the net pension liability. As a participating employer in the Florida Retirement System (FRS), the District is required by Governmental Accounting Standards Board (GASB) Statement No. 68 to recognize its proportionate share of the collective net pension liability of the FRS cost-sharing multiple-employer defined benefit plans. Changes in the net pension liability are recognized through the statement of activities or reported as deferred outflows of resources or deferred inflows of resources on the statement of net position, depending on the nature of the change.

The largest portion of the District's net position (\$40,238,881.55) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (\$13,027,208.16) represents resources that are subject to external restrictions on how they may be used. Restricted net position increased \$3,618,378.29, or 38.5 percent, mainly from unspent proceeds of a \$2,500,000 note payable restricted for energy management upgrades in the capital projects funds, and an increase of \$917,664.73 in net position restricted for food service.

The unrestricted net position is a deficit of \$30,308,529.74 due primarily to the District's proportionate share of the collective net pension liability required to be reported by GASB Statement No. 68.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2018, and June 30, 2017, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-18	6-30-17	6-30-18	6-30-17	6-30-18	6-30-17
Program Revenues:						
Charges for Services	\$ 544,683.06	\$ 479,327.48	\$19,638,667.43	\$20,232,357.01	\$20,183,350.49	\$20,711,684.49
Operating Grants and Contributions	8,879,485.18	8,904,258.68	-	-	8,879,485.18	8,904,258.68
Capital Grants and Contributions	845,573.48	1,012,326.58	-	-	845,573.48	1,012,326.58
General Revenues:						
Property Taxes, Levied for Operational Purposes	18,339,228.49	18,578,232.35	-	-	18,339,228.49	18,578,232.35
Property Taxes, Levied for Capital Projects	5,641,656.49	5,253,378.30	-	-	5,641,656.49	5,253,378.30
Grants and Contributions Not Restricted to Specific Programs	74,865,263.60	71,962,742.47	6,137,105.64	7,301,007.15	81,002,369.24	79,263,749.62
Unrestricted Investment Earnings	283,704.94	102,885.63	425,543.45	222,132.69	709,248.39	325,018.32
Miscellaneous	2,294,681.72	2,987,167.40	-	-	2,294,681.72	2,987,167.40
Total Revenues	111,694,276.96	109,280,318.89	26,201,316.52	27,755,496.85	137,895,593.48	137,035,815.74
Functions/Program Expenses:						
Instruction	58,688,297.59	56,897,796.15	-	-	58,688,297.59	56,897,796.15
Student Support Services	4,911,786.73	5,076,520.14	-	-	4,911,786.73	5,076,520.14
Instructional Media Services	822,176.51	1,235,625.52	-	-	822,176.51	1,235,625.52
Instruction and Curriculum Development Services	3,406,925.20	3,968,399.16	-	-	3,406,925.20	3,968,399.16
Instructional Staff Training Services	1,571,323.60	879,940.00	-	-	1,571,323.60	879,940.00
Instruction-Related Technology Board	892,510.79	1,103,185.97	-	-	892,510.79	1,103,185.97
	599,691.26	604,319.76	-	-	599,691.26	604,319.76
General Administration	1,122,073.06	1,106,430.95	-	-	1,122,073.06	1,106,430.95
School Administration	6,995,774.71	6,999,562.56	-	-	6,995,774.71	6,999,562.56
Facilities Acquisition and Construction	860,188.42	841,865.33	-	-	860,188.42	841,865.33
Fiscal Services	808,001.20	874,976.89	-	-	808,001.20	874,976.89
Food Services	7,885,895.47	7,575,510.89	-	-	7,885,895.47	7,575,510.89
Central Services	1,067,357.06	1,293,266.21	-	-	1,067,357.06	1,293,266.21
Student Transportation Services	5,547,253.55	5,387,245.41	-	-	5,547,253.55	5,387,245.41
Operation of Plant	7,088,009.58	7,055,070.12	-	-	7,088,009.58	7,055,070.12
Maintenance of Plant	3,185,750.81	3,262,536.43	-	-	3,185,750.81	3,262,536.43
Administrative Technology Services	1,964,121.72	1,363,298.93	-	-	1,964,121.72	1,363,298.93
Community Services	8,906.57	17,950.26	-	-	8,906.57	17,950.26
Unallocated Interest on Long-Term Debt	64,615.30	57,194.52	-	-	64,615.30	57,194.52
Unallocated Depreciation Expense	3,841,027.72	4,044,889.87	-	-	3,841,027.72	4,044,889.87
NEFEC Risk Management Programs	-	-	15,655,845.30	13,887,355.67	15,655,845.30	13,887,355.67
NEFEC Other Programs	-	-	12,709,779.07	13,836,037.33	12,709,779.07	13,836,037.33
Total Functions/Program Expenses	111,331,686.85	109,645,585.07	28,365,624.37	27,723,393.00	139,697,311.22	137,368,978.07
Change in Net Position	362,590.11	(365,266.18)	(2,164,307.85)	32,103.85	(1,801,717.74)	(333,162.33)
Net Position - Beginning	(704,674.43)	(339,408.25)	23,290,480.14	23,258,376.29	22,585,805.71	22,918,968.04
Adjustment to Beginning Net Position (1)	2,088,305.58	-	85,166.42	-	2,173,472.00	-
Net Position - Beginning, as Restated	1,383,631.15	(339,408.25)	23,375,646.56	23,258,376.29	24,759,277.71	22,918,968.04
Net Position - Ending	\$ 1,746,221.26	\$ (704,674.43)	\$21,211,338.71	\$23,290,480.14	\$22,957,559.97	\$22,585,805.71

(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.

For the governmental-type activities, the largest revenue source is the State of Florida (56.4 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. FEFP revenues increased by \$1,265,107, or 2.7 percent, primarily from an increase in State per student funding, while other State revenues increased by \$119,770.82, or 0.8 percent, resulting in a net increase in State revenues of \$1,384,877.82, or 2.2 percent. Other State revenues are primarily for required carryover programs and for the acquisition, construction, and maintenance of educational facilities.

Grants and contributions not restricted to specific programs revenues increased by \$2,902,521.13, or 4 percent, primarily due to the increase in State revenues and an increase in Federal funding.

Total governmental expenses for the 2017-18 fiscal year increased \$1,686,101.78, or 1.5 percent, from the previous fiscal year. Instruction expenses represent 51.9 and 52.7 percent of total governmental expenses in the 2016-17 and 2017-18 fiscal years, respectively.

For the business-type activities, charges for services decreased by \$593,689.58, or 2.9 percent, mainly from a decrease in premium revenues. The NEFEC Risk Management (Property/Casualty) Program Fund expenses increased by \$1,768,489.63, due mainly to an increase in expenses for the payment of policyholder dividends. The NEFEC Other Programs Fund expenses decreased by \$1,126,258.26, due mainly to decreases in operating capital outlay and salaries expenses as a result of the expiration of a State grant. Overall, total business-type activities expenses increased by \$642,231.37, or 2.3 percent.

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 \$6,980,755.72 during the fiscal year to \$21,708,032.19 at June 30, 2018. Of the total fund balance, \$6,567,096.82, or 30.3 percent, is unassigned; \$776,750.91 is nonspendable; \$12,727,410.92 is restricted; and \$1,636,773.54 is assigned.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$6,567,096.82, while the total fund balance is \$10,026,079.70. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is \$8,203,870.36, or 9.9 percent of the total General Fund revenues, while total fund balance represents 12.1 percent of total General Fund revenues.

The assigned and unassigned fund balance increased by \$3,350,108.32, or 69 percent, while the total fund balance increased by \$3,194,738.34, or 46.8 percent, during the year. The key factor impacting the change in fund balance was an increase in revenues of \$2,381,391.59, or 3 percent, mainly as a result of an increase in FEFP revenues.

The Special Revenue – Food Service Fund accounts for and reports all food service activities. This fund had revenues and expenditures of \$9,175,450.66 and \$8,257,785.93, respectively, and ended the fiscal year with a fund balance of \$5,994,949.40, including inventories of \$175,283.99 that represent the nonspendable fund balance, while the remaining \$5,819,665.41 fund balance is restricted for food service

operations. The total fund balance increased by \$917,664,73, or 18.1 percent during the fiscal year, mainly from a decrease in capital outlay expenditures.

The Special Revenue – Other Fund has total revenues and expenditures of \$11,762,997.13 each and the funding was mainly used for instruction. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund increased primarily due to an increase in Federal School Improvement Grants funding and a new Twenty-First Century Community Learning Centers grant.

Proprietary Funds

The Enterprise Funds have combined net position of \$21,211,338.71, representing a decrease of \$2,079,141.43 in net position as compared to the prior fiscal year.

- The NEFEC Risk Management (Property/Casualty) Program Fund net position decreased \$2,876,817.35, or 16.6 percent, from the prior fiscal year. Operating revenues decreased \$1,020,159.59, while nonoperating revenues were comparable to the 2016-17 fiscal year. Operating expenses increased \$1,768,489.63 mainly from paying policyholder dividends to member districts of \$2,051,576.81 and an increase in insurance claims expenses of \$594,858, offset by a decrease in excess insurance premium expenses of \$901,595.20.
- The NEFEC Other Program Fund net position increased \$797,675.92, or 13.5 percent, from the prior fiscal year. Operating revenues were comparable with the 2016-17 fiscal year while nonoperating revenues decreased \$1,108,791.61, mainly from decreases in Federal and State grant funding. Operating expenses decreased \$1,126,258.26, due mainly to decreases in operating capital outlay and salaries expenses as a result of the expiration of a State grant.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund final budgeted revenues and expenditures were in line with original budget amounts. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues were \$1,515,483.30, or 1.9 percent more than the final budgeted amounts. Actual expenditures are \$5,059,347.27, or 5.7 percent less than final budget amounts. The decrease in expenditures was primarily due to instruction and instruction-related expenses that were less than anticipated. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$6,315,429.76.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2018, is \$43,404,881.55 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software.

