STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2019-198
March 2019

BROWARD 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, Robert W. Runcie served as Superintendent of the Broward County Schools and the following individuals served as School Board Members:

	District No.
Ann Murray	1
Patricia Good	2
Heather P. Brinkworth, Vice Chair from 11-21-17	3
Abby M. Freedman, Chair through 11-20-17	4
Dr. Rosalind Osgood	5
Laurie Rich Levinson	6
Nora Rupert, Chair from 11-21-17, Vice Chair through 11-20-17	7
Donna P. Korn	At-Large, Countywide
Robin Bartleman	At-Large, Countywide

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 Samantha M. Palaigos, CPA, and the audit was supervised by Diana G. Garza, 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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BROWARD COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

BROWARD COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS (CONTINUED)

SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Summary of Report on Federal Awards

We audited the District's compliance with applicable Federal awards requirements. The Student Financial Assistance Cluster, Title I, Twenty-First Century, and Teacher Incentive Fund programs 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; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

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*.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward 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 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. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward 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 I.P. 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 Fund**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The School Board of Broward County, Florida (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The narrative is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and identify individual fund issues or concerns. As with other sections of this financial report, the information contained within this narrative should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and other required supplemental information.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The District's financial status, as reflected in the ***total net position***, decreased by $88.6 million, or 18.7 percent, from $474.6 million, as restated, to $386.1 million, when compared to the prior year. The decrease in total net position is due to a decrease in total assets of $100.3 million and increases in the following: total liabilities of $158.2 million, and deferred inflows of resources of $62.4 million. The increase in total liabilities and deferred inflows of resources was offset by an increase in deferred outflows of resources of $138.5 million, as well as the restatement of other postemployment benefits (OPEB) adjustment of $93.8 million. As explained later in this section of the financial statements, the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* had a negative impact on the net position. The decrease in net position is also resulting from an increase in pension expense due to the reporting requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Other long-term obligations such as liability for compensated absences and self-insured risks increased as well.
- ***Total revenues*** increased by $61.8 million, or 2.3 percent, from $2.7 billion to $2.8 billion when compared to the prior year, because of an increase in other general revenues of $25.1 million, including Florida Education Finance Program (FEFP) State revenues. Additionally, there is an increase in ad valorem taxes of $22.2 million (including General, Debt Service and Capital Project Funds) due to an increase in the total assessed property values, and an increase in total program revenues of $24.9 million. The increases in other general revenues and ad valorem taxes were offset by a decrease due to the recognition of an extraordinary loss of $10.4 million, as explained later in this section of the financial statements.
- The District had $2.9 billion in ***expenses*** related to programs, an increase of $130.2 million or 4.7 percent, from the prior year due to the recording of the current year pension and OPEB expenses. There were increases due to the use of State categorical funds, primarily instructional materials, utilized from restricted fund balance during the 2017-18 fiscal year of $13 million. Additionally, the District covered $5 million of health insurance cost increases in the 2017-18 fiscal year on a one-time basis as the increase was absorbed in the 2018-19 fiscal year's budget balance. The District also incurred increased expenses resulting from Hurricane Irma. The increases were offset by a decrease in interest expense.
- The District's ***debt*** (Bonds Payable, Certificates of Participation, and Capital Leases) decreased by $83.5 million, or 5.1 percent, to $1.5 billion from $1.6 billion in the prior year. The decrease was due to the payment of debt and the refunding of the Certificates of Participation, offset by increases in capital leases (refer to Notes VIII. through XI. of the Notes to Financial Statements for more information).

- The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. This Statement addresses accounting and financial reporting for OPEB provided to employees of State and local government employers. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. GASB Statement No. 75 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 their OPEB liability. Due to the GASB Statement No. 75 implementation, the District's restated net position at June 30, 2017, is $474.6 million, a decrease of $93.8 million, or 16.5 percent.

Governmental Funds Financial Statements

- The overall General Fund balance (the primary operating fund) decreased by $29.4 million, or 15.5 percent, to $160.6 million from $190 million in the prior year.
- The assigned and unassigned portion of the fund balance decreased by $14.8 million compared to prior year from $92.5 million as of June 30, 2017, to $77.7 million as of June 30, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

The District's Annual Financial Report (AFR) includes a series of basic financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The governmental fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the governmental fund financial statements focus on major funds rather than fund types. The proprietary fund statements offer short-term and long-term financial information about the activities the District operates like businesses, such as printing services. The remaining statements, the fiduciary fund statements, provide financial information for those activities in which the District acts solely as a trustee or agent for the benefit of others. The accompanying notes provide essential information that may not be readily available on the face of the basic financial statements. Consequently, these notes form an integral part of the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements incorporate governmental and business-type activities, as well as its nonfiduciary component units. They contain various adjustments, elimination and reclassification entries, such as the recording of depreciation, the recognition of other revenues, and the recognition of long-term liabilities. The government-wide financial statements are designed to provide the readers with a view of the District as a whole. While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities and use the economic resources measurement focus and the accrual basis of accounting similar to the accounting used by most private-sector companies, matching the financial impact of long-term financial decisions to the period in which the expense or revenue is more properly attributed.

In short, the financial impact of long-term decisions is promptly recorded as the transaction occurs, as opposed to recording it when paid. A good example of this is the recording of compensated absences, such as vacation and sick leave. In the fund financial statements, vacation and sick leave are expensed when used, not when accrued, with the unused hours accumulating over time. Consequently, the reader of the AFR would never see the potential financial impact the accumulated leave would have on the District's financial health. In the government-wide financial statements, vacation and sick leave are expensed when accrued, allowing the reader to see the full financial impact.

The Statement of Net Position combines and/or consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. The Statement of Net Position also provides information about the nature and amounts of investment of resources and obligations to creditors.

The Statement of Activities provides information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the Statement of Net Position, is one way to measure the District's financial health or financial position. A reader can think of the District's net position as the difference between what the District owns (assets) and what the District owes (liabilities). Over time, the increase or decrease in the District's net position, as reported in the Statement of Activities, is another indicator of whether its financial health is improving or deteriorating. The difference between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. To fully assess the financial health of any government entity, the reader must also consider other non-financial factors such as the quality of education provided, the safety of the schools, fluctuations in the local economy, state-mandated programs, administrative changes, and the physical condition of the District's capital assets.

Fund Financial Statements

Fund financial statements are generally presented on a modified accrual basis, using the current financial resources measurement focus, and report expenditures rather than expenses as used in the government-wide financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Certificates of Participation Series (COP) Debt Service Fund, District Bonds Fund, and Local Millage Capital Improvement Fund. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

Governmental Funds: Most of the District's activities are reported in governmental funds which describe how money flows into and out of those funds and the balances remaining at year-end that are available for spending in future periods. These funds are reported using an accounting method called "modified accrual accounting," which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and services. Governmental fund information helps determine what financial resources will be available in the near future to support educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds. Based on the nature of the activities, proprietary funds are used to report the activities in the District's Internal Service Funds. The Internal Service Fund is used to record the financing of goods or services provided by one department to another on a cost reimbursement basis.

Proprietary funds are reported in the same way as government-wide financial statements. The Internal Service Funds are presented in the proprietary fund financial statements. The Proprietary funds are included in the governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District's fiduciary fund consists of an agency fund used to account for student activity funds.

Notes to Financial Statements

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

Other Information

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

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's governmental activities.

Table 1
Summary Statement of Net Position
(in thousands)

	As of June 30, 2018	As of June 30, 2017	Increase (Decrease)
Current and non-current assets	$ 833,995	$ 894,502	$ (60,507)
Capital assets	2,746,084	2,785,880	(39,796)
Total assets	3,580,079	3,680,382	(100,303)
Deferred outflows of resources	676,398	537,888	138,510
Current liabilities	461,644	448,043	13,601
Non-current liabilities	3,284,776	3,140,192	144,584
Total liabilities	3,746,420	3,588,235	158,185
Deferred inflows of resources	124,004	61,649	62,355
Net position:			
Net investment in Capital Assets	1,139,984	1,184,034	(44,050)
Restricted	325,330	283,777	41,553
Unrestricted	(1,079,261)	(899,425)	(179,836)
Total net position	$ 386,053	$ 568,386	$ (182,333)

Government-Wide Financial Analysis. The District's financial status, as reflected in the total net position, decreased, when compared to the prior year. The decrease in total net position is due to a decrease in total assets, and increases in the following: total liabilities and deferred inflows of resources, offset by an increase in deferred outflows of resources. By far, the largest portion of the District's net position reflects its net investment in capital assets (i.e., land, buildings, furniture, and equipment).

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The increase in the long-term liabilities is primarily caused by an increase in the net pension liability for the Florida Retirement System (FRS).

The second largest portion of the District's net position represents resources that are subject to external restrictions on how they may be used. Of the $325.3 million in restricted net position, $255 million is restricted for capital projects. There was a deficit of $1.1 billion in the unrestricted net position at June 30, 2018. The deficit in the Statement of Net Position should not be viewed as an indication of financial difficulties. The District would only experience an actual deficit if it had to pay all of its long-term liabilities at once, including all amounts owed to the FRS for future retirement benefits that would be approximately $1.3 billion at June 30, 2018.

As shown in Table 2, governmental activities decreased the District's net position by $88.6 million from the prior year. Key highlights are as follows:

- Ad valorem taxes (property taxes) increased by $22.2 million (including General, Debt Service and Capital Funds) due to an increase in the total assessed property values.
- Other general revenues increased by $25.1 million primarily because of government-wide reporting requirements. The increase in other general revenues was offset by a decrease due

to the recognition of an extraordinary loss of $10.4 million, as explained later in this section of the financial statements.

- Total expenses increased by $130.2 million, or 4.7 percent, due to increases in salary and fringe expenses due to the recording of the current year pension and OPEB expenses. There were increases due to the use of State categorical funds, primarily instructional materials that were utilized from restricted fund balance during the 2017-18 fiscal year in the amount of $13 million. Additionally, the District covered $5 million of health insurance cost increases in the 2017-18 fiscal year on a one-time basis as the increase was absorbed in the 2018-19 fiscal year's budget balance. The District also had increased expenses resulting from Hurricane Irma. The increases were offset by a decrease in interest expense.