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

Long-Term Debt

At June 30, 2018, the District has outstanding bonds payable of \$666,000 and a note payable of \$2,500,000 for a bank loan for energy management upgrades. During the current fiscal year, the District retired bonds payable of \$568,000 and a note payable of \$520,742.27.

Additional information on the District's long-term debt can be found in Note III.I.1. through III.I.3. to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed Rhonda Odom, Chief Financial Officer/Assistant Superintendent for Business and Finance, Putnam County District School Board, 200 Reid Street, Palatka, Florida 32177.

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BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 11,606,606.57	\$ 6,166,582.88	\$ 17,773,189.45	\$ 1,104,981.00
Cash with Fiscal Agent	-	100,000.00	100,000.00	-
Investments	10,810,825.34	28,724,410.74	39,535,236.08	-
Accounts Receivable	231,216.58	177,175.40	408,391.98	132,463.00
Due from Other Agencies	2,387,200.58	1,665,447.73	4,052,648.31	29,629.00
Due from Excess Insurer	-	416,179.88	416,179.88	-
Prepaid Items	-	-	-	140,656.00
Inventories	652,237.66	-	652,237.66	-
Capital Assets:				
Nondepreciable Capital Assets	2,058,861.74	45,000.00	2,103,861.74	192,000.00
Depreciable Capital Assets, Net	40,601,638.20	699,381.61	41,301,019.81	768,552.00
TOTAL ASSETS	68,348,586.67	37,994,178.24	106,342,764.91	2,368,281.00
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	25,421,378.47	2,150,615.53	27,571,994.00	694,774.00
LIABILITIES				
Accrued Salaries and Benefits	787,852.07	60,371.85	848,223.92	58,809.00
Accounts Payable	687,749.02	183,293.59	871,042.61	207,165.00
Long-Term Liabilities:				
Portion Due Within 1 Year	3,969,590.31	4,863,836.41	8,833,426.72	29,097.00
Portion Due After 1 Year	80,746,350.44	13,346,994.25	94,093,344.69	1,269,619.00
TOTAL LIABILITIES	86,191,541.84	18,454,496.10	104,646,037.94	1,564,690.00
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	329,508.73	13,438.27	342,947.00	-
Pensions	5,502,693.31	465,520.69	5,968,214.00	98,759.00
TOTAL DEFERRED INFLOWS OF RESOURCES	5,832,202.04	478,958.96	6,311,161.00	98,759.00
NET POSITION				
Net Investment in Capital Assets	39,494,499.94	744,381.61	40,238,881.55	584,208.00
Restricted for:				
State Required Carryover Programs	1,228,511.16	-	1,228,511.16	-
Debt Service	16,769.96	-	16,769.96	-
Capital Projects	5,322,370.92	-	5,322,370.92	-
Food Service	5,994,949.40	-	5,994,949.40	-
Permanent Funds - Expendable	8,245.94	-	8,245.94	-
Permanent Funds - Nonexpendable	124,513.25	-	124,513.25	-
Other Purposes	331,847.53	-	331,847.53	-
Unrestricted	(50,775,486.84)	20,466,957.10	(30,308,529.74)	815,398.00
TOTAL NET POSITION	\$ 1,746,221.26	\$ 21,211,338.71	\$ 22,957,559.97	\$ 1,399,606.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 58,688,297.59	\$ 293,183.55	\$ -	\$ -
Student Support Services	4,911,786.73	-	-	-
Instructional Media Services	822,176.51	-	-	-
Instruction and Curriculum Development Services	3,406,925.20	-	-	-
Instructional Staff Training Services	1,571,323.60	-	-	-
Instruction-Related Technology	892,510.79	-	-	-
Board	599,691.26	-	-	-
General Administration	1,122,073.06	-	-	-
School Administration	6,995,774.71	-	-	-
Facilities Acquisition and Construction	860,188.42	-	-	702,423.04
Fiscal Services	808,001.20	-	-	-
Food Services	7,885,895.47	251,499.51	8,879,485.18	-
Central Services	1,067,357.06	-	-	-
Student Transportation Services	5,547,253.55	-	-	-
Operation of Plant	7,088,009.58	-	-	-
Maintenance of Plant	3,185,750.81	-	-	-
Administrative Technology Services	1,964,121.72	-	-	-
Community Services	8,906.57	-	-	-
Unallocated Interest on Long-Term Debt	64,615.30	-	-	143,150.44
Unallocated Depreciation Expense*	3,841,027.72	-	-	-
Total Governmental Activities	111,331,686.85	544,683.06	8,879,485.18	845,573.48
Business-Type Activities:				
NEFEC Risk Management (Property/Casualty) Program	15,655,845.30	12,448,847.91	-	-
NEFEC Other Programs	12,709,779.07	7,189,819.52	-	-
Total Business-Type Activities	28,365,624.37	19,638,667.43	-	-
Total Primary Government	\$ 139,697,311.22	\$ 20,183,350.49	\$ 8,879,485.18	\$ 845,573.48
Component Units				
Charter Schools	\$ 3,788,856.00	\$ 9,484.00	\$ 142,630.00	\$ 119,003.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfer to Parent Corporation

Total General Revenues and Transfer

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (58,395,114.04)	\$ -	\$ (58,395,114.04)	\$ -
(4,911,786.73)	-	(4,911,786.73)	-
(822,176.51)	-	(822,176.51)	-
(3,406,925.20)	-	(3,406,925.20)	-
(1,571,323.60)	-	(1,571,323.60)	-
(892,510.79)	-	(892,510.79)	-
(599,691.26)	-	(599,691.26)	-
(1,122,073.06)	-	(1,122,073.06)	-
(6,995,774.71)	-	(6,995,774.71)	-
(157,765.38)	-	(157,765.38)	-
(808,001.20)	-	(808,001.20)	-
1,245,089.22	-	1,245,089.22	-
(1,067,357.06)	-	(1,067,357.06)	-
(5,547,253.55)	-	(5,547,253.55)	-
(7,088,009.58)	-	(7,088,009.58)	-
(3,185,750.81)	-	(3,185,750.81)	-
(1,964,121.72)	-	(1,964,121.72)	-
(8,906.57)	-	(8,906.57)	-
78,535.14	-	78,535.14	-
(3,841,027.72)	-	(3,841,027.72)	-
(101,061,945.13)	-	(101,061,945.13)	-
-	(3,206,997.39)	(3,206,997.39)	-
-	(5,519,959.55)	(5,519,959.55)	-
-	(8,726,956.94)	(8,726,956.94)	-
(101,061,945.13)	(8,726,956.94)	(109,788,902.07)	-
-	-	-	(3,517,739.00)
18,339,228.49	-	18,339,228.49	-
5,641,656.49	-	5,641,656.49	-
74,865,263.60	6,137,105.64	81,002,369.24	3,640,605.00
283,704.94	425,543.45	709,248.39	359.00
2,294,681.72	-	2,294,681.72	89,743.00
-	-	-	(50,000.00)
101,424,535.24	6,562,649.09	107,987,184.33	3,680,707.00
362,590.11	(2,164,307.85)	(1,801,717.74)	162,968.00
(704,674.43)	23,290,480.14	22,585,805.71	1,236,638.00
2,088,305.58	85,166.42	2,173,472.00	-
1,383,631.15	23,375,646.56	24,759,277.71	1,236,638.00
\$ 1,746,221.26	\$ 21,211,338.71	\$ 22,957,559.97	\$ 1,399,606.00

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

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Special Revenue - Other Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,901,422.43	\$ 1,589,944.38	\$ -
Investments	4,488,246.97	4,493,384.98	-
Accounts Receivable	231,216.58	-	-
Due from Other Funds	2,396,848.06	-	-
Due from Other Agencies	435,950.76	87,007.95	1,621,453.57
Inventories	476,953.67	175,283.99	-
TOTAL ASSETS	<u>\$ 10,930,638.47</u>	<u>\$ 6,345,621.30</u>	<u>\$ 1,621,453.57</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 565,432.35	\$ 101,908.88	\$ 119,434.34
Accounts Payable	339,126.42	13,437.00	89,365.19
Due to Other Funds	-	235,326.02	1,412,654.04
Total Liabilities	<u>904,558.77</u>	<u>350,671.90</u>	<u>1,621,453.57</u>
Fund Balances:			
Nonspendable:			
Inventories	476,953.67	175,283.99	-
Permanent Fund Principal	-	-	-
Total Nonspendable Fund Balance	<u>476,953.67</u>	<u>175,283.99</u>	<u>-</u>
Restricted for:			
State Required Carryover Programs	1,228,511.16	-	-
Other State and Local Programs	116,744.51	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	5,819,665.41	-
Permanent Funds	-	-	-
Total Restricted Fund Balance	<u>1,345,255.67</u>	<u>5,819,665.41</u>	<u>-</u>
Assigned for:			
E-Rate Equipment Purchases	275,334.06	-	-
Local Capital Outlay Projects	270,764.75	-	-
Wellness Initiatives	135,858.62	-	-
Purchase Obligations	149,479.40	-	-
Industry Certified Career Education	127,814.51	-	-
Maintenance and Repairs	144,110.28	-	-
Other Purposes	533,411.92	-	-
Total Assigned Fund Balance	<u>1,636,773.54</u>	<u>-</u>	<u>-</u>
Unassigned Fund Balance	<u>6,567,096.82</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>10,026,079.70</u>	<u>5,994,949.40</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,930,638.47</u>	<u>\$ 6,345,621.30</u>	<u>\$ 1,621,453.57</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 4,603,180.63	\$ 9,094,547.44
1,829,193.39	10,810,825.34
-	231,216.58
-	2,396,848.06
242,788.30	2,387,200.58
-	652,237.66
<u>\$ 6,675,162.32</u>	<u>\$ 25,572,875.66</u>
\$ -	\$ 786,775.57
239,291.23	681,219.84
748,868.00	2,396,848.06
<u>988,159.23</u>	<u>3,864,843.47</u>
-	652,237.66
124,513.25	124,513.25
<u>124,513.25</u>	<u>776,750.91</u>
-	1,228,511.16
215,103.02	331,847.53
16,769.96	16,769.96
5,322,370.92	5,322,370.92
-	5,819,665.41
8,245.94	8,245.94
<u>5,562,489.84</u>	<u>12,727,410.92</u>
-	275,334.06
-	270,764.75
-	135,858.62
-	149,479.40
-	127,814.51
-	144,110.28
-	533,411.92
-	1,636,773.54
-	6,567,096.82
<u>5,687,003.09</u>	<u>21,708,032.19</u>
<u>\$ 6,675,162.32</u>	<u>\$ 25,572,875.66</u>

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**Putnam 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 \$ 21,708,032.19

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. 42,660,499.94

An internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. 2,504,453.45

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:

Note Payable	\$ (2,500,000.00)	
Bonds Payable	(666,000.00)	
Compensated Absences Payable	(11,162,661.14)	
Net Pension Liability	(61,021,944.91)	
Other Postemployment Benefits Payable	<u>(9,365,334.70)</u>	(84,715,940.75)

The deferred inflows of resources related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the governmental funds. (329,508.73)

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	\$ 25,421,378.47	
Deferred Inflows Related to Pensions	<u>(5,502,693.31)</u>	<u>19,918,685.16</u>

Net Position - Governmental Activities \$ 1,746,221.26

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

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 169,067.54	\$ -	\$ 74,124.97
Federal Through State and Local	970,791.91	8,724,837.18	11,688,872.16
State	60,929,723.88	154,648.00	-
Local:			
Property Taxes	18,339,228.49	-	-
Charges for Services - Food Service	-	251,499.51	-
Miscellaneous	2,656,647.10	44,465.97	-
Total Local Revenues	20,995,875.59	295,965.48	-
Total Revenues	83,065,458.92	9,175,450.66	11,762,997.13
Expenditures			
Current - Education:			
Instruction	49,203,802.95	-	7,287,991.49
Student Support Services	3,708,204.59	-	1,045,766.70
Instructional Media Services	798,865.93	-	-
Instruction and Curriculum Development Services	1,768,537.40	-	1,502,838.37
Instructional Staff Training Services	410,542.63	-	1,082,676.75
Instruction-Related Technology	876,949.75	-	-
Board	593,362.33	-	-
General Administration	488,729.57	-	616,215.30
School Administration	6,772,106.41	-	12,918.00
Facilities Acquisition and Construction	68,922.44	-	-
Fiscal Services	782,807.00	-	-
Food Services	35,760.02	7,714,176.53	33,216.57
Central Services	1,037,551.25	-	-
Student Transportation Services	4,809,300.63	-	116,860.73
Operation of Plant	6,981,817.96	-	2,024.37
Maintenance of Plant	3,128,382.71	-	-
Administrative Technology Services	1,929,251.34	-	-
Community Services	2,841.82	-	6,064.75
Fixed Capital Outlay:			
Facilities Acquisition and Construction	63,406.22	448,805.09	-
Other Capital Outlay	222,843.06	94,804.31	56,424.10
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	83,683,986.01	8,257,785.93	11,762,997.13
Excess (Deficiency) of Revenues Over Expenditures	(618,527.09)	917,664.73	-
Other Financing Sources (Uses)			
Transfers In	3,799,531.31	-	-
Inception of Note	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Sale of Capital Assets	10.00	-	-
Loss Recoveries	13,724.12	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	3,813,265.43	-	-
Net Change in Fund Balances	3,194,738.34	917,664.73	-
Fund Balances, Beginning	6,831,341.36	5,077,284.67	-
Fund Balances, Ending	\$ 10,026,079.70	\$ 5,994,949.40	\$ 0.00

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 243,192.51
-	21,384,501.25
1,878,256.62	62,962,628.50
5,641,656.49	23,980,884.98
-	251,499.51
49,340.72	2,750,453.79
<u>5,690,997.21</u>	<u>26,982,838.28</u>
<u>7,569,253.83</u>	<u>111,573,160.54</u>
714,344.75	57,206,139.19
13,183.25	4,767,154.54
-	798,865.93
-	3,271,375.77
12,616.30	1,505,835.68
-	876,949.75
-	593,362.33
-	1,104,944.87
-	6,785,024.41
791,265.98	860,188.42
-	782,807.00
-	7,783,153.12
-	1,037,551.25
1,168.98	4,927,330.34
-	6,983,842.33
-	3,128,382.71
-	1,929,251.34
-	8,906.57
650,391.68	1,162,602.99
65,041.36	439,112.83
628,742.27	628,742.27
<u>37,606.22</u>	<u>37,606.22</u>
<u>2,914,360.79</u>	<u>106,619,129.86</u>
<u>4,654,893.04</u>	<u>4,954,030.68</u>
-	3,799,531.31
2,500,000.00	2,500,000.00
(487,009.08)	(487,009.08)
-	10.00
-	13,724.12
<u>(3,799,531.31)</u>	<u>(3,799,531.31)</u>
<u>(1,786,540.39)</u>	<u>2,026,725.04</u>
2,868,352.65	6,980,755.72
<u>2,818,650.44</u>	<u>14,727,276.47</u>
<u>\$ 5,687,003.09</u>	<u>\$ 21,708,032.19</u>

Putnam 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 \$ 6,980,755.72

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.

Fixed Capital Outlay - Facilities Acquisition and Construction	\$ 1,162,602.99	
Fixed Capital Outlay - Other Capital Outlay	439,112.83	
Depreciation Expense	<u>(4,351,065.16)</u>	(2,749,349.34)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.

Inception of Note	\$ (2,500,000.00)	
Note Principal Payments	520,742.27	
Bond Principal Payments	<u>568,000.00</u>	(1,411,257.73)

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

316,987.11

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year.

Decrease in OPEB Liability	\$ 429,553.63	
Increase in Deferred Inflows of Resources - OPEB	<u>(329,508.73)</u>	100,044.90

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	\$ 3,836,801.58	
HIS Pension Contribution	983,567.47	
FRS Pension Expense	(6,386,442.41)	
HIS Pension Expense	<u>(1,415,899.49)</u>	(2,981,972.85)

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

107,382.30

Change in Net Position - Governmental Activities **\$ 362,590.11**

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

Putnam County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	NEFEC Risk Management (Property/Casualty) Program	NEFEC Other Programs	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,304,949.23	\$ 2,861,633.65	\$ 6,166,582.88	\$ 2,512,059.13
Cash With Fiscal Agent	100,000.00	-	100,000.00	-
Investments	23,498,608.59	5,225,802.15	28,724,410.74	-
Accounts Receivable	8,954.33	168,221.07	177,175.40	-
Due from Other Agencies	596.00	1,664,851.73	1,665,447.73	-
Due from Excess Insurer	416,179.88	-	416,179.88	-
Total Current Assets	<u>27,329,288.03</u>	<u>9,920,508.60</u>	<u>37,249,796.63</u>	<u>2,512,059.13</u>
Noncurrent Assets:				
Nondepreciable Capital Assets	-	45,000.00	45,000.00	-
Depreciable Capital Assets, Net	-	699,381.61	699,381.61	-
Total Noncurrent Assets	<u>-</u>	<u>744,381.61</u>	<u>744,381.61</u>	<u>-</u>
TOTAL ASSETS	<u>27,329,288.03</u>	<u>10,664,890.21</u>	<u>37,994,178.24</u>	<u>2,512,059.13</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	60,081.81	2,090,533.72	2,150,615.53	-
LIABILITIES				
Current Liabilities:				
Accrued Salaries and Benefits	28,105.34	32,266.51	60,371.85	1,076.50
Accounts Payable	456.86	182,836.73	183,293.59	6,529.18
Compensated Absences Payable	3,920.75	133,833.91	137,754.66	-
Estimated Liability for Self-Insurance Program	4,654,000.00	-	4,654,000.00	-
Net Pension Liability	1,989.72	42,980.79	44,970.51	-
Other Postemployment Benefits Payable	813.34	26,297.90	27,111.24	-
Total Current Liabilities	<u>4,689,286.01</u>	<u>418,215.84</u>	<u>5,107,501.85</u>	<u>7,605.68</u>
Noncurrent Liabilities:				
Compensated Absences Payable	15,683.00	485,335.61	501,018.61	-
Estimated Liability for Self-Insurance Program	7,950,000.00	-	7,950,000.00	-
Net Pension Liability	195,986.52	4,233,579.06	4,429,565.58	-
Other Postemployment Benefits Payable	38,599.28	427,810.78	466,410.06	-
Total Noncurrent Liabilities	<u>8,200,268.80</u>	<u>5,146,725.45</u>	<u>13,346,994.25</u>	<u>-</u>
TOTAL LIABILITIES	<u>12,889,554.81</u>	<u>5,564,941.29</u>	<u>18,454,496.10</u>	<u>7,605.68</u>
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	1,170.75	12,267.52	13,438.27	-
Pensions	13,005.26	452,515.43	465,520.69	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,176.01</u>	<u>464,782.95</u>	<u>478,958.96</u>	<u>-</u>
NET POSITION				
Investment in Capital Assets	-	744,381.61	744,381.61	-
Unrestricted	14,485,639.02	5,981,318.08	20,466,957.10	2,504,453.45
TOTAL NET POSITION	<u>\$ 14,485,639.02</u>	<u>\$ 6,725,699.69</u>	<u>\$ 21,211,338.71</u>	<u>\$ 2,504,453.45</u>