Table 2
Summary Statement of Changes in Net Position
(in thousands)

	For the Fiscal Years Ended June 30, 2018	For the Fiscal Years Ended June 30, 2017	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for services	$ 45,650	$ 47,920	$ (2,270)
Operating grants and contributions	722,161	688,271	33,890
Capital grants and contributions	24,889	31,600	(6,711)
Total program revenues	792,700	767,791	24,909
General revenues:			
Ad valorem taxes	1,207,754	1,185,545	22,209
Other general revenues (including FEFP)	810,433	785,369	25,064
Extraordinary items	(10,375)	-	(10,375)
Total general revenues and extraordinary items	2,007,812	1,970,914	36,898
Total revenues	2,800,512	2,738,705	61,807
Functions/Program Expenses:			
Instructional services	1,743,765	1,658,219	85,546
Instructional support services	288,027	263,323	24,704
Operation and maintenance of plant	256,761	248,433	8,328
School administration	150,580	142,920	7,660
Food services	112,512	113,167	(655)
Facilities acquisition and construction	71,049	74,749	(3,700)
General administration	100,525	90,709	9,816
Student transportation services	98,958	90,201	8,757
Interest expense	66,900	77,203	(10,303)
Total expenses	2,889,077	2,758,924	130,153
Change in net position	(88,565)	(20,219)	(68,346)
Beginning net position	568,386	588,605	(20,219)
Restatement adjustment, June 30, 2017 (1)	(93,768)	-	(93,768)
Beginning net position, as restated	474,618	588,605	(113,987)
Ending net position	$ 386,053	$ 568,386	$ (182,333)

(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.

Financial Analysis of the Government's Funds. As was noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at the funds aids in determining if the District is being accountable for the resources taxpayers and others provide, and may also give more insight into the District's overall financial health. In particular, the combination of assigned and unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

Governmental Funds. As of June 30, 2018, the District's governmental funds reported a combined fund balance of $504 million, a decrease of $65.2 million, or 11.4 percent from the prior year. The reduction in fund balance is due to the following: a decrease of $29.4 million in the General Fund, a decrease of $13 million in the Other Governmental Funds, and a decrease of $46.7 million in the District Bonds (Capital Projects) Fund; offset by an increase of $23.5 million in the Local Millage Capital Improvement Fund, and an increase of $0.4 million in the COP Series Debt Service Fund.

General Fund. The fund balance for the General Fund decreased by $29.4 million, due to the use of State categorical funds, primarily instructional materials that were utilized from restricted fund balance during the 2017-18 fiscal year in the amount of $13 million. Additionally, the District covered $5 million of health insurance cost increases in the 2017-18 fiscal year on a one-time basis as the increase was absorbed in the 2018-19 fiscal year's budget balance. In the 2017-18 fiscal year, the District had additional costs due to the tragedy at MSD High School. The District also had increased expenses resulting from Hurricane Irma. The assigned and unassigned portion of the fund balance decreased by $14.8 million compared to the prior year from $92.5 million as of June 30, 2017, to $77.7 million as of June 30, 2018.

Other Major Funds:

District Bonds (Capital Projects) Fund. The fund balance of the Major District Bonds (Capital Projects) Fund decreased by $46.7 million as the District continues to complete approved projects funded by prior year's accumulated capital reserves of the Series 2015 General Obligation Bonds issued as part of the District's $800 million bond referendum for the SMART Program.

COP Series Debt Service Fund. The fund balance of the Major COP Series Debt Service Fund increased by $0.4 million as a result of interest earnings and the refunding of the Certificates of Participation (refer to Note IX. of the Notes to Financial Statements for more information).

Local Millage Capital Improvement Fund. The fund balance of the Major Local Millage Capital Improvement Fund increased by $23.5 million compared to the prior year mainly due to an increase in the revenues received from local sources, including ad valorem taxes.

General Fund Budgetary Highlights (Reported on a Budgetary Basis). Over the course of the year, the District revises its budget to deal with unexpected changes in revenues and expenditures. The District's original and final budget amounts compared with actual amounts are provided in Table 3.

The final budget as compared to the original budget for revenues and other financing sources decreased by $16.1 million primarily due to a decrease in ad valorem taxes and the State's FEFP revenues, offset by an increase in other local revenues, Federal revenues for Medicaid, and other financing sources.

During the year, final appropriations and other financing uses increased by $27.1 million from original appropriations, primarily due to the use of State categorical funds, mainly instructional materials, that were utilized from restricted fund balance during the 2017-18 fiscal year for $13 million. Additionally, the District covered $5 million of health insurance cost increases in the 2017-18 fiscal year on a one-time basis as the increase was absorbed in the 2018-19 fiscal year's budget balance. In the 2017-18 fiscal year, the District had additional costs for the tragedy at MSD High School. The District also had increased expenses resulting from Hurricane Irma.

Table 3
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance of General Fund Budget and Actual (Budgetary Basis)
(in thousands)

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
Revenues:				
Local Sources:				
Ad valorem taxes	$ 923,836	$ 918,653	$ 918,653	$ -
Other	59,930	76,970	76,970	-
Total local sources	983,766	995,623	995,623	-
State sources:				
Florida Education Finance Program	740,296	703,547	703,547	-
Other	402,342	400,029	399,908	(121)
Total state sources	1,142,638	1,103,576	1,103,455	(121)
Federal sources	19,700	23,890	23,890	-
Total revenues	2,146,104	2,123,089	2,122,968	(121)
Other financing sources	87,830	94,702	94,702	-
Total amounts available for appropriations	2,233,934	2,217,791	2,217,670	(121)
Expenditures:				
Instructional services	1,482,985	1,466,254	1,466,208	46
Instructional support services	190,843	209,217	209,217	-
Student transportation services	87,397	92,770	92,612	158
Operation and maintenance of plant	247,183	250,980	251,184	(204)
School administration	135,695	141,184	141,184	-
General administration	85,824	99,703	99,703	-
Interest	1,480	952	952	-
Total expenditures	2,231,407	2,261,060	2,261,060	-
Other financing uses	2,602	40	40	-
Total charges against appropriations	2,234,009	2,261,100	2,261,100	-
Net change in fund balances	$ (75)	$ (43,309)	$ (43,430)	$ (121)
Appropriated beginning fund balance	$ 75	$ 43,309		
Adjustments to conform with GAAP:				
Elimination of encumbrances			13,974	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (GAAP Basis)			(29,456)	
Fund Balances, beginning of year			190,025	
Fund balances, end of year			$ 160,569	

Capital Assets and Debt Administration

Capital Assets. As shown in Table 4, at June 30, 2018, the District had invested approximately $2.7 billion in a broad range of capital assets. This amount represents a net decrease (including additions, deletions and depreciation) of $39.8 million from the prior year. The District is focused on keeping vital components of school buildings running, such as air conditioning and roofing systems while keeping the schools safe and accessible. The District had $68.5 million committed towards various construction contracts (refer to Note XXI. of the Notes to Financial Statements for more information).

On February 14, 2018, the District experienced a horrific tragedy at Marjory Stoneman Douglas (MSD) High School. As a result of this tragedy, Building 12 at the school is deemed evidentiary and cannot be used by the District or demolished until the conclusion of all investigations and legal matters. The service utility of this building has permanently changed and considered as a total loss for accounting purposes. For the 2018-19 fiscal year, Senate Bill, SB 7026, cited as the “Marjory Stoneman Douglas High School Public Safety Act,” has earmarked $26.3 million for the projects at MSD. Consequently, the District has removed the historical cost of Building 12 and the related land improvements and recognized an extraordinary loss of $10.4 million in the Government-Wide Financial Statements (refer to Note V. of the Notes to Financial Statements for more information).

Table 4
Capital Assets at Year-End
(in thousands)

	For the Fiscal Years Ended June 30, 2018	For the Fiscal Years Ended June 30, 2017	Increase (Decrease)
Land	$ 231,908	$ 232,805	$ (897)
Land improvements	463,488	463,827	(339)
Construction in progress	51,064	36,641	14,423
Broadcast license intangible	3,600	3,600	-
Buildings and fixed equipment	3,648,954	3,632,949	16,005
Furniture, fixtures and equipment	270,906	263,755	7,151
Asset under capital leases	80,599	61,809	18,790
Audio visual	703	703	-
Computer software	58,299	57,309	990
Motor vehicles	93,492	100,825	(7,333)
Less: accumulated depreciation	(2,156,929)	(2,068,343)	(88,586)
Total capital assets, net	$ 2,746,084	$ 2,785,880	$ (39,796)

Debt Administration. As shown in Table 5, at the end of June 30, 2018, the District had $1.5 billion in debt outstanding compared to $1.6 billion in the prior year, a decrease of $83.5 million, or 5.1 percent, from the prior year. The decrease was due to the reduction of $2.5 million in Capital Outlay Bond Issues, $3.8 million in General Obligation Bond, $83.9 million in Certificates of Participation, offset by an increase of $6.7 million in Capital Leases (refer to Notes VIII. through XI. of the Notes to Financial Statements for more information).

Table 5
Debt Outstanding at Year-End
(in thousands)

	For the Fiscal Years Ended June 30, 2018	2017	Increase (Decrease)
Capital outlay and bond issues	$ 11,686	$ 14,160	$ (2,474)
General obligation bond	144,430	148,225	(3,795)
Certificates of participation	1,338,303	1,422,200	(83,897)
Capital leases	62,745	56,079	6,666
Total	$ 1,557,164	$ 1,640,664	$ (83,500)

Other obligations include accrued vacation pay and sick leave (refer to Note XIII. of the Notes to Financial Statements for more information).

ECONOMIC FACTORS

The State of Florida, by constitution, does not have a State personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. State funds to school districts are provided by legislative appropriations from the State's general revenue funds under the Florida Education Finance Program (FEFP) and local property taxes. The level of tourism in the State heavily influences the amount collected. Any change in the anticipated amount of revenues collected by the State would directly impact the revenue allocation to the District.

Due to the impact of Hurricane Irma, the estimated damage to the District's infrastructure, emergency measures and cleanup cost is projected to be about $18 million. Funding for the cleanup repairs will be provided by FEMA, the State, proceeds from insurance claims, and Capital ad valorem taxes. The repair costs for debris removal and buildings have been the largest expense in the fiscal year ended June 30, 2018. The process requires closing out the project worksheets and completing approximately 23 necessary restoration projects to the permanent facilities, which will take approximately 1 to 2 years to complete.

REQUESTS FOR INFORMATION

The District's financial statements are designed to present users (participants, investors, creditors, and regulatory agencies) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report should be addressed to the Director of the Accounting and Financial Reporting Department, The School Board of Broward County, Florida, 600 Southeast Third Avenue, Fort Lauderdale, Florida 33301. For additional information, visit the District's web site at https://www.browardschools.com/.