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

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

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	NEFEC Risk Management (Property/Casualty) Program	NEFEC Other Programs	Total	
OPERATING REVENUES				
Charges for Services	\$ -	\$ 6,534,896.39	\$ 6,534,896.39	\$ -
Charges for Sales	-	183,773.42	183,773.42	-
Premiums	12,448,847.91	3,193.09	12,452,041.00	10,780,866.14
Other	-	467,956.62	467,956.62	-
Total Operating Revenues	<u>12,448,847.91</u>	<u>7,189,819.52</u>	<u>19,638,667.43</u>	<u>10,780,866.14</u>
OPERATING EXPENSES				
Salaries	225,162.14	4,703,404.44	4,928,566.58	52,000.00
Employee Benefits	83,907.84	1,514,417.45	1,598,325.29	13,860.42
Purchased Services	471,490.22	5,286,492.14	5,757,982.36	8,914,211.59
Energy Services	-	61,667.00	61,667.00	-
Materials and Supplies	628.55	196,592.55	197,221.10	-
Capital Outlay	883.91	274,000.90	274,884.81	-
Insurance Claims	7,505,747.00	-	7,505,747.00	-
Excess Insurance Premiums	5,126,506.50	-	5,126,506.50	-
Policyholder Dividends	2,161,434.25	-	2,161,434.25	-
Other	80,084.89	505,480.93	585,565.82	1,711,010.59
Depreciation	-	167,723.66	167,723.66	-
Total Operating Expenses	<u>15,655,845.30</u>	<u>12,709,779.07</u>	<u>28,365,624.37</u>	<u>10,691,082.60</u>
Operating Income (Loss)	<u>(3,206,997.39)</u>	<u>(5,519,959.55)</u>	<u>(8,726,956.94)</u>	<u>89,783.54</u>
NONOPERATING REVENUES				
Interest	322,760.23	102,783.22	425,543.45	17,598.76
Federal Grants	-	5,367,592.88	5,367,592.88	-
State Grants	-	769,512.76	769,512.76	-
Total Nonoperating Revenues	<u>322,760.23</u>	<u>6,239,888.86</u>	<u>6,562,649.09</u>	<u>17,598.76</u>
Change in Net Position	<u>(2,884,237.16)</u>	<u>719,929.31</u>	<u>(2,164,307.85)</u>	<u>107,382.30</u>
Total Net Position - Beginning	17,362,456.37	5,928,023.77	23,290,480.14	2,397,071.15
Adjustments to Beginning Net Position	7,419.81	77,746.61	85,166.42	-
Total Net Position - Beginning as Restated	<u>17,369,876.18</u>	<u>6,005,770.38</u>	<u>23,375,646.56</u>	<u>2,397,071.15</u>
Total Net Position - Ending	<u>\$ 14,485,639.02</u>	<u>\$ 6,725,699.69</u>	<u>\$ 21,211,338.71</u>	<u>\$ 2,504,453.45</u>

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

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	NEFEC Risk Management (Property/Casualty) Program	NEFEC Other Programs	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Board Funds and Participants	\$ 12,448,847.91	\$ -	\$ 12,448,847.91	\$ 10,780,866.14
Cash Payments to Suppliers for Goods and Services	(5,688,775.27)	(6,201,821.43)	(11,890,596.70)	(8,945,375.71)
Cash Payments to Employees for Services	(295,554.91)	(5,975,282.54)	(6,270,837.45)	(65,869.08)
Cash Payments for Insurance Claims	(7,146,747.00)	-	(7,146,747.00)	-
Cash Payments for Policyholder Dividends	(2,161,434.25)	-	(2,161,434.25)	-
Cash Received from Other Operating Activities	422,625.53	7,097,639.09	7,520,264.62	-
Cash Payments for Other Operating Activities	-	-	-	(1,678,600.20)
Net Cash Provided (Used) by Operating Activities	(2,421,037.99)	(5,079,464.88)	(7,500,502.87)	91,021.15
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received from Federal and State Grants	-	6,137,105.64	6,137,105.64	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	-	(112,439.97)	(112,439.97)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (Purchase) of Investments	1,873,938.11	(310,358.85)	1,563,579.26	897,617.92
Interest Income	399,553.93	123,063.49	522,617.42	17,598.76
Net Cash Provided (Used) by Investing Activities	2,273,492.04	(187,295.36)	2,086,196.68	915,216.68
Net Increase (Decrease) in Cash and Cash Equivalents	(147,545.95)	757,905.43	610,359.48	1,006,237.83
Cash and Cash Equivalents, Beginning	3,552,495.18	2,103,728.22	5,656,223.40	1,505,821.30
Cash and Cash Equivalents, Ending	\$ 3,404,949.23	\$ 2,861,633.65	\$ 6,266,582.88	\$ 2,512,059.13
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (3,206,997.39)	\$ (5,519,959.55)	\$ (8,726,956.94)	\$ 89,783.54
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	167,723.66	167,723.66	-
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:				
Accounts Receivable	(8,954.33)	(22,175.00)	(31,129.33)	-
Due from Other Funds	175,914.25	128,045.64	303,959.89	-
Due from Other Agencies	-	-	-	32,410.39
Due from Excess Insurer	246,711.28	(220,226.07)	26,485.21	-
Accrued Salaries and Benefits	27,951.39	(2,527.77)	25,423.62	(8.66)
Accounts Payable	(226.87)	144,587.09	144,360.22	(31,164.12)
Compensated Absences Payable	(44,015.19)	(68,908.06)	(112,923.25)	-
Estimated Liability for Self-Insurance Program	359,000.00	-	359,000.00	-
Net Pension Liability	11,972.16	366,626.03	378,598.19	-
Other Postemployment Benefits Payable (OPEB)	(1,526.22)	(164,319.83)	(165,846.05)	-
Deferred Inflows of Resources Related to OPEB	1,170.75	12,267.52	13,438.27	-
Deferred Outflows of Resources Related to Pensions	14,038.77	(150,901.83)	(136,863.06)	-
Deferred Inflows of Resources Related to Pensions	3,923.41	250,303.29	254,226.70	-
Total Adjustments	785,959.40	440,494.67	1,226,454.07	1,237.61
Net Cash Provided (Used) by Operating Activities	\$ (2,421,037.99)	\$ (5,079,464.88)	\$ (7,500,502.87)	\$ 91,021.15
Noncash Investing Activities				
Net Decrease in Fair Value of Investments	\$ (76,793.70)	\$ (20,280.27)	\$ (97,073.97)	\$ 0.00

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

Putnam County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 944,643.00
LIABILITIES	
Accounts Payable	\$ 128.00
Internal Accounts Payable	<u>944,515.00</u>
TOTAL LIABILITIES	<u>\$ 944,643.00</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Putnam County School District's (District) governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation 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 Putnam County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Putnam County.

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

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

The District's charter schools are the Children's Reading Center Charter School, the Putnam Academy of Arts and Sciences, and the Putnam Edge High School. The Children's Reading Center, Inc., which owns and operates the Children's Reading Center Charter School; the Putnam Academy of Arts and Sciences, Inc., which owns and operates the Putnam Academy of Arts and Sciences; and the EDGE for Educational Excellence, Inc., which owns and operates the Putnam Edge High School 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 Putnam County District School Board. The District may choose not to renew the charters under grounds specified in the charters. During the term of the charters, the District may terminate the charters if good cause is shown. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the 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 200 Reid Street, Palatka, Florida 32177.

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, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used and net residual amounts between governmental and business-type activities.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for Federal grants and related program charges for the Food and Nutrition Services program.

- Special Revenue – Other Fund – to account for certain Federal grant program resources.

The District reports the following major enterprise funds:

- NEFEC Risk Management (Property/Casualty) Program Fund – to account for the NEFEC property/casualty self-insurance program (including workers' compensation), for which the District is fiscal agent.
- NEFEC Other Programs Fund – to account for the financial activities of the NEFEC cooperative programs and services provided to member districts other than the self-insurance program.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant

revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 45 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 45 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary 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 Children's Reading Center Charter School is accounted for as a not-for-profit organization and uses the not-for-profit accounting model. The Putnam Academy of Arts and Sciences and Putnam Edge High School 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. The statement of cash flows also considers as cash and cash equivalents those amounts on deposit with fiscal agents.

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 State Board of Administration (SBA) debt service accounts for investment of debt service moneys and those made locally.

Investments made locally consist of amounts placed in intergovernmental investment pools 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. Inventories are stated at cost on the moving-average basis, except that General Fund instructional materials and transportation inventories are stated at cost based on the last invoice, which approximates the first-in, first-out method, and United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. 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 unweighted average composite method for governmental activities and the straight-line method for business-type activities over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Computer Software	5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. The face amount of debt issued is reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 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. On August 17, 2010, the Board, by resolution authorized the Chief Financial Officer 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 or business segment is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

The 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 Putnam County Property Appraiser, and property taxes are collected by the Putnam 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 Putnam County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by,

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

5. Compensated Absences

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

6. Proprietary Funds 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 funds' principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for information technology services, and premiums for property, casualty, and workers' compensation insurance. Operating expenses include purchased services, salaries and benefits, materials and supplies, capital outlay, and depreciation, related to information technology services provided; and purchased services, insurance claims, excess insurance premiums, and salaries and benefits related to insurance programs. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses consist primarily of purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGE

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 increased by \$2,173,472 due to implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, decreased by \$2,173,472 to \$10,305,928 as of July 1, 2017, due to the transition in the valuation methods under GASB

Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred inflows of resources were 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

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Debt Service Accounts	6 Months	\$ 16,755.00
Florida Fixed Income Trust (FIT):		
FIT Cash Pool (1)	0.25 years	8,740,425.86
FIT Enhanced Cash Pool	0.47 years	39,518,481.08
Total Investments		\$ 48,275,661.94

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

Fair Value Measurement

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

Interest Rate Risk

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

The Florida FIT uses a weighted average days to maturity (WAM) for each pool. 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.

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 Board has adopted an investment policy that authorizes investing in qualified depositories, certificates of deposit, time deposits, securities of the United States Government, investment pools managed and directed by an approved agency of the State, and certain forms of investments authorized in accordance with Section 218.415, Florida Statutes.

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

The District's investments in the Florida FIT are both rated AA+ by Standard & Poor's.

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,058,861.74	\$ -	\$ -	\$ 2,058,861.74
Construction in Progress	158,135.85	1,162,602.99	1,320,738.84	-
Total Capital Assets Not Being Depreciated	<u>2,216,997.59</u>	<u>1,162,602.99</u>	<u>1,320,738.84</u>	<u>2,058,861.74</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	7,976,563.18	147,554.04	-	8,124,117.22
Buildings and Fixed Equipment	134,411,076.85	1,173,184.80	779,885.97	134,804,375.68
Furniture, Fixtures, and Equipment	11,605,316.45	413,732.80	1,000,577.18	11,018,472.07
Motor Vehicles	10,609,804.65	25,380.03	28,470.00	10,606,714.68
Computer Software	1,325,295.51	-	-	1,325,295.51
Total Capital Assets Being Depreciated	<u>165,928,056.64</u>	<u>1,759,851.67</u>	<u>1,808,933.15</u>	<u>165,878,975.16</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	6,145,469.90	227,143.69	-	6,372,613.59
Buildings and Fixed Equipment	96,898,528.23	3,070,889.52	779,885.97	99,189,531.78
Furniture, Fixtures, and Equipment	9,683,150.24	542,994.51	1,000,577.18	9,225,567.57
Motor Vehicles	8,682,761.07	510,037.44	28,470.00	9,164,328.51
Computer Software	1,325,295.51	-	-	1,325,295.51
Total Accumulated Depreciation	<u>122,735,204.95</u>	<u>4,351,065.16</u>	<u>1,808,933.15</u>	<u>125,277,336.96</u>
Total Capital Assets Being Depreciated, Net	<u>43,192,851.69</u>	<u>(2,591,213.49)</u>	<u>-</u>	<u>40,601,638.20</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,409,849.28</u>	<u>\$ (1,428,610.50)</u>	<u>\$ 1,320,738.84</u>	<u>\$ 42,660,499.94</u>

	Beginning Balance	Additions	Deletions	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 45,000.00	\$ -	\$ -	\$ 45,000.00
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,688.00	-	-	6,688.00
Buildings and Fixed Equipment	2,304,034.62	1,521.27	-	2,305,555.89
Furniture, Fixtures, and Equipment	1,522,512.79	110,918.70	2,988.40	1,630,443.09
Motor Vehicles	55,793.60	-	-	55,793.60
Computer Software	3,588,867.93	-	-	3,588,867.93
Total Capital Assets Being Depreciated	7,477,896.94	112,439.97	2,988.40	7,587,348.51
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	6,419.00	269.00	-	6,688.00
Buildings and Fixed Equipment	1,763,859.96	80,229.54	-	1,844,089.50
Furniture, Fixtures, and Equipment	1,321,357.57	74,158.70	2,988.40	1,392,527.87
Motor Vehicles	48,656.88	7,136.72	-	55,793.60
Computer Software	3,582,938.23	5,929.70	-	3,588,867.93
Total Accumulated Depreciation	6,723,231.64	167,723.66	2,988.40	6,887,966.90
Total Capital Assets Being Depreciated, Net	754,665.30	(55,283.69)	-	699,381.61
Business-Type Activities Capital Assets, Net	\$ 799,665.30	\$ (55,283.69)	\$ 0.00	\$ 744,381.61

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 510,037.44
Unallocated	3,841,027.72
Total Depreciation Expense - Governmental Activities	<u>\$ 4,351,065.16</u>
BUSINESS-TYPE ACTIVITIES	
NEFEC Other Programs	<u>\$ 167,723.66</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and

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

The District's FRS and HIS pension expense totaled \$8,557,772 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.
- *Special Risk* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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
Special Risk	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 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
FRS, Special Risk	3.00	23.27
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 \$4,161,390 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 \$44,066,714 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 0.148978073 percent, which was a decrease of 0.002898815 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 \$7,021,256. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 4,044,264	\$ 244,107
Change of Assumptions	14,809,527	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	1,092,083
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	240,614	1,824,197
District FRS Contributions Subsequent to the Measurement Date	4,161,390	-
Total	\$ 23,255,795	\$ 3,160,387

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$4,161,390, 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	\$ 1,968,162
2020	5,759,008
2021	3,857,719
2022	513,352
2023	2,764,135
Thereafter	<u>1,071,642</u>
Total	\$ 15,934,018

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	<u>12%</u>	6.1%	5.6%	9.7%
Total	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.1 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	\$ 79,758,092	\$ 44,066,714	\$ 14,434,694

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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 \$1,066,776 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 \$21,429,767 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 0.200419398 percent, which was a decrease of 0.007183534 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 \$1,536,516. 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	\$ -	\$ 44,620
Change of Assumptions	3,012,288	1,853,055
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	11,884	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	225,251	910,152
District HIS Contributions Subsequent to the Measurement Date	1,066,776	-
Total	<u>\$ 4,316,199</u>	<u>\$ 2,807,827</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,066,776, 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	\$ 257,714
2020	255,465
2021	254,386
2022	111,011
2023	(28,917)
Thereafter	(408,063)
Total	\$ 441,596

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 Projection Scale BB.

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58 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	\$ 24,454,202	\$ 21,429,767	\$ 18,940,579

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

2. FRS – Defined Contribution Pension Plan

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

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

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk	14.00

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 \$764,452.31 for the fiscal year ended June 30, 2018.

E. Other Postemployment Benefit Obligations

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

Benefits Provided. The OPEB Plan provides healthcare and life insurance benefits for retirees and their dependents. In addition to the implicit subsidy described above, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to negotiated union bargaining agreements.

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	796
Active Employees	<u>1,352</u>
Total	<u>2,148</u>

Total OPEB Liability. The District's total OPEB liability of \$9,858,856 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

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	2.3 percent
Salary Increases	Consists of an inflation rate of 2.3 percent, a productivity component of 1.6 percent real rate of wage increase, and a variable merit component that is dependent on years of service.
Discount Rate	3.87 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 6.1 percent for the 2017-18 fiscal year, decreasing to an ultimate rate of 4.1 percent for the 2078-79 and later fiscal years. Rates include the estimated impact of any potential excise taxes.

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index.

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the OPEB Plan valuation were based on the assumptions used in the 2016 valuation of the FRS Regular Class members.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2017, as Restated	\$ 10,305,928
Changes for the year:	
Service Cost	224,512
Interest	365,608
Changes in Assumptions or Other Inputs	(395,708)
Benefit Payments	<u>(641,484)</u>
Net Changes	<u>(447,072)</u>
Balance at June 30, 2018	<u>\$ 9,858,856</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 11,340,408	\$ 9,858,856	\$ 8,670,763

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

(5.1 percent decreasing to 3.1 percent) or 1 percentage point higher (7.1 percent decreasing to 5.1 percent) than the current healthcare cost trend rates:

	1% Decrease (5.1% decreasing to 3.1%)	Healthcare Cost Trend Rates (6.1% decreasing to 4.1%)	1% Increase (7.1% decreasing to 5.1%)
Total OPEB Liability	\$ 9,510,611	\$ 9,858,856	\$ 10,269,098

OPEB Expense and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$537,359. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Inflows of Resources</u>
Change of Assumptions or Other Inputs	\$ 342,947

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	\$ (52,761)
2020	(52,761)
2021	(52,761)
2022	(52,761)
2023	(52,761)
Thereafter	(79,142)
Total	\$ (342,947)

F. 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 - Food Service</u>	<u>Special Revenue - Other</u>		<u>Nonmajor Governmental Funds</u>
	\$ 309,340.47	\$ 1,606,063.67	\$ 141,627.61	\$ 430,453.77	\$ 2,487,485.52

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the North East Florida Educational Consortium (NEFEC) (see Note IV.) and participates in the NEFEC Risk Management Program (NEFEC RMP) relating to property and casualty insurance, under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management programs. The NEFEC RMP for property and casualty insurance is a risk sharing public entity pool that is self-sustaining through member assessments (premiums). Coverage is purchased through commercial companies for claims in excess of specified amounts. Activities applicable to the NEFEC RMP are included in the business-type activities on the financial statements.