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THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF NET POSITION
JUNE 30, 2018
(in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash, cash equivalents, and investments (including restricted cash of $152.3 million)	$ 718,990	$ 63,852
Due from other governmental agencies	51,435	1,357
Due from other schools	-	6,119
Accrued interest receivable	2,109	-
Inventories	8,701	1,563
Prepaid and other assets	25,872	24,323
Total current assets	807,107	97,214
Non-current Assets:		
Restricted cash, cash equivalents, and investments	26,888	-
Capital assets:		
Non-depreciable	417,527	-
Depreciable, Net	2,328,557	117,991
Total non-current assets	2,772,972	117,991
Total assets	3,580,079	215,205
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	198	-
Deferred loss on refunding debt (net)	97,337	-
Pension actuarial adjustments	572,730	3,642
OPEB actuarial adjustments	6,133	-
Total deferred outflows of resources	676,398	3,642
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	134,250	4,822
Accrued payroll taxes and withholding	23,164	11,818
Matured debt and interest payable	118,891	957
Due to other governmental agencies	12,777	6
Due to other schools	-	1,799
Retainage payable	2,619	-
Unearned revenue	6,368	41
Obligations under capital leases	13,695	1,809
Liability for compensated absences	18,843	202
Debt, net of premiums and discounts	92,257	1,692
Estimated liability for self-insurance risks	38,780	-
Other liabilities	-	1,690
Total current liabilities	461,644	24,836
Non-current liabilities:		
Obligations under capital leases	49,050	74,317
Liability for compensated absences	152,247	65
Debt, net of premiums and discounts	1,542,139	38,934
Estimated liability for self-insurance risks	35,551	-
Other post-employment benefits obligations	174,182	-
Other liabilities	-	9,630
Derivatives swap liability	28,518	-
Net pension liability	1,303,089	6,348
Total non-current liabilities	3,284,776	129,294
Total liabilities	3,746,420	154,130
Deferred Inflows of Resources		
Derivative swap (GASB 53)	1,868	-
Deferred gain on refunding debt (net)	377	-
Pension actuarial adjustments	108,647	938
OPEB actuarial adjustments	13,112	-
Total deferred inflows of resources	124,004	938
NET POSITION		
Net investment in capital assets	1,139,984	19,599
Restricted for:		
State required carryover programs	8,491	-
Debt service	7,816	3,520
Capital projects	254,952	446
Scholarships and other purposes	54,071	10,554
Unrestricted	(1,079,261)	29,660
Total net position	$ 386,053	$ 63,779

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

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PROGRAM EXPENSES AND REVENUES:			
PRIMARY GOVERNMENT:			
Instructional Services	$ 1,743,765	$ 32,196	$ 515,065
Instructional Support Services	288,027	-	70,868
Student Transportation Services	98,958	1,378	1,140
Operation and Maintenance of Plant	256,761	-	12,113
School Administration	150,580	-	13,624
General Administration	100,525	-	10,618
Food Services	112,512	12,076	98,733
Facilities Acquisition and Construction and Other	71,049	-	-
Interest Expense	66,900	-	-
Total governmental activities	$ 2,889,077	$ 45,650	$ 722,161
COMPONENT UNITS:			
Charter Schools/Foundation	$ 325,326	$ 7,944	$ 34,810

GENERAL REVENUES:
Ad Valorem Taxes Levied for:
General Purposes
Debt Service
Capital Outlays
Grants and Contributions Not Restricted to Specific Programs:
Florida Education Finance Program
Other
Other Federal Sources
Other State Sources
Other Local Sources
Unrestricted Investment Earnings
EXTRAORDINARY ITEMS

Total General Revenues and Extraordinary Items

Change in Net Position

Total Net Position, beginning of year

Adjustments to Restate Net Position (GASB 75)

Total Net Position, end of year

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

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
$ -	$ (1,196,504)	$ 142,375
-	(217,159)	9,931
-	(96,440)	5,237
-	(244,648)	65,720
-	(136,956)	34,373
-	(89,907)	41,967
-	(1,703)	13,429
21,957	(49,092)	5,754
2,932	(63,968)	33
$ 24,889	(2,096,377)	318,819
$ 15,632	-	(266,940)
	918,653	-
	12,080	-
	277,021	-
	703,547	-
	-	264,301
	23,947	593
	2,096	16
	70,571	9,437
	10,272	107
	(10,375)	-
	2,007,812	274,454
	(88,565)	7,514
	568,386	56,265
	(93,768)	-
	$ 386,053	$ 63,779

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(in thousands)

	GENERAL FUND	COP SERIES DEBT SERVICE FUND	DISTRICT BONDS FUND
ASSETS			
Equity in pooled cash and investments	$ 283,640	$ 2,603	$ 63,489
Cash and investments with trustees	-	88,651	-
Total cash, cash equivalents, and investments	283,640	91,254	63,489
Due from other governmental agencies	17,792	-	-
Due from other funds	16,705	-	-
Accrued interest receivable	1,587	6	91
Inventories	5,492	-	-
Prepaids and other assets	25,564	75	-
TOTAL ASSETS	$ 350,780	$ 91,335	$ 63,580
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenditures	$ 120,063	$ 1,373	$ 4,773
Accrued payroll taxes and withholdings	23,164	-	-
Due to other governmental agencies	12,777	-	-
Due to other funds	-	-	-
Unearned revenue	2,385	-	-
Retainage payable	25	-	761
Matured debt and interest payable	-	87,664	-
Liability for compensated absences	7,799	-	-
Estimated liability for self-insurance risks	23,998	-	-
Total Liabilities	190,211	89,037	5,534
Fund Balances:			
Nonspendable	20,049	-	-
Restricted	8,491	2,298	58,046
Committed	54,323	-	-
Assigned	20,334	-	-
Unassigned	57,372	-	-
Total Fund Balances	160,569	2,298	58,046
Total liabilities and fund balance	$ 350,780	$ 91,335	$ 63,580

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

LOCAL MILLAGE CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 117,099	$ 126,391	$ 593,222
-	63,653	152,304
117,099	190,044	745,526
5,303	28,340	51,435
-	-	16,705
62	362	2,108
-	3,108	8,600
-	233	25,872
$ 122,464	$ 222,087	$ 850,246
$ 1,303	$ 6,654	$ 134,166
-	-	23,164
-	-	12,777
-	16,705	16,705
-	3,983	6,368
491	1,342	2,619
-	30,928	118,592
-	94	7,893
-	-	23,998
1,794	59,706	346,282
-	3,108	23,157
120,670	154,435	343,940
-	-	54,323
-	4,838	25,172
-	-	57,372
120,670	162,381	503,964
$ 122,464	$ 222,087	$ 850,246

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THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION AS OF JUNE 30, 2018 (in thousands)

Total Fund Balances - Governmental Funds		$ 503,964
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements. These assets consist of:		
Land	$ 231,908	
Land improvements - nondepreciable	130,955	
Land improvements, net of accumulated depreciation	168,916	
Broadcast license intangible	3,600	
Buildings and fixed equipment, net of accumulated depreciation	2,038,482	
Furniture, fixtures, and equipment, net of accumulated depreciation	48,543	
Assets under capital lease, net of accumulated depreciation	57,666	
Audio/Visual, net of accumulated depreciation	30	
Computer software, net of accumulated depreciation	1,584	
Motor vehicles, net of accumulated depreciation	13,336	
Construction in progress	51,064	2,746,084
Certain pension-related items are reported as deferred outflows of resources in the government-wide financial statements but are not in the fund financial statements.		572,730
Certain pension-related items are reported as deferred inflows of resources in the government-wide financial statements but not in the fund financial statements.		(108,647)
Certain OPEB-related items are reported as deferred outflows of resources in the government-wide financial statements but not in the fund financial statements.		6,133
Certain OPEB-related items are reported as deferred inflows of resources in the government-wide financial statements but not in the fund financial statements.		(13,112)
Accumulated decrease in fair value of hedging derivatives is not a use of current financial resources and, therefore, are not reported in the fund financial statements.		198
Accumulated increase in fair value of hedging derivatives is not a use of current financial resources and, therefore, are not reported in the fund financial statements.		(1,868)
Deferred losses on refunding is not a use of current financial resources and, therefore, are not reported in the fund financial statements.		97,337
Internal service funds are used by the District to charge the costs of services, such as printing services, to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Position.		370
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, and other deferred inflow of resources are reported in the Statement of Net Position.		
Balances at June 30, 2018, are:		
Accrued interest on long-term debt	$ (299)	
Certificates of participation	(1,338,303)	
Debt premiums and discounts, net	(139,977)	
Bonds payable	(156,116)	
Capital leases payable	(62,745)	
Compensated absences	(163,197)	
Other postemployment benefits (OPEB)	(174,182)	
Estimated liability for self-insured risks	(50,333)	
Deferred gain on refunding of debt	(377)	
Net pension liability	(1,303,089)	
Derivatives swap liability (GASB 53)	(28,518)	
Total long-term liabilities		(3,417,136)
Total net position of governmental activities		$ 386,053

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	GENERAL FUND	COP SERIES DEBT SERVICE FUND	DISTRICT BONDS FUND
Revenues			
Local sources:			
Ad valorem taxes	$ 918,653	$ -	$ -
Food sales	-	-	-
Interest on investments	6,495	791	1,233
Other	70,475	-	-
Total local sources	995,623	791	1,233
State sources:			
Florida education finance program	703,547	-	-
Public education capital outlay	-	-	-
Discretionary lottery funds	497	-	-
Categorical programs and other	399,411	-	-
Total State sources	1,103,455	-	-
Federal sources:			
Food service	-	-	-
Grants and other	23,890	-	-
Total Federal sources	23,890	-	-
Total revenues	2,122,968	791	1,233
Expenditures			
Current operating:			
Instructional services	1,465,218	-	-
Student and instructional support services	206,593	-	-
Student transportation services	91,950	-	-
Operation and maintenance of plant	245,021	-	-
School administration	141,085	-	-
General administration	96,267	-	-
Food Services	-	-	-
Total current operating	2,246,134	-	-
Debt service:			
Principal retirement	-	75,671	-
Interest charges and other	952	63,645	-
Total debt service	952	139,316	-
Capital outlay	-	-	47,944
Total expenditures	2,247,086	139,316	47,944
Excess (deficiency) of revenues over (under) expenditures	(124,118)	(138,525)	(46,711)
OTHER FINANCING SOURCES (USES):			
Certificates of participation refunding issued	-	207,530	-
Premium (discount) on long-term debt issued	-	36,075	-
Capital lease	-	-	-
Sale of capital assets	-	-	-
Payments to refunded bond escrow agent	-	(242,427)	-
Transfers in	94,702	137,790	-
Transfers out	(40)	-	-
Total other financing sources (uses)	94,662	138,968	-
Net change in fund balances	(29,456)	443	(46,711)
Fund balances, beginning of year	190,025	1,855	104,757
Fund balances, end of year	$ 160,569	$ 2,298	$ 58,046