The employee group health insurance plans are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. In addition, the Board provides life insurance equivalent to each employee's salary rounded to the next \$1,000. The Board also offers a cafeteria plan to its employees, in which the employees select among a variety of plan benefits.

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

H. Public Entity Risk Pool

Fund Description. The NEFEC RMP public entity risk pool was organized on July 1, 1982, to provide property and casualty insurance coverage for its member districts. The NEFEC RMP was established under the authority of Sections 1001.42(12)(k), 111.072, 1001.42(11)(d), 1011.18(6), 440.38(6), and 768.28, Florida Statutes. The NEFEC RMP was established to formulate, develop, and administer, on behalf of the member districts, a program of group self-insurance for achieving lower costs through the development of a comprehensive loss control program. If the assets of the NEFEC RMP were to be exhausted, members would be responsible for their allocable portion of the NEFEC RMP liabilities. The NEFEC RMP members currently include 12 districts and the Florida Virtual School. Members may withdraw from the NEFEC RMP by providing a 60-day written notice of intent to withdraw and may withdraw on the next anniversary date of the program. Annual assessments and increases are based on the assessment formula developed by the member districts.

Summary of Significant Accounting Policies

- **Unpaid Claims Liabilities.** The NEFEC RMP establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards. Accordingly, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability and workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce

current estimates that reflect settlements, claim frequency, and other economic and social factors.

- **Excess Insurance.** The NEFEC RMP has entered into agreements with various insurance companies to provide specific excess coverage for claim amounts above a stated amount on an individual claim basis and aggregate excess coverage when total claims minus specific excess coverage exceed the loss fund. The amount of \$416,179.88 in excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2018.
- **Investment Income.** Investment income is not treated as an offset to reserves.

Unpaid Claims Liabilities

The following schedule presents the changes in claims liability for the past 2 years in the NEFEC RMP:

	<u>Reconciliation of Claims Liability</u>	
	<u>2016-17</u>	<u>2017-18</u>
Estimated Insurance Claims Payable, Beginning of Fiscal Year	\$ 11,024,000	\$ 12,245,000
Incurred Claims and Claims Adjustment Expenses:		
Provision for Insured Events of Current Fiscal Year	7,270,000	6,799,000
Increase (Decrease) in Provision for Insured Events of Prior Fiscal Years	(442,000)	292,000
Increase in Estimated Incurred Claims Assigned	82,889	414,747
Total Incurred Claims and Claims Adjustment Expenses	<u>6,910,889</u>	<u>7,505,747</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to:		
Insured Events of the Current Fiscal Year	2,040,000	2,303,000
Insured Events of Prior Fiscal Years	3,630,000	4,299,000
Adjustments for Payments from Excess Insurers and Subrogation	19,889	544,747
Total Payments	<u>5,689,889</u>	<u>7,146,747</u>
Estimated Insurance Claims Payable, End of Fiscal Year	<u>\$ 12,245,000</u>	<u>\$ 12,604,000</u>

I. Long-Term Liabilities

1. Note Payable

On May 11, 2018, the District entered into a financing agreement to fund the purchase of energy management upgrades within the District, including energy efficient lighting and six new chillers at various schools. The agreement was entered into under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of 1 year, in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring the future levy of taxes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed 4 years, for a total of 5 years. The note was issued at par for \$2,500,000, with a fixed interest rate of 2.69 percent.

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, note are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 541,063.83	\$ 473,813.83	\$ 67,250.00
2020	541,063.83	486,559.42	54,504.41
2021	541,063.83	499,647.87	41,415.96
2022	541,063.83	513,088.40	27,975.43
2023	541,063.83	526,890.48	14,173.35
Total	\$ 2,705,319.15	\$ 2,500,000.00	\$ 205,319.15

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	\$ 20,000	5	2019
Series 2014A, Refunding	220,000	3 - 5	2025
Series 2014B, Refunding	8,000	2 - 5	2020
Series 2017A, Refunding	418,000	3 - 5	2028
Total Bonds Payable	\$ 666,000		

The various bonds were issued 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	\$ 112,900	\$ 81,000	\$ 31,900
2020	93,850	66,000	27,850
2021	91,670	67,000	24,670
2022	94,320	73,000	21,320
2023	96,670	79,000	17,670
2024-2028	336,260	300,000	36,260
Total State School Bonds	\$ 825,670	\$ 666,000	\$ 159,670

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					
Note Payable	\$ 520,742.27	\$ 2,500,000.00	\$ 520,742.27	\$ 2,500,000.00	\$ 473,813.83
Bonds Payable	1,234,000.00	-	568,000.00	666,000.00	81,000.00
Compensated Absences Payable	11,479,648.25	3,537,073.65	3,854,060.76	11,162,661.14	2,232,532.23
Net Pension Liability	58,300,029.42	30,768,812.32	28,046,896.83	61,021,944.91	531,574.49
Other Postemployment Benefits Payable (1)	9,794,888.33	566,150.69	995,704.32	9,365,334.70	650,669.76
Total Governmental Activities	\$81,329,308.27	\$37,372,036.66	\$33,985,404.18	\$84,715,940.75	\$3,969,590.31
BUSINESS-TYPE ACTIVITIES					
Estimated Insurance Claims Payable	\$12,245,000.00	\$ 7,505,747.00	\$ 7,146,747.00	\$12,604,000.00	\$4,654,000.00
Compensated Absences Payable	751,696.52	292,680.46	405,603.71	638,773.27	137,754.66
Net Pension Liability	4,244,265.58	2,709,543.68	2,479,273.17	4,474,536.09	44,970.51
Other Postemployment Benefits Payable (1)	511,039.67	23,969.31	41,487.68	493,521.30	27,111.24
Total Business-Type Activities	\$17,752,001.77	\$10,531,940.45	\$10,073,111.56	\$18,210,830.66	\$4,863,836.41

(1) OPEB payable beginning balances were 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. The estimated insurance claims are generally liquidated with the resources of the proprietary funds.

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:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 2,396,848.06	\$ -
Special Revenue:		
Food Service	-	235,326.02
Other	-	1,412,654.04
Nonmajor Governmental	-	748,868.00
Total	\$ 2,396,848.06	\$ 2,396,848.06

The outstanding interfund balances resulted mainly from expenditure and reimbursement timing differences between funds. The interfund amounts represent temporary loans and are expected to be repaid within 1 fiscal 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:

Source	Amount
Governmental Funds:	
Florida Education Finance Program	\$ 48,020,390.00
Categorical Educational Program - Class Size Reduction	11,354,730.00
Florida Best and Brightest Teacher Scholarship Program	693,800.00
Voluntary Prekindergarten Program	607,325.43
Motor Vehicle License Tax (Capital Outlay and Debt Services)	512,451.48
Miscellaneous	1,773,931.59
Subtotal Governmental Funds	62,962,628.50
Enterprise Funds:	
Regional Education Consortium Services	619,452.86
Teacher Professional Development	102,184.84
Other State Grants and Contracts	47,875.06
Subtotal Enterprise Funds	769,512.76
Total State	\$ 63,732,141.26

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>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.106	\$ 15,690,093.68
Basic Discretionary Local Effort	0.748	2,858,321.75
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	5,732,071.51
Total	6.354	\$ 24,280,486.94

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	\$ 3,799,531.31	\$ -
Nonmajor Governmental	-	3,799,531.31
Total	\$ 3,799,531.31	\$ 3,799,531.31

Transfers from the nonmajor governmental funds to the General Fund were for facilities maintenance work, property and casualty insurance premiums, and charter school capital outlay.

IV. CONSORTIUM

The District is a member of, and fiscal agent for, the NEFEC. The NEFEC offers risk management programs for property and casualty (including workers' compensation) and information technology and other contracted services. The NEFEC also provides for the purchase of certain materials, supplies, equipment, and services to be used by member districts. The NEFEC is governed by a board of directors composed of the superintendents of the participating districts. As fiscal agent, the District has established enterprise funds to account for the NEFEC's resources and operations.

V. SUBSEQUENT EVENTS

On July 26, 2018, the District entered into a financing agreement to fund the purchase of school buses. The agreement was entered into under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of 1 year, in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring the future levy of taxes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed 4 years, for a total of 5 years. The note was issued at par for \$2,100,000, with a fixed interest rate of 2.79 percent.