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

LOCAL MILLAGE CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 277,021	$ 12,080	$ 1,207,754
-	12,076	12,076
519	1,234	10,272
11,235	22,291	104,001
288,775	47,681	1,334,103
-	-	703,547
-	4,808	4,808
-	-	497
-	36,999	436,410
-	41,807	1,145,262
-	88,826	88,826
-	213,970	237,860
-	302,796	326,686
288,775	392,284	2,806,051
-	152,179	1,617,397
-	61,858	268,451
-	845	92,795
-	30	245,051
-	1,122	142,207
-	10,288	106,555
-	111,599	111,599
-	337,921	2,584,055
-	15,402	91,073
-	15,002	79,599
-	30,404	170,672
52,615	48,686	149,245
52,615	417,011	2,903,972
236,160	(24,727)	(97,921)
-	-	207,530
-	-	36,075
-	22,855	22,855
454	11,996	12,450
-	(3,768)	(246,195)
-	17,228	249,720
(213,079)	(36,601)	(249,720)
(212,625)	11,710	32,715
23,535	(13,017)	(65,206)
97,135	175,398	569,170
$ 120,670	$ 162,381	$ 503,964

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

Total net change in fund balances - governmental funds		$ (65,206)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capitalizable and non-capitalizable capital outlays as expenditures. However, in the Statement of Activities, the cost of those capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlays ($95,968) were less than depreciation ($122,416) in the current period.		(27,448)
The issuance of long-term debt provides a source of current financial resources to governmental funds. However, issuing debt increase long-term liabilities in the Statement of Net Position. Refundings of debt represent a use of current financial resources in governmental funds. However, refunding of debt decreases long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of debt premiums, discounts, deferral amounts on refunding when debt is first issued, but these amounts are deferred and amortized in the Statement of Activities.		
Debt proceeds	$ (207,530)	
Capital lease	(22,113)	
Payment to escrow agent including interest and other charges	221,930	(7,713)
The repayment of long-term debt principal amount is reported as an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Principal payments		91,073
Internal service funds are used by the District to charge the costs of services, such as printing services to individual funds. The change in net position of internal service funds is reported within the governmental activities.		172
In the Statement of Activities, certain expenses - compensated absences (vacation and sick leave and other postemployment benefits) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid) and for new retirees, the amount expected to be paid out for terminal sick leave over the next year.		
Net change in postemployment benefits obligation	$ (408)	
Net change in compensated absences	(3,116)	
Net change in other liabilities	5,467	
Net change in estimated liability for self-insured risks	(1,837)	106
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due, except matured interest payable which is accrued in the debt service funds.		
Net change in accrued interest on long-term debt		(5)
Change in debt related deferrals including deferred amounts and premiums/discounts are recognized as paid or received in the governmental funds but must be capitalized and amortized in the government-wide presentation. This amount represents the net amount between current year's additions and amortization of current and prior year's amounts.		894
Governmental funds report District pension contribution as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In addition, the amortization of changes in deferred pension adjustments is recorded through pension expense.		(68,090)
Net effect of extraordinary losses and various miscellaneous transactions involving capital assets (i.e., changes in capitalization threshold, sales, disposals, recoveries, and donations).		(12,348)
Change in Net Position - Governmental Activities		$ (88,565)

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2018
(in thousands)

	INTERNAL SERVICE FUNDS
ASSETS	
Current Assets:	
Equity in pooled cash and investments	$ 352
Accrued interest receivable	1
Inventories	101
Total Current Assets	454
Noncurrent Assets:	
Furniture and equipment (net of accumulated depreciation)	10
Total Assets	464
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	84
Total Current Liabilities	84
NET POSITION	
Investment in Capital Assets	10
Unrestricted	370
TOTAL NET POSITION	$ 380

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

		INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Charges for Services	$	64,057
Total Operating Revenues		64,057
OPERATING EXPENSES		
Personnel services		62,099
Depreciation		4
Other		1,785
Total Operating Expenses		63,888
Operating Income		169
NON-OPERATING REVENUES		
Interest and other		3
Change in Net Position		172
Total Net Position - Beginning		208
Total Net Position - Ending	$	380

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from District operating departments	$ 64,057
Cash payments for goods and services	(1,946)
Cash payments to employees	(62,093)
Net cash provided by operating activities	18
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments to acquire capital assets	(4)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	2
Net Increase in Cash and Cash Equivalents	16
CASH AND CASH EQUIVALENTS	
Beginning of year	336
End of year	$ 352

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating income	$ 169
Depreciation	4
Increase in inventory, prepaids, and other assets	(59)
Decrease in accounts payable and accrued expenditures	(96)
Net Cash Provided by Operating Activities	$ 18

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
AS OF JUNE 30, 2018
(in thousands)

	AGENCY FUND	
ASSETS		
Equity in pooled cash and investments	$	4,670
Cash and cash equivalents		13,613
TOTAL ASSETS	$	18,283
LIABILITIES		
Accounts Payable	$	133
Due to student organizations and other agencies		17,502
Due to other funds		648
TOTAL LIABILITIES	$	18,283

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School Board of Broward County, Florida (the District) has direct responsibility for operation, control and supervision of schools in Broward County and is considered a primary government for financial reporting purposes. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The general operating authority of the District and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Pursuant to Section 1010.01, Florida Statutes, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The District's significant accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The District was created by the State Constitution and is part of the state system of public education operated under the general direction and control of the State Board of Education. Established in 1915, the District is governed by nine elected board members (the Board). The appointed Superintendent of Schools is the executive officer of the District. The District has taxing authority and provides elementary, secondary and vocational education services to the residents of Broward County, Florida (Broward 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 GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, District management has determined that the component units reportable with the accompanying basic financial statements are the Broward School Board Leasing Corporation (the Corporation), the Broward Education Foundation (the Foundation) and 89 charter schools.

Blended Component Units – The Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note XI. of the Notes to Financial Statements. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

Discretely Presented Component Units – The Foundation, a non-profit direct-support organization of the District, is included as a discretely presented component unit in the accompanying basic financial statements. The purpose of the Foundation is exclusively educational and charitable, namely, to receive, hold, invest and administer property and to make expenditures for the benefit of the District. In addition, the Foundation is fiscally dependent on the District to provide financial support for its ongoing operating expenses.

Additionally, in accordance with Section 1002.33, Florida Statutes, district school boards are authorized to approve charter (Charter) school applications. Charter schools are public schools operating under a performance contract with the local school district and are fiscally dependent on the District for a majority of their funding. Revenues such as Florida Education Finance Program (FEFP), State Categoricals and other State and Federal revenue sources are received by the District on behalf of the Charter schools and then remitted to them. As such, Charter schools are funded on the same basis and are subject to the same financial reporting requirements as the District. Additionally, all students enrolled in Charter schools are included in the District's total enrollment. There were 89 operating Charter school sites in fiscal year 2018.

All of the Charter schools are considered component units of the District or another legal entity. For financial reporting purposes, 89 of the Charter schools are included in the basic financial statements of the District as discretely presented component units. However, the following five schools were closed as of June 30, 2018: Dolphin Park High School, Flagler High School, Lauderhill High School, Melrose High School, and North University High School.

The audited financial information for the 89 Charter schools was reported to the District as of the date of publication of the CAFR. For financial reporting purposes, the operations of Charter schools within multiple locations operating under a single contract with the District are presented on a consolidated basis.

The component units beginning net position does not agree to prior year ending net position on the Statement of Net Position because availability of financial information for individual charter schools varies from year to year. The accompanying basic financial statements include the operations of the District, the Corporation, the Foundation, and the 89 Charter schools. The District is independent of and is not financially accountable for any other local governmental units or civic entities other than those mentioned above. The Foundation and Charter schools are presented as discrete component units in the government-wide presentation.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements – The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the government in its entirety, except for those that are fiduciary, and distinguish between the District's governmental and business-type activities. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which are generally supported by fees charged. The District currently does not have any business-type activities.

The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows of the District. The Statement of Activities presents a comparison between the direct expenses and program revenues of the District. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function.

Amounts reported as program revenues include: (1) charges to students for tuition fees, rentals, materials, supplies, or services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The District eliminates from the Statement of Net Position and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds to minimize the effect of double counting. However, direct expenses are not eliminated from the various functional categories.

Fund Financial Statements – Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are interest and principal on long-term debt, compensated absences, pension obligation, self-insured claims and other postemployment benefits (OPEB), which are recognized when due, unless funds have been set aside in the debt service funds for repayments. Allocations of cost, such as depreciation, are not recognized in governmental funds. Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value and (b) non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.

Revenue resulting from exchange transactions is recorded on the modified accrual basis when the exchange takes place, if available.

Revenues resulting from non-exchange transactions are further classified into (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government-mandated non-exchange transactions, and (d) voluntary non-exchange transactions. Derived tax revenues (e.g., sales taxes) are recorded when the transaction occurs. Imposed non-exchange transactions (e.g., property taxes) are recorded when the use of the resource is required or first permitted by time requirement (e.g., property taxes, the period for which they are levied). Government-mandated and voluntary non-exchange transactions (e.g., Federal mandates, grants and donations) are recorded when all eligibility requirements have been met and the item is susceptible to accrual.

When applying the “susceptible to accrual” concept under the modified accrual basis, revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met if available. The District considers all revenues except grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered available if collected within 6 months of the end of the current fiscal period.

Agency (Fiduciary) funds, accounted on the accrual basis, are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus.

The Proprietary Fund Financial Statements are prepared under the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service funds are for graphics and printing, maintenance services and facility construction management provided to other funds. Operating expenses for the internal service funds include salaries, employee benefits, purchased services, supplies, materials, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fund statements provide information about the District’s funds, including 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 rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Currently, the District does not have any funds classified as enterprise funds. The District reports the following major funds:

GENERAL FUND

The General Fund is the primary operating fund of the District. The General Fund is used 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.

CERTIFICATE OF PARTICIPATION (COP) SERIES DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for the payment of debt principal, interest and related costs on the long-term certificates of participation series (COP).

DISTRICT BONDS FUND – (SMART) SAFETY, MUSIC & ART, ATHLETICS, RENOVATION AND TECHNOLOGY

On November 4, 2014, the residents of Broward County approved the issuance of up to $800 million of General Obligation Bond funds; the District has also provided an additional $187 million to aid in this project. This amount will be used to provide resources over a 5-year period to fund critically needed projects and programs in Safety, Music and Art, Athletics, Renovation and Technology.

LOCAL MILLAGE CAPITAL IMPROVEMENT (Local Property Tax) FUND

This fund is used to account for financial resources received from millage to be used for maintenance and other educational capital needs, including new construction, renovation and remodeling projects.

The District also reports the following additional fund types:

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to another on a cost reimbursement basis. These funds are used to account for printing and other services provided to other District funds. Proprietary funds are included in the governmental activities in the government-wide financial statements.

FIDUCIARY FUND – AGENCY FUND

This fund is used to account for resources of the schools' internal funds, which is used to administer moneys collected at the schools in connection with school, student athletics, classes, and club activities.