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	\$ 195,000.00	\$ 195,000.00	\$ 169,067.54	\$ (25,932.46)
Federal Through State and Local	570,000.00	570,000.00	970,791.91	400,791.91
State	61,550,909.99	60,791,154.62	60,929,723.88	138,569.26
Local:				
Property Taxes	17,725,905.00	17,725,905.00	18,339,228.49	613,323.49
Charges for Services - Food Service	-	-	-	-
Miscellaneous	1,733,670.00	2,267,916.00	2,656,647.10	388,731.10
Total Local Revenues	<u>19,459,575.00</u>	<u>19,993,821.00</u>	<u>20,995,875.59</u>	<u>1,002,054.59</u>
Total Revenues	<u>81,775,484.99</u>	<u>81,549,975.62</u>	<u>83,065,458.92</u>	<u>1,515,483.30</u>
Expenditures				
Current - Education:				
Instruction	52,165,665.86	52,377,085.62	49,203,802.95	3,173,282.67
Student Support Services	3,763,857.95	4,009,690.64	3,708,204.59	301,486.05
Instructional Media Services	633,782.20	891,620.34	798,865.93	92,754.41
Instruction and Curriculum Development Services	1,601,042.09	1,805,078.82	1,768,537.40	36,541.42
Instructional Staff Training Services	198,680.00	464,106.73	410,542.63	53,564.10
Instruction-Related Technology	941,188.20	1,071,893.51	876,949.75	194,943.76
Board	677,650.09	690,714.07	593,362.33	97,351.74
General Administration	498,803.50	535,454.03	488,729.57	46,724.46
School Administration	6,663,051.14	6,938,034.09	6,772,106.41	165,927.68
Facilities Acquisition and Construction	115.63	69,038.07	68,922.44	115.63
Fiscal Services	792,613.09	858,266.29	782,807.00	75,459.29
Food Services	-	35,760.02	35,760.02	-
Central Services	924,328.50	1,073,313.70	1,037,551.25	35,762.45
Student Transportation Services	4,910,851.16	4,814,249.39	4,809,300.63	4,948.76
Operation of Plant	8,498,891.62	7,112,504.26	6,981,817.96	130,686.30
Maintenance of Plant	3,342,103.00	3,516,414.77	3,128,382.71	388,032.06
Administrative Technology Services	2,225,363.69	2,182,917.23	1,929,251.34	253,665.89
Community Services	500.00	10,942.42	2,841.82	8,100.60
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	63,406.22	63,406.22	-
Other Capital Outlay	-	222,843.06	222,843.06	-
Total Expenditures	<u>87,838,487.72</u>	<u>88,743,333.28</u>	<u>83,683,986.01</u>	<u>5,059,347.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,063,002.73)</u>	<u>(7,193,357.66)</u>	<u>(618,527.09)</u>	<u>6,574,830.57</u>
Other Financing Sources				
Transfers In	3,806,615.31	4,049,531.31	3,799,531.31	(250,000.00)
Sale of Capital Assets	-	-	10.00	10.00
Loss Recoveries	10,000.00	23,134.93	13,724.12	(9,410.81)
Total Other Financing Sources	<u>3,816,615.31</u>	<u>4,072,666.24</u>	<u>3,813,265.43</u>	<u>(259,400.81)</u>
Net Change in Fund Balances	<u>(2,246,387.42)</u>	<u>(3,120,691.42)</u>	<u>3,194,738.34</u>	<u>6,315,429.76</u>
Fund Balances, Beginning	6,831,341.36	6,831,341.36	6,831,341.36	-
Fund Balances, Ending	<u>\$ 4,584,953.94</u>	<u>\$ 3,710,649.94</u>	<u>\$ 10,026,079.70</u>	<u>\$ 6,315,429.76</u>

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,458.40	\$ 74,124.97	\$ (10,333.43)
8,927,730.00	8,927,730.00	8,724,837.18	(202,892.82)	1,801,049.65	16,937,105.20	11,688,872.16	(5,248,233.04)
139,003.00	139,003.00	154,648.00	15,645.00	-	-	-	-
-	-	-	-	-	-	-	-
238,500.00	238,500.00	251,499.51	12,999.51	-	-	-	-
10,200.00	10,200.00	44,465.97	34,265.97	-	-	-	-
248,700.00	248,700.00	295,965.48	47,265.48	-	-	-	-
9,315,433.00	9,315,433.00	9,175,450.66	(139,982.34)	1,801,049.65	17,021,563.60	11,762,997.13	(5,258,566.47)
-	-	-	-	1,517,066.50	10,284,300.93	7,287,991.49	2,996,309.44
-	-	-	-	723.03	1,182,297.99	1,045,766.70	136,531.29
-	-	-	-	-	-	-	-
-	-	-	-	93,745.07	2,567,286.05	1,502,838.37	1,064,447.68
-	-	-	-	182,849.84	1,772,762.69	1,082,676.75	690,085.94
-	-	-	-	-	-	-	-
-	-	-	-	6,665.21	865,342.44	616,215.30	249,127.14
-	-	-	-	-	22,284.00	12,918.00	9,366.00
-	-	-	-	-	-	-	-
11,052,065.44	11,093,476.04	7,714,176.53	3,379,299.51	-	40,800.00	33,216.57	7,583.43
-	-	-	-	-	-	-	-
-	-	-	-	-	216,759.17	116,860.73	99,898.44
-	-	-	-	-	2,474.23	2,024.37	449.86
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	10,832.00	6,064.75	4,767.25
-	448,805.09	448,805.09	-	-	-	-	-
-	94,804.31	94,804.31	-	-	56,424.10	56,424.10	-
11,052,065.44	11,637,085.44	8,257,785.93	3,379,299.51	1,801,049.65	17,021,563.60	11,762,997.13	5,258,566.47
(1,736,632.44)	(2,321,652.44)	917,664.73	3,239,317.17	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,736,632.44)	(2,321,652.44)	917,664.73	3,239,317.17	-	-	-	-
5,077,284.67	5,077,284.67	5,077,284.67	-	-	-	-	-
\$ 3,340,652.23	\$ 2,755,632.23	\$ 5,994,949.40	\$ 3,239,317.17	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	2018
Total OPEB Liability	
Service Cost	\$ 224,512
Interest	365,608
Changes of Assumptions or Other Inputs	(395,708)
Benefit Payments	(641,484)
Net Change in Total OPEB Liability	(447,072)
Total OPEB Liability - Beginning, as Restated	10,305,928
Total OPEB Liability - Ending	\$ 9,858,856
Covered-Employee Payroll	\$ 52,728,938
Total OPEB Liability as a Percentage of Covered-Employee Payroll	18.70%

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

	2017	2016	2015	2014	2013
District's Proportion of the FRS Net Pension Liability	0.148978073%	0.151876888%	0.163488026%	0.167413025%	0.163584420%
District's Proportionate Share of the FRS Net Pension Liability	\$ 44,066,714	\$ 38,349,033	\$ 21,116,413	\$ 10,214,656	\$ 28,160,159
District's Covered Payroll	\$ 63,895,894	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570	\$ 60,196,665
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	68.97%	59.83%	33.24%	16.20%	46.78%
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)**

	2018	2017	2016	2015	2014
Contractually Required FRS Contribution	\$ 4,161,390	\$ 3,878,266	\$ 3,703,760	\$ 3,985,928	\$ 3,667,056
FRS Contributions in Relation to the Contractually Required Contribution	(4,161,390)	(3,878,266)	(3,703,760)	(3,985,928)	(3,667,056)
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 64,258,481	\$ 63,895,894	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570
FRS Contributions as a Percentage of Covered Payroll	6.48%	6.07%	5.78%	6.27%	5.82%

(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	0.200419398%	0.207602932%	0.209557909%	0.212762540%	0.206941296%
District's Proportionate Share of the HIS Net Pension Liability	\$ 21,429,767	\$ 24,195,262	\$ 21,371,610	\$ 19,893,817	\$ 18,016,961
District's Covered Payroll	\$ 63,895,894	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570	\$ 60,196,665
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.54%	37.75%	33.64%	31.55%	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	\$ 1,066,776	\$ 1,060,677	\$ 1,064,097	\$ 801,061	\$ 728,853
HIS Contributions in Relation to the Contractually Required Contribution	(1,066,776)	(1,060,677)	(1,064,097)	(801,061)	(728,853)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 64,258,481	\$ 63,895,894	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.26%	1.16%

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

**Ten-Year Claims Development Information-
North East Florida Educational Consortium – Risk Management Property/Casualty Program
For the Fiscal Year ended June 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Earned Required Contribution and Investment Revenues				
Earned	\$ 15,303,151	\$ 15,304,938	\$ 14,363,068	\$ 13,578,330
Excess Insured	6,850,872	6,805,867	6,676,729	6,428,422
 Total Net Earned Required Contribution and Investment Revenues	 8,452,279	 8,499,071	 7,686,339	 7,149,908
 Unallocated Expenses	 1,602,246	 1,069,895	 2,131,357	 3,585,429
Estimated Incurred Claims Expenses, End of Policy Year:				
Incurred	5,026,000	5,163,000	5,101,000	5,701,000
 Net Paid (Cumulative) as of:				
End of Policy Year	1,554,000	1,650,000	1,952,000	2,002,000
One Year Later	3,309,000	3,305,000	3,632,000	3,603,000
Two Years Later	3,879,000	3,913,000	4,204,000	4,616,000
Three Years Later	4,473,000	4,525,000	4,559,000	5,432,000
Four Years Later	4,869,000	4,763,000	4,703,000	5,529,000
Five Years Later	5,017,000	4,906,000	4,810,000	5,712,000
Six Years Later	5,087,000	4,960,000	4,855,000	5,842,000
Seven Years Later	5,097,000	5,046,000	4,946,000	-
Eight Years Later	5,108,000	5,067,000	-	-
Nine Years Later	5,117,000	-	-	-
 Reestimated Excess Insured Claims and Expense	 (1)	 (1)	 (1)	 (1)
Reestimated Excess Insured Claims and Expense:				
End of Policy Year	5,026,000	5,163,000	5,101,000	5,701,000
One Year Later	5,490,000	4,947,000	5,234,000	5,558,000
Two Years Later	5,032,000	4,964,000	5,413,000	5,898,000
Three Years Later	5,146,000	5,169,000	5,123,000	6,180,000
Four Years Later	5,238,000	5,086,000	5,111,000	6,148,000
Five Years Later	5,190,000	5,125,000	5,126,000	6,124,000
Six Years Later	5,254,000	5,218,000	5,151,000	6,249,000
Seven Years Later	5,235,000	5,187,000	5,158,000	-
Eight Years Later	5,217,000	5,275,000	-	-
Nine Years Later	5,301,000	-	-	-
 Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	 275,000	 112,000	 57,000	 548,000

(1) Information relating to excess insured not available.