C. DEPOSITS AND INVESTMENTS

The District maintains an accounting system in which substantially all general District cash, investments, and accrued interest are recorded and maintained in a separate group of accounts. All such cash and investments are reflected as "Equity in Pooled Cash and Investments" in each fund in the accompanying financial statements. Investment income is allocated based on the weighted average balances of each fund's Equity in Pooled Cash and Investments.

Cash includes amounts in demand and time accounts as well as cash on hand. For purposes of the statement of cash flows, cash and cash equivalents also include highly liquid investments with an original maturity of three months or less at time of purchase.

The District's investment in the Florida Education Investment Trust Fund (FEITF), which the FEITF indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2018, is similar to money market funds in which shares are owned in the fund rather than the underlying investments. These amounts are reported at amortized cost which approximates fair value.

Investments are stated at fair value as determined from quoted market prices. Funds are invested in various instruments allowed by the District's investment policy and by Florida Statutes, including money market funds and bank certificates of deposit.

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

D. INVENTORIES AND PREPAIDS

Inventories consist of expendable supplies held for consumption in the course of the District's operations. Inventories are stated at cost, as determined on a first-in, first-out basis, or a moving weighted average cost basis. United States Department of Agriculture commodities received from the federal government are recorded at the unit rate established by the federal government. This inventory is accounted for under the consumption method, and as such, is recorded as an expenditure when used.

Prepaid expenses are recognized when the goods or services are purchased but not consumed at year end. The expenditure is recorded when the asset is used.

E. CAPITAL ASSETS

Capital assets, which the District defines as land, buildings and fixed equipment, improvements other than buildings, furniture and equipment, audio/visual equipment, computer software, and motor vehicles with a cost of $1,000 or greater and an initial useful life of more than one year, are reported in the government-wide financial statements. Such assets are recorded at historical cost or at estimated historical cost if the actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Land, land improvements, construction in progress and broadcast license intangible are not depreciated. Other capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Description	Estimated Useful Lives
Improvements other than buildings	15 to 35 years
Buildings and fixed equipment	7 to 50 years
Furniture, fixtures, and equipment	5 to 20 years
Audio visual	5 years
Computer software	5 years
Motor vehicles	10 to 15 years

Depreciation expense on school buses has been allocated to the student transportation services function on the government-wide Statement of Activities. All other depreciation expense has been ratably allocated to the various expense functions based on an analysis of the use of each room in the District and its relative square footage.

Capital assets owned by the Proprietary Funds, principally equipment, are stated at cost. Straight-line depreciation has been provided over the estimated useful lives of these assets, which range from 3 to 5 years.

When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the results of operations in the government-wide statements.

The District is required annually to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in manner or duration of use of a capital asset, and construction stoppage. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Based on this criteria, there was one impairment recognized in fiscal year 2018 relating to the MSD Building 12. See Note V. of the Notes to Financial Statements.

F. Revenue

State Revenue Sources – Revenues from state sources for current operations are primarily from the Florida Education Finance Program (FEFP), administered by the Florida Department of Education (FDOE), under the provisions of Section 1011.62, Florida Statutes. The District files reports on full time equivalent (FTE) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made.

The District receives revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these 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 year to be expended for the same categorical educational programs. These funds are described as “restricted for categorical carryover programs” in the Statement of Net Position and the Governmental Funds Balance Sheet. The revenues for FEFP and categorical programs are recognized in the period in which the funds are available for use, when all eligibility requirements have been met, and when the funds are available.

The State allocates the gross receipts tax (GRT), generally known as Public Education Capital Outlay (PECO), to the District on an annual basis. PECO works to fund the District’s long-term need for education facilities with a portion of the GRT on utilities. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

Educational Impact Fees – Broward County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1982. This ordinance was most recently amended in November 2016 when Ordinance 2016-33 established revisions to the educational impact fees. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

Property Taxes – In the fund financial statements, property tax revenue is recognized when levied for, and available, which is when received, except at year end when revenue is accrued for taxes collected by the Broward County Revenue Collector as of fiscal year end, but remitted to the District within 60 days subsequent to fiscal year end. Any delinquent taxes expected to be collected in the subsequent fiscal year are accrued for and reported as unavailable revenue at year end. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received. In the government-wide financial statements, property tax revenue is recognized when levied for, net of allowance for estimated uncollectible amounts. Accordingly, uncollected, but earned, property tax revenue, net of uncollectible amounts, represent a reconciling item between the fund and government-wide presentation.

Federal Revenue Sources – The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally awarded based on applications submitted to, and approved by, various granting agencies. For Federal awards for 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, at the government-wide level and if incurred and available in the governmental funds.

G. UNEARNED/UNAVAILABLE REVENUE

Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the government-wide and the fund financial statements. In addition, amounts related to government fund receivables that are measurable, but not available are recorded as unavailable revenue in the governmental fund financial statements.

H. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Debt premiums and discounts and deferral amounts on refunding are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not differ materially from the effective interest method. Debt payable is reported net of the applicable debt premium or discount. Debt issuance costs are expensed when incurred. Deferred gains (losses) on refundings are reported as deferred outflows or inflows of resources.

In the fund financial statements, governmental fund types recognize debt premiums and discounts and prepaid insurance costs during the current period. The face amount of the debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds received and principal payments, are reported as debt service expenditures.

I. COMPENSATED ABSENCES

Compensated absences are salary related payments to employees for accumulated vacation and sick leave. These amounts also include the related employer’s share of Social Security and Medicare and retirement contributions. They are recorded as expenditures when used or are accrued as a payable to employees who are entitled to cash payment in lieu of taking leave. District employees may accumulate unused sick leave without limitation and unused vacation up to a specified amount depending on their date of hire. Vacation leave is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. Sick leave is payable to employees upon retirement at the rate of pay in effect at the time the leave is earned. The number of days payable is subject to limitations as set forth in District policies.

The government-wide financial statements report long-term liabilities or obligations that are expected to be paid in the future. Long-term liabilities reported include vested vacation and sick pay benefits and an estimate for anticipated non-vested sick pay benefits. In the fund financial statements, the current portion represents the estimated terminal sick-leave amount that is due to, and has not been paid out to, employees who have retired on or prior to June 30, 2018.

The noncurrent portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund financial statements and government-wide financial statements.

J. SELF INSURANCE

The District is self-insured for portions of its general and automobile liability insurance, workers' compensation, and health insurance. The estimated liability for self-insured risks represents an estimate of the amount to be paid on claims reported and on claims incurred but not reported (see Note XVIII. of the Notes to Financial Statements). For the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year end) and represents a reconciling item between the governmental fund level and government-wide presentations.

K. FUND BALANCE

Fund balance is the difference between fund assets and liabilities in the governmental fund financial statements that are based on the modified accrual basis of accounting. GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, provides for two major fund balance classifications: nonspendable and spendable. Nonspendable fund balance includes amounts that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of nonspendable fund balance include inventory, prepaid items and the principal (corpus) of a permanent fund. The District has classified inventory and prepaids as nonspendable.

GASB 54 provides for four categories of the spendable fund balance classification based on the level of constraint placed on the use of those resources:

- Restricted fund balance includes amounts on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions or enabling legislation.
- Committed fund balance includes resources constrained to a specific purpose by the District's highest level of decision-making authority, the School Board. This formal action is completed through a Board resolution. These items cannot be used for any other purpose unless the

Board takes action to remove or change the constraint through the same formal action of a Board resolution.

- Assigned fund balance represents amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Under the provisions of Section 1001.51, Florida Statutes, Duties and Responsibilities of District School Superintendent, the Superintendent is delegated certain financial authority. The District's management can assign fund balance based on Board direction.
- Unassigned fund balance in the General Fund includes the remaining fund balance, or net resources, available for any purpose. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

L. NET POSITION

In the Statement of Net Position, assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position on the government-wide and proprietary fund financial statements that are based on the accrual basis of accounting. Net position is displayed in three components:

- The Net Investment in Capital Assets component of net position consists of capital assets (net of accumulated depreciation) and deferred outflow of resources for losses on refunding transactions, reduced by the outstanding balance of debt related to the acquisition or construction of those assets and deferred inflow of resources for gains on refunding transactions.
- The Restricted component of net position consists of restricted net assets (where constraints on their use are: (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation), reduced by liabilities and deferred inflows of resources related to those assets.
- The Unrestricted component of net position (deficit) consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the other two components of net position.

When both restricted and unrestricted assets are available for a specific purpose, it is the District's policy to use restricted assets first, until exhausted, before using unrestricted resources. Further descriptions of the components of net position are addressed in Note XX. of the Notes to Financial Statements.

M. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows, contingent assets and liabilities disclosed at the date of the financial statements, and the reported amount of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as inflow of resources (revenue) until that time. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt.

Deferred outflows of resources include deferred losses on refunding (net); changes in proportion and proportionate share of contributions and differences between employer contributions, changes in assumptions and other inputs, and employer contributions subsequent to the measurement date for the pension plan and health insurance subsidy (HIS) pension plan; net differences between expected and actual experiences for the pension plan; net differences between projected and actual earnings on HIS Plan investments; and employer contributions subsequent to the measurement date for the other postemployment benefits (OPEB) plan.

Deferred inflows of resources include deferred gain on refunding debt; the accumulated increase in the fair value of the hedging derivative; differences between expected and actual experiences and changes in proportion and proportionate share of contributions and differences between employer contributions for the pension plan and HIS plan; net differences between projected and actual earnings for the pension plan; changes in assumptions and other inputs for the HIS Plan; and changes in assumptions and other inputs for the OPEB Plan.

O. PENSIONS

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) and Health Insurance Subsidy pension plans, and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans and are recorded in the government-wide financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. ACCOUNTING CHANGES

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 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 their OPEB liability.

The beginning net position of the District was decreased by $93.8 million to $474.6 million due to implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, increased by $93.8 million to $180.8 million 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 outflows/inflows of resources were not restated.

Q. IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was adopted by the District for the year ended June 30, 2018. This Statement addresses accounting and financial reporting for 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 statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about their OPEB liability. The beginning net position of the District was decreased by $93.8 million to $474.6 million due to the implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, increased by $93.8 million to $180.8 million 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 outflows/inflows of resources were not restated.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016. The adoption of this Statement did not impact the District's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement was effective for the District beginning with its year ending June 30, 2017, except those provisions that address the measurement of an employer's pension liability as of a date other than the employer's most recent fiscal year end (effective year ending June 30, 2018). This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not materially impact the District's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement will become effective for fiscal year end June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement also establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. This Statement is not expected to impact the School Board's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will become effective for fiscal year end June 30, 2020. This Statement establishes criteria for identifying fiduciary activities of state and local governments. The focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement is not expected to impact the School Board's financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement became effective for fiscal year end June 30, 2018. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. This Statement did not impact the School Board's financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishments*. This Statement became effective for fiscal year end June 30, 2018. This Statement provides guidance for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also requires that prepaid insurance related to extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. This Statement did not materially impact the School Board's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement will become effective for fiscal year ending June 30, 2021. This Statement changes the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee government is required to recognize a lease liability and an intangible right-to-use asset and a lessor government is required to recognize a lease receivable and a deferred inflow of resources. Management is aware of this Statement and intends to properly evaluate the impact and ensure that any accounting and reporting impact is properly addressed in the year the Statement is required to be implemented.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This Statement will become effective for fiscal year end June 30, 2019. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This

Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will become effective for fiscal year end June 30, 2021. This Statement changes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Management of the District is still in the process of determining what effect, if any, the above Statements with an implementation date after June 2018 will have on the basic financial statements and related disclosures.