	2013	2014	2015	2016	2017	2018
	\$ 15,016,589	\$ 14,825,362	\$ 14,493,892	\$ 14,124,757	\$ 13,643,467	\$ 12,771,608
	7,583,300	7,403,686	7,067,800	6,239,140	6,028,102	5,126,507
	7,433,289	7,421,676	7,426,092	7,885,617	7,615,365	7,645,101
	4,066,334	4,269,391	1,967,078	1,194,208	948,365	3,023,592
	5,606,000	6,937,000	5,421,000	6,048,000	7,270,000	6,799,000
	1,956,000	2,346,000	1,684,000	2,261,000	2,040,000	2,303,000
	3,746,000	4,286,000	2,721,000	3,770,000	3,992,000	-
	4,425,000	5,574,000	3,362,000	4,578,000	-	-
	4,826,000	6,117,000	3,692,000	-	-	-
	5,248,000	6,579,000	-	-	-	-
	5,491,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(1)	(1)	(1)	(1)	(1)	(1)
	5,606,000	6,937,000	5,421,000	6,048,000	7,270,000	6,799,000
	6,118,000	6,920,000	4,881,000	6,255,000	6,840,000	-
	5,735,000	7,501,000	4,509,000	6,004,000	-	-
	6,103,000	7,234,000	4,390,000	-	-	-
	5,958,000	7,422,000	-	-	-	-
	6,151,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	545,000	485,000	(1,031,000)	(44,000)	(430,000)	-

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 increased from 3.58 percent as of June 30, 2017, to 3.87 percent as of June 30, 2018.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.6 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.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Putnam 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	\$ -	\$ 2,779,263.16
National School Lunch Program	10.555	18001, 18003	-	5,544,140.37
Summer Food Service Program for Children	10.559	17006, 17007, 18006, 18007	-	148,865.45
Total Child Nutrition Cluster			-	8,472,268.98
Special Education Cluster:				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	100,137.39	5,164,893.62
Special Education - Preschool Grants	84.173	266, 267	-	224,427.73
Total Special Education Cluster			100,137.39	5,389,321.35
Not Clustered				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
Farm to School Program	10.575	None	-	33,216.57
Fresh Fruit and Vegetable Program	10.582	18004	-	252,568.20
Total United States Department of Agriculture			-	285,784.77
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	169,067.54
United States Department of Labor:				
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	-	143,343.83
United States General Services Administration:				
Florida Department of Management Services:				
Donation of Federal Surplus Personal Property	39.003	None	-	6,447.66
United States Department of Education:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	193	-	7,817.66
Title I Grants to Local Educational Agencies	84.010	212, 226	-	5,899,661.27
Migrant Education - State Grant Program	84.011	217	-	225,860.82
Career and Technical Education - Basic Grants to States	84.048	161	-	215,542.82
Education for Homeless Children and Youth	84.196	127	-	66,399.72
Twenty-First Century Community Learning Centers	84.287	244	-	478,732.68
Special Education - State Personnel Development	84.323	170	291,178.00	309,262.64
Rural Education	84.358	110	-	178,292.33
English Language Acquisition State Grants	84.365	102	-	67,803.31
Supporting Effective Instruction State Grants	84.367	224	-	470,444.15
School Improvement Grants	84.377	126	-	2,023,749.76
Student Support and Academic Enrichment Program	84.424	241	-	56,606.00
Total United States Department of Education			291,178.00	10,000,173.16
United States Department of Health and Human Services:				
Children's Health Insurance Program	93.767	N/A	-	475,138.73
Total Expenditures of Federal Awards			\$ 391,315.39	\$ 24,941,546.02

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Putnam 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:
- (A) National School Lunch Program - Includes \$504,805,21 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Donation of Federal Surplus Personal Property - Represents the estimated fair value (23.68 percent of the original acquisition costs) of the donated Federal surplus personal property obtained during the fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam 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 25, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We identified a certain additional matter finding which is described on pages 72 and 73.

District's Response to Finding

The District's response to the additional matter finding identified in our audit is described on page 73 in Finding AM 2018-001. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 25, 2019



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 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 each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 25, 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 major Federal programs:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major Federal programs:

CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster
84.377	School Improvement Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDING

No matters are reported.

SECTION III – FEDERAL AWARDS FINDING AND QUESTIONED COSTS

No matters are reported.

ADDITIONAL MATTER

SCHOOL INTERNAL FUNDS

Finding Number	AM 2018-001
Opinion Unit	Aggregate Remaining Fund Information
Financial Statements Account Title(s)	Various
Fund Name	Agency Funds
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable
Finding	District procedures could be enhanced to ensure school internal funds audit reports are promptly issued and considered in completing the District's financial statements and related audit.
Criteria	<p>Pursuant to State Board of Education Rule 6A-1.0071, Florida Administrative Code, the District's financial statements were required to be submitted to the Florida Department of Education (FDOE) by September 11, 2018.</p> <p>Chapter 8 – <i>School Internal Funds, Financial and Program Cost Accounting and Reporting for Florida Schools</i> requires an annual audit of school internal funds. The school internal funds are an integral part of the District's financial reporting entity and the school internal funds audit report, if timely released, should be considered in completing the District's financial statements and related audit. In addition, as a good business practice, it is important that school internal funds audit contracts specify an anticipated audit report issue date to aid in the timely completion of the District's financial statements and financial audit report.</p>
Condition	<p>School internal funds provide an accounting for various school club and class activities and are reported in the District financial statements as Fiduciary Funds. As of June 30, 2018, District records indicated that the financial activities of the school internal funds represented 9 percent of the assets and 49 percent of the liabilities of the District's aggregate remaining fund information.</p> <p>The District contracted with a certified public accounting firm to audit the school internal funds for the 2017-18 fiscal year. The District financial statements, including unaudited school internal fund information, was submitted to the FDOE by September 11, 2018. However, the District received the school internal funds audit report on March 11, 2019, which was 6 months after the District's financial statements were required to be submitted to the FDOE.</p>
Cause	The school internal funds audit contract did not specify an anticipated audit report issue date and District efforts were ineffective to ensure the report was issued and considered in preparing the District financial statements.
Effect	<p>Until the school internal funds audit report was received in March 2019, the District's financial statements contained financial information for the school internal funds that was unaudited.</p> <p>Professional auditing standards require that when other auditors are required to report on a significant portion of an entity's financial statements, and the reports are not available for consideration during the course of an audit, appropriate disclosures (disclaimer) should be made in the auditor's report. The school internal funds audit report was received in March 2019, enabling us to consider and make reference to that report in our audit of the District's financial statements. Notwithstanding, absent timely and effective school internal funds audits, there is an increased risk that any school internal fund misappropriations that may occur</p>

will not be timely detected and resolved and that the audit of the District's financial statements will include a disclaimed opinion on the aggregate remaining fund information containing the school internal funds.

Recommendation

To promote the timely completion of the District's financial statements and District audit report release, the District should ensure that the school internal funds audit contract specifies an anticipated audit report issue date and District personnel effectively communicate with the auditor to issue the report by that date.

District Response

In August of 2018, the District provided the contracted certified public accounting firm (CRI) with the documentation necessary to complete the audit of the school internal funds. The timing of the receipt of documentation by CRI was similar to that of prior fiscal years. Therefore, the District had no reason to question the progress of the audit.

In November 2018, the District received email correspondence from CRI asking for documentation related to the Administrative Internal Accounts. This was provided to CRI and through further correspondence, the District was under the impression that the audit would be completed by the end of December 2018. However, the District became aware in January of 2019 that the audit had just begun due to staffing issues of CRI. The District received the completed audit on March 11, 2019.

In future years, the District will ensure that an anticipated audit report issue date be included in the internal accounts audit contract to aid in the timely completion of the District's financial statements and financial audit report.

District Contact and Telephone Number

Rhonda D. Odom, CPA, Assistant Superintendent of Business and Finance
(386) 329-0513

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the Federal awards audit findings included in our report No. 2018-149.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Putnam County School District
 200 Reid Street Palatka, Florida 32177
 www.putnamschools.org

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2016-170 (2015-001) 2017-182 (2016-002) 2018-149 (2017-001)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); School Improvement Grants (CFDA No. 84.377)	The District charged Federal programs \$355,063, \$408,613 and \$478,042 for the 2014-15, 2015-16 and 2016-17 fiscal years, respectively, for health insurance premiums of employees who did not participate in the District's health insurance program.	Fully Corrected	The District restored the questioned costs to the programs.
2016-170 (2015-003)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)	The District maintained excess net cash resources for its food service program.	Partially Corrected	The District has established a spending plan that anticipates utilizing the excess net cash resources by September 2019.

Holly Pickens, District I
 David Buckles, District II
 Sandra Gilyard, District III



Gordon "Bud" McInnis, District IV
 Jane Crawford, District V
 Dr. Rick Surency, Superintendent