R. ROUNDING

Due to rounding of whole numbers, some tables or schedules within the financial statements may not add to total.

II. DEPOSITS AND INVESTMENTS

Board Policy Number 3110, a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that establishes permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the District's cash and investment assets. The policy's main objectives are geared to maintaining the safety of principal, liquidity and return on investment.

A. Cash and Cash Equivalents

As of June 30, 2018, the carrying amount of the District's bank deposit account was $79 million. Banks qualified as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes, holds all deposits.

Cash Equivalents consist of amounts placed with Bank of America and Florida Education Investment Trust Fund (FEITF), and State Board of Administration accounts.

Funds can be invested in non-negotiable interest-bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in National Banks organized by the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. A maximum of 25 percent of available funds may be invested in non-negotiable interest-bearing time certificates of deposit. A maximum of 15 percent of available funds may be deposited with any one issuer. The maximum maturity on any certificate is 1 year from the date of purchase.

Cash and investments at June 30, 2018, are shown below (in thousands):

	Governmental Funds	Internal Service Funds	Total Government-Wide	Agency Fund
Total Investments Measured at Fair Value Level	$ 504,241	$ 238	$ 504,479	$ 12,370
Total Non-Negotiable - Certificates of Deposit	117,075	55	117,130	2,870
Total Money Market	28,915	14	28,929	707
Total Demand Deposits	95,295	45	95,340	2,336
Total Cash, Cash Equivalents, and Investments	$ 745,526	$ 352	$ 745,878	$ 18,283

Fair Value:

In February 2015, GASB issued Statement No. 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset. 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; Level 2 inputs are based on other significant observable inputs such as indices for fixed income bonds and quoted prices for similar assets in markets that are not active. As of June 30, 2018, the District did not have any Level 3 investments.

In accordance with GASB Statement No. 79, the Bank of America Money Market Funds and Florida Education Investment Trust Fund meet the necessary criteria and report their investments at amortized cost. Therefore, the pool participants do not need to adjust the investments to fair value.

As of June 30, 2018, the District has the following recurring fair value measurements (in thousands):

		Fair Value Measurements Using	
Investments by fair value level	**Total Assets 6/30/2018**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Debt securities:			
Asset Backed Securities	$ 11,981	$ -	$ 11,981
Commercial Paper	165,910	-	165,910
Corporate Notes	40,303	-	40,303
Fed Agency Cmo/Mbs	6,985	-	6,985
Fed Agency Coupon	28,499	-	28,499
Fed Agency Discount Note	39,834	-	39,834
Municipal Bonds	1,521	-	1,521
Treasury Bonds/Notes	221,816	221,816	-
Total investments measured at fair value	$ 516,849	$ 221,816	$ 295,033

Credit Risk:

The District has adopted an investment policy that authorizes the District to participate in the State Board Administration Investment Pool (SBA). The policy also authorizes the District to invest in interest-bearing time deposits or savings accounts, direct obligations of the United States Treasury, Federal Agencies, discount notes, and money market funds with the highest credit quality rating from nationally recognized statistical rating organizations and registered with the Securities and Exchange Commission; State and/or local government taxable and/or tax exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and “AA” by Standard & Poor’s for long term debt, or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt; and bankers acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, “P-1” by Moody’s Investors Services and “A-1” by Standard & Poor’s. Additionally, the bank shall not be listed with any recognized credit watch information service.

The Policy also authorizes the District to invest in commercial paper of any United States company that is rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). Additionally, the company shall not be listed with any recognized credit watch information service. Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long-term debt rating of “AA” by Standard & Poor’s.

As of June 30, 2018, the District’s investment securities had the following ratings as shown in the chart below (dollars in thousands):

Investments	Fair Value	Moody's or S & P Rating
Short-term portfolio:		
Commercial Paper	$ 165,910	A-1
Corporate Notes	17,833	AA - AAA
Fed Agency Cmo/Mbs	235	AA+
Fed Agency Discount Note	39,834	AAA
Treasury Bonds/Notes	175,480	AA+
Long-term portfolio:		
Asset Backed Securities	11,981	AA - AAA
Corporate Notes	22,470	A+ - AAA
Fed Agency Cmo/Mbs	6,750	AA - AAA
Fed Agency Coupon	28,499	AA - AAA
Municipal Bonds	1,521	AA-
Treasury Bonds/Notes	46,336	AA+
Total Investments	$ 516,849	

<u>Interest Rate Risk</u>:

The District manages its exposure to interest rate risk by forecasting cash outflows and inflows. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than 24 months. According to the District's policy, securities may be purchased at a premium or traded for other securities to improve yield, maturity or credit risk.

Investments of bond reserves, construction funds, and other non-operating funds (core funds) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed 5 years.

The following table shows the District's short-term portfolio weighted average maturity at June 30, 2018 (dollars in thousands):

		Maturity	
Investments	**Fair Value**	**Less than 1 Year**	**1 - 4 Years**
Asset Backed Securities	$ 11,981	$ -	$ 11,981
Commercial Paper	165,910	165,910	-
Corporate Notes	40,303	17,833	22,470
Fed Agency Cmo/Mbs	6,985	235	6,750
Fed Agency Coupon	28,499	-	28,499
Fed Agency Discount Note	39,834	39,834	-
Municipal Bonds	1,521	-	1,521
Treasury Bonds/Notes	221,816	175,480	46,336
Total Investments	$ 516,849	$ 399,292	$ 117,557

The following table shows the District's long-term portfolio effective duration at June 30, 2018:

Investments	**Effective Duration in Years**
Asset Backed Securities	1.90
Commercial Paper	0.19
Corporate Notes	1.24
Fed Agency Cmo/Mbs	1.95
Fed Agency Coupon	1.64
Fed Agency Discount Note	0.21
Municipal Bonds	2.61
Treasury Bonds/Notes	0.71
Average effective duration	1.30

The long-term portfolio uses the effective duration method.

Concentration of Credit Risk:

The District's Investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the District's Investment Portfolio.

The Florida Government Surplus Fund Trust Fund (SBA):

A maximum of 100 percent of available funds may be invested by the District's Treasurer (the Treasurer) in the SBA. Funds deposited with the SBA are invested in the pooled investment account, an external investment pool administered by the State of Florida and operated in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

The Florida Education Investment Trust Fund (FEITF):

A maximum of 25 percent of available funds may be invested by the Treasurer in the FEITF. Funds deposited with the FEITF are invested in the pooled investment account, an external investment pool administered by a Board of Trustees, which is made up of experienced school board members and superintendents, and an Advisory Committee of senior finance officers from member Districts. The FEITF is a common law trust organized under the laws of The State of Florida and is designed to meet the cash management and short-term investment needs of school districts, political subdivisions of the State or instrumentalities of political subdivisions of the State.

U.S. Government Securities:

The Treasurer may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. A maximum of 100 percent of available funds may be invested in these securities; the maximum length to maturity is 5 years from the date of purchase.

These securities include but are not limited to: Cash Management Bills, Treasury Securities – State and Local Government Series (SLGS), Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips.

U.S. Government Agencies:

The Treasurer may invest in bonds, debentures, discount notes or callables issued or guaranteed by the United States Government Agencies, provided such obligations are backed by the full faith and credit of the United States Government. A maximum of 50 percent of available funds may be invested in U.S. government agencies. A maximum of 25 percent of available funds may be invested in individual U.S. government agencies. The maximum length to maturity is 5 years from the date of purchase.

Federal Agency (U.S. Government sponsored agencies):

The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Government sponsored Agencies (Federal Instrumentalities), which are non-full faith. A maximum of 80 percent of available funds may be invested in Federal Instrumentalities. A maximum of 40 percent may be invested in any one issuer. The maximum length to maturity for an investment is 5 years from the date of purchase.

Asset-Backed Securities (ABS):

The Treasurer may invest in asset-backed securities (ABS) which are bonds or notes backed by financial assets. A maximum of 10 percent of available funds may be invested in ABS. A maximum of 5 percent of available funds may be invested with any one ABS. ABS shall be AA rated or better by Standard & Poor's or the equivalent by another nationally recognized rating agency. A maximum length to maturity for an investment in any ABS is 10 years from the date of purchase.

Corporate Notes:

The Treasurer may invest in Corporate Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long-term debt rating of “AA” by Standard & Poor’s. A maximum of 15 percent of available funds may be invested in corporate notes. Only 5 percent invested with one issuer. The length of maturity shall be 3 years from the date of purchase.

Commercial Paper:

The Treasurer may invest in commercial paper of any United States company that is rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated “A” or better by at least two nationally recognized rating agencies. A maximum of 35 percent of available funds may be directly invested in prime commercial paper. The maximum length to maturity for prime commercial paper shall be 270 days from the date of purchase.

Certificates of Deposit:

The Treasurer may invest in non-negotiable interest-bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. Additionally, the bank shall not be listed with any recognized credit watch information service. A maximum of 25 percent of available funds may be invested in non-negotiable interest-bearing time certificates of deposit. A maximum of 15 percent of available funds may be deposited with any one issuer. The maximum maturity on any certificate shall be no greater than 1 year from the date of purchase.

Custodial Risk:

Pursuant to Florida Statute 218.415 (10), securities, with the exception of certificates of deposit, are held with a third-party custodian, and all securities purchased by, and all collateral obtained by the District is properly designated as an asset of the District. The securities are held in an account separate and apart from the assets of the financial institution.

As of June 30, 2018, the District’s investment portfolio was held by Bank of America, N.A., a third-party custodian, as required by the School Board’s investment policy.

III. DUE TO/FROM OTHER GOVERNMENTAL AGENCIES AND UNEARNED REVENUE

Due To/From Other Governmental Agencies:

At June 30, 2018, the District's due to/from other governmental agencies balances are as follows (in thousands):

	General Fund	Local Millage Capital Improvement Fund	Other Governmental Funds	Total
Due from other governments:				
Federal Government:				
Miscellaneous Federal	$ -	$ -	$ 22,151	$ 22,151
State Government:				
Food Reimbursement	-	-	2,020	2,020
Miscellaneous State	1	-	99	100
Local Government:				
Taxes Receivable	17,537	5,303	231	23,071
Miscellaneous Local	254	-	3,839	4,093
Total due from other governmental agencies	$ 17,792	$ 5,303	$ 28,340	$ 51,435
Due to other governments:				
Florida Retirement System Contribution	$ 12,777	$ -	$ -	$ 12,777

Unearned Revenue:

Governmental funds and government-wide activities defer revenue recognition in connection with resources from exchange transactions that have been received, but not yet earned. At June 30, 2018, the various components of unearned revenue reported in the government-wide statements and the governmental funds were as follows (in thousands):

	Unearned Revenue Government-Wide	Unearned Revenue Governmental Funds
Becon and others	$ 2,385	$ 2,385
Deposit for land sale proposal	1,074	1,074
Grant proceeds received prior to meeting all eligibility requirements	2,909	2,909
Total	$ 6,368	$ 6,368

IV. AD VALOREM TAXES

The District is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. Property taxes are assessed by the Broward County Property Appraiser and are collected by the Broward County Revenue Collector who remits them to the District. The Board adopted the 2017 tax levy on September 12, 2017.

Property values are assessed as of January 1 of each year, and levied on November 1, at which time taxes become an enforceable lien on property. Such levy serves to finance expenditures of the following fiscal year. 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 four percent for early payment.

On April 1 of the year following the year of assessment, taxes become delinquent and Florida Statutes provide 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 certificates to satisfy unpaid taxes at any time after they become delinquent. The District recognizes revenue during the fiscal year following the year of assessment. Accordingly, substantially all of the taxes assessed on January 1, 2017, have been recognized during the fiscal year ended June 30, 2018.

The following is a summary of millages and taxes levied on the final 2017 tax rolls for the fiscal year 2018 (in thousands):

		Taxes		
	Millages	**Levied**	**Collected**	**Uncollected**
General Fund				
Non-voted School Tax:				
Required Local Effort	4.226	$ 817,595	$ 780,488	$ 4,404
Discretionary Local Effort	0.748	144,734	138,165	779
	4.974	$ 962,329	$ 918,653	$ 5,183
Capital Project Funds				
Non-voted School Tax:				
Capital Improvements	1.500	$ 290,208	$ 277,021	$ 1,578
Debt Service Funds				
Voted Tax:				
Debt Service	0.065	$ 12,653	$ 12,080	$ 67

The State Constitution limits the non-voted levying of taxes by the District to 10 mills ($10.00 per thousand of assessed valuation). State law prescribes the upper limit of non-voted taxes to be levied on an annual basis, with the fiscal year 2018, limit being 6.474 mills, which includes up to 1.50 mills for the Capital Projects Funds. The voter approved levy for debt service is limited to 6.00 mills; for fiscal year 2018, the levy was 0.065 mills for the Debt Service Funds.

The total assessed value for calendar year 2017, on which the fiscal 2018 levy was based, was approximately $193.47 billion, which is subject to change based upon appeals to the Broward County Value Adjustment Board.

The Broward County Revenue Collector is not required by law to make an accounting to the District of the difference between taxes levied and taxes collected. The State required the District to budget at a 96 percent collection rate. The actual property taxes collected or accrued for fiscal year 2018 were 95.46 percent of the taxes levied.

V. CAPITAL ASSETS

A summary of changes in capital assets is as follows (in thousands):

	Balance 6/30/2017	Additions	Deletions	Transfers	Balance 6/30/2018
Primary Government:					
Capital assets not being depreciated:					
Land	$ 232,805	$ -	$ (897)	$ -	$ 231,908
Land improvements	130,867	-	-	88	130,955
Construction in progress	36,641	41,705	(1,076)	(26,206)	51,064
Broadcast license intangible	3,600	-	-	-	3,600
Total capital assets not being depreciated	403,913	41,705	(1,973)	(26,118)	417,527
Other capital assets:					
Land improvements (1)	332,960	2,247	(4,856)	2,182	332,533
Buildings and fixed equipment (1)	3,632,949	2,611	(10,542)	23,936	3,648,954
Furniture, fixtures, and equipment	263,165	25,569	(21,089)	2,667	270,312
Assets under capital leases	61,809	-	-	18,790	80,599
Audio visual	703	-	-	-	703
Computer software	57,309	990	-	-	58,299
Motor vehicles:					
Buses	72,929	18,191	(6,393)	(18,190)	66,537
Other	27,896	3,655	(1,329)	(3,267)	26,955
Total capital assets at historical cost	4,449,720	53,263	(44,209)	26,118	4,484,892
Less accumulated depreciation for:					
Land improvements (1)	(154,395)	(10,471)	1,249	-	(163,617)
Buildings and fixed equipment (1)	(1,536,334)	(77,922)	3,774	-	(1,610,482)
Furniture, fixtures, and equipment	(208,544)	(15,827)	21,089	(18,487)	(221,769)
Assets under capital leases	(31,333)	(10,087)	-	18,487	(22,933)
Audio visual	(639)	(34)	-	-	(673)
Computer software	(51,840)	(4,875)	-	-	(56,715)
Motor vehicles:					
Buses	(62,520)	(2,306)	6,393	-	(58,433)
Other	(22,158)	(894)	1,329	-	(21,723)
Total accumulated depreciation*	(2,067,763)	(122,416)	33,834	-	(2,156,345)
Total other capital assets, net	2,381,957	(69,153)	(10,375)	26,118	2,328,547
Total primary government, net	2,785,870	(27,448)	(12,348)	-	2,746,074
Internal Service Fund:					
Machinery and equipment	590	4	-	-	594
Accumulated depreciation*	(580)	(4)	-	-	(584)
Total internal service fund, net	10	-	-	-	10
Total capital assets, net	$ 2,785,880	$ (27,448)	$ (12,348)	$ -	$ 2,746,084

*Depreciation expense was recorded in the following governmental functions:	
Instructional services	$ 89,037
Instructional support services	13,416
Pupil transportation services	3,099
Operation and maintenance of plant	6,486
School administration	2,919
General administration	1,758
Food services	5,705
Total depreciation expense	$ 122,420

(1) The District has removed the historical cost of Marjory Stoneman Douglas (MSD) High School Building 12 and the related land improvements resulting in the recognition of an extraordinary loss of $3.6 million for Land Improvements and $6.8 million for Buildings and Fixed Equipment. For the 2018-19 fiscal year, the Senate Bill, SB 7026, has earmarked $25.3 million to replace Building 12.

VI. INTERFUND TRANSACTIONS

Interfund Transfers. A summary of interfund transfers for the fiscal year ended June 30, 2018, is as follows (in thousands):

	Transfers In			
	GENERAL FUND	COP SERIES DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Transfers Out:				
General Fund	$ -	$ -	$ 40	$ 40
Local Millage Capital Improvement Fund	78,453	134,626	-	213,079
Other Governmental Funds	16,249	3,164	17,188	36,601
Total Primary Government	$ 94,702	$ 137,790	$ 17,228	$ 249,720

The transfers in to the General Fund represent reimbursement of property and casualty insurance premiums pursuant to Chapter 1011.71 of the Florida Statutes. The transfers in to General Fund also includes the capital outlay pass-through PECO funds for Charter Schools and the funding of maintenance and repairs of existing school facilities pursuant to Chapter 1013 of the Florida Statutes. The transfers in to the Debt Service Funds relate to the funding of principal and interest payments on the District's outstanding debt issues.

Interfund Receivables and Payables. Individual fund receivable and payable balances as reported in the Governmental Funds Balance Sheet at June 30, 2018, are as follows (in thousands):

	Payable Fund
	Other Governmental Funds
Receivable Fund:	
General Fund	$ 16,705

Interfund receivables and payables relate to temporary funding of negative cash balances.

VII. TAX ANTICIPATION NOTES

On September 19, 2017, the District issued Tax Anticipation Notes (TANS), Series 2017. The $125 million note proceeds were used to pay fiscal year 2018 operating expenditures prior to the receipt of ad valorem taxes. Interest costs incurred on the life of this issue for the year ended June 30, 2018, were $835 thousand, with the effective yield of 0.93 percent. There was no arbitrage rebate due on the TANS, Series 2017. The notes came due June 15, 2018.

Short-term debt activity for the fiscal year ended June 30, 2018, was as follows (in thousands):

	Beginning Balance July 1, 2017	Issued	Redeemed	Ending Balance June 30, 2018
Tax Anticipation Notes	$ -	$ 125,000	$ 125,000	$ -

VIII. CAPITAL LEASES

Property acquired under capital leases, which is stated at acquisition cost, is included in the government-wide financial statements. At June 30, 2018, the various components of property acquired under capital leases reported in the government-wide statements were as follows (in thousands):

	Amount
Furniture, fixtures, and equipment	$ 28,811
Buses	47,088
Other Motor Vehicles	4,700
Subtotal	80,599
Less: Accumulated depreciation	(22,933)
Total net book value	$ 57,666

The following is a summary of changes in capital leases for the fiscal year ended June 30, 2018 (in thousands):

	Interest Rate	Final Maturity Date	June 30, 2017	Increases	Decreases	June 30, 2018
School Buses	1.81%	5/10/2021	$ 2,606	$ -	$ (634)	$ 1,972
Technology Equipment	1.27%	2/27/2018	2,548	-	(2,548)	-
Buses/Hard Drive	1.95%	2/27/2022	6,624	-	(1,275)	5,349
Computers	1.37%	9/4/2018	2,289	-	(1,521)	768
Technology Equipment	1.42%	4/3/2019	4,564	-	(2,266)	2,298
School Buses	2.00%	4/3/2023	11,471	-	(1,818)	9,653
Buses/White Fleet	2.07%	3/2/2025	22,300	-	(2,591)	19,709
Technology Equipment	2.80%	5/1/2021	3,677	6,613	(2,506)	7,784
Security Equipment	2.16%	12/28/2025	-	5,000	(288)	4,712
School Buses	2.77%	5/23/2026	-	10,500	-	10,500
Total capital leases			$ 56,079	$ 22,113	$ (15,447)	62,745
Less: portion due within 1 year						(13,695)
Total capital leases due in more than 1 year						$ 49,050

The following is a summary of the future minimum lease payments under capital leases together with the present value of minimum lease payments as of June 30, 2018 (in thousands):

Fiscal Year		Amount
2019	$	15,037
2020		12,108
2021		12,108
2022		8,630
2023		7,234
2024-2026		12,205
Total minimum lease payments		67,322
Less:		
Amount representing interest		(4,577)
Present value of minimum lease payments	$	62,745

The amount representing interest was calculated using annual rates ranging from 1.27 percent to 2.8 percent.

IX. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2018 (in thousands):

	Interest Rate	Final Maturity Date	June 30, 2017	Increases	Decreases	June 30, 2018	Amounts Due Within One Year
Bonds payable:							
Capital outlay bond issues:							
Series 2006A	3.50-5.00%	1/1/2026	$ 140	$ -	$ (140)	$ -	$ -
Series 2008A	3.25-5.00%	1/1/2028	215	-	(215)	-	-
Series 2009A-New Money	2.00-5.00%	1/1/2029	875	-	(50)	825	55
Series 2009A-Refunding	2.00-5.00%	1/1/2019	640	-	(310)	330	330
Series 2010A-Refunding	4.00-5.00%	1/1/2022	4,100	-	(720)	3,380	790
Series 2011A-Refunding	3.00-5.00%	1/1/2023	4,240	-	(550)	3,690	610
Series 2014B-Refunding	2.00-5.00%	1/1/2020	595	-	(480)	115	56
Series 2017A-Refunding	3.00-5.00%	1/1/2028	3,355	-	(9)	3,346	227
Total capital outlay bond issues			14,160	-	(2,474)	11,686	2,068
General Obligation Bonds:							
Series 2015	3.50-5.00%	7/1/2040	148,225	-	(3,795)	144,430	3,985
Certificates of Participation:							
Series 2004-QZAB	(i)	12/22/2020	213	-	(53)	160	53
Series 2008A	3.15-5.25%	7/1/2033	9,565	-	(9,565)	-	-
Series 2009A-BAB	7.40%	7/1/2034	63,910	-	(63,910)	-	-
Series 2009A-QSCB	(ii)	7/1/2024	32,287	-	(4,108)	28,179	4,300
Series 2010A-QSCB	6.45%	7/1/2027	51,645	-	(5,164)	46,481	5,165
Series 2011A-Refunding	5.00%	7/1/2021	171,425	-	(92,185)	79,240	25,165
Series 2012A-Refunding	4.00-5.00%	7/1/2028	234,650	-	(107,160)	127,490	18,140
Series 2014A-Refunding	4.33-4.38%	7/1/2029	113,825	-	-	113,825	-
Series 2015A-Refunding	5.00%	7/1/2030	252,360	-	-	252,360	9,555
Series 2015B-Refunding	5.00%	7/1/2032	170,805	-	-	170,805	4,950
Series 2015C-Refunding	4.51%	7/1/2031	65,000	-	-	65,000	-
Series 2016A-Refunding	3.25-5.00%	7/1/2033	198,205	-	-	198,205	9,195
Series 2016B-Refunding	5.00%	7/1/2027	18,735	-	-	18,735	-
Series 2017A-Refunding	1.58%	7/1/2021	39,575	-	(9,282)	30,293	9,681
Series 2017B-Refunding	5.00%	7/1/2034	-	56,300	-	56,300	-
Series 2017C-Refunding	5.00%	7/1/2026	-	151,230	-	151,230	-
Total certificates of participation			1,422,200	207,530	(291,427)	1,338,303	86,204
Total bonds and certificates of participation payable			$1,584,585	$ 207,530	$ (297,696)	1,494,419	
Add: net premium/discount/deferred amount on refunding						139,977	-
Less: amounts due within 1 year						(92,257)	-
Add: interest rate swap - fair value (GASB 53)						28,518	-
Total debt, net of premiums and discounts						$ 1,570,657	$ 92,257

(i) Interest on the Series 2004-QZAB is paid by the Federal government in the form of an annual tax credit to the bank or other financial institution that holds the QZAB. Annual payments of $53,062 are being made for 16 consecutive years, being deposited in an escrow account held by a fiscal agent, which when coupled with interest earnings and net appreciation in market value will be sufficient to pay off the principal balance of the QZAB, in full, at maturity on December 22, 2020.

(ii) Series 2009A-QSCBs (Qualified School Construction Bonds) are issued with principal only repaid by the District (no interest) and the investor receives a tax credit in lieu of interest payment. Annual payments of $4,540,000 are being made for 11 consecutive years, being deposited in an escrow account held by a fiscal agent. The annual payment however, may be reduced through the purchase of Treasury Strips by the fiscal agent, which when coupled with interest earnings and net appreciation in market value, will be sufficient to pay off the principal balance of the QSCB, in full, at maturity on July 1, 2024.

On November 4, 2014, the residents of Broward County approved the issuance of up to $800 million of General Obligation Bond funds; the District has also provided an additional $190 million to aid in this project. This amount will be used to provide resources over a 5-year period to fund critically needed projects and programs in Safety, Music and Art, Athletics, Renovation and Technology.

A separate bond series was issued pursuant to this referendum. The General Obligation Bond Series 2015 were sold on June 18, 2015, in the amount of $155 million, which are secured by the general taxing authority of the District. In addition to the Series 2015 bonds, the District plans to issue such approved general obligation bonds in several tranches over the next 5 to 6 years.

The Capital Outlay Bond Issues (COBI) are retired by the State for the District. The bonds mature serially and are secured by a pledge of the District's share of revenue from the sale of license plates. The State Board of Administration determines the sinking fund requirements for these bonds annually. The sinking fund, maintained in the COBI Debt Service Fund, at June 30, 2018 was $282 thousand.

On April 27, 2017, the State Board of Education (SBE) issued Capital Outlay Bonds, Series 2017A to refund callable portions of the SBE Capital Outlay Bonds, 2006 Series A and 2008 Series A. These refunding bonds were issued pursuant to Article XII, Section 9 (d) of the Florida Constitution, to reduce total debt service.

On June 26, 2017, the District issued the Certificates of Participation, Series 2017A for $39.6 million to currently refund the Certificates of Participation Series 2012B, through a negotiated sales process. The District was able to capitalize on the low interest rate environment. As a result of the refunding, the District will decrease its annual debt service requirement by $140 thousand which resulted in net present value savings in excess of $556 thousand.

On December 28, 2017, the District issued the Certificates of Participation, Series 2017B for $56.3 million to partially refund, utilizing a crossover refunding, the Certificates of Participation, Series 2009 – Build America Bonds (BABs), through a negotiated sale process. The proceeds from the issuance of the certificates were used to fund an escrow deposit account, in which the money will be applied to (i) fully repay on the Crossover Date all of the principal portion of the School Board's outstanding Certificates of Participation, Series 2009A-BAB and (ii) pay interest until the Crossover date on the Series 2017B Certificates and pay certain costs of issuance. On July 1, 2019, the Crossover Date, the District will meet the requirements of an in-substance debt defeasance and the liability for the Refunded Series 2009 – BABs certificates will be removed from the District's financial statements.

For this crossover refunding, the District reduced its total debt service requirements by $10.7 million, which resulted in net present value savings in excess of $7.8 million.

Also, on December 28, 2017, the District issued Certificates of Participation, Series 2017C for $151.2 million to partially advance refund the Certificates of Participation, Series 2011A and the Certificates of Participation, Series 2012A, through a negotiated sale process. For this advance refunding, the District reduced its total debt service requirements by $9.4 million which resulted in net present value savings in excess of $8.2 million.

The Certificates of Participation are liquidated through the COP-Series Debt Service Fund from the proceeds of the capital millage levied by the District. See Note XI. of the Notes to Financial Statements for further discussion of the Certificates.

The Tax Reform Act of 1986 requires local units of government to rebate to the federal government the income (in excess of interest costs) received from investing proceeds on substantially all tax-exempt debt issued subsequent to August 1986. Such rebate of cumulative arbitrage earnings must be paid every 5 years until such time as the proceeds have been expended. For the fiscal year ended June 30, 2018, the District has no accrued liability for rebatable arbitrage.

The Tax Cut and Job Act of 2017 amended the Internal Revenue Code of 1986. One of the changes affecting the District and other public issuers was the elimination of advance refunding.

Annual requirements to amortize all bond issues outstanding as of June 30, 2018, are as follows (in thousands):

Fiscal Year Ending June 30	Capital Outlay Bond Issues			General Obligation Bond Issue			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	$ 2,068	$ 525	$ 2,593	$ 3,985	$ 6,089	$ 10,074	$ 86,400	$ 61,009	$ 147,409
2020	1,887	429	2,316	4,185	5,890	10,075	95,874	60,414	156,288
2021	1,995	337	2,332	4,395	5,680	10,075	100,395	56,442	156,837
2022	1,973	238	2,211	4,615	5,461	10,076	103,821	52,322	156,143
2023	1,252	156	1,408	4,845	5,230	10,075	107,635	47,665	155,300
2024-2028	2,416	341	2,757	27,870	22,495	50,365	545,953	157,710	703,663
2029-2033	95	4	99	34,075	16,288	50,363	288,230	35,956	324,186
2034-2038	-	-	-	41,460	8,905	50,365	9,995	500	10,495
2039-2043	-	-	-	19,000	1,147	20,147	-	-	-
Total	$ 11,686	$ 2,030	$ 13,716	$ 144,430	$ 77,185	$ 221,615	$ 1,338,303	$ 472,018	$ 1,810,321

Other Liabilities

Compensated absences, pensions, and other postemployment benefits are generally liquidated with resources from the General Fund.

X. DEFEASED DEBT

On December 28, 2017, the District issued the Certificates of Participation (COPs), Series 2017C in the amount of $151.2 million to partially advance refund COPs, Series 2011A and Series 2012A. The net proceeds of $180.7 million includes accrued interest and premium of $29.5 million. After further netting the costs of issuance and underwriter's discount, $180 million was deposited into an irrevocable escrow and used to redeem the refunded certificates.

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. As of June 30, 2018, the total amount of defeased debt removed from the District's financial statements, amounted to $390.1 million.

Series	Maturities	Amount Outstanding (in thousands)	Call Date	Defeased by COP Series
2008A	2019 through 2033	$ 211,910	7/1/18	2016A
2009A	2025 through 2027	20,140	7/1/19	2016B
2011A	2022 through 2024	68,150	7/1/21	2017C
2012A	2025 and 2026	89,870	7/1/22	2017C
Total Defeased		$ 390,070		

Note: In addition to the defeased debt referenced herein, Series 2009 BABs were refunded by the COPs, Series 2017B using a crossover refunding. Therefore, the Series 2009 BABs are not legally defeased. The escrow is structured to pay the principal of the Series 2009 BABs on the call date of July 1, 2019.

XI. OBLIGATION UNDER LEASE PURCHASE AGREEMENT - CERTIFICATES OF PARTICIPATION

The District entered into a Lease Purchase Agreement with the Corporation on June 15, 1989, and a Master Lease Purchase Agreement on July 1, 1990, (the lease agreements) to finance the acquisition or construction of certain facilities, vehicles and equipment for District operations.

The following table shows issues/refunding to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District as lessee pursuant to the lease agreements. Interest rates ranged from 1.58 percent to 6.45 percent. The actual interest rate for the outstanding issuance as of June 30, 2018, is reflected in the table below:

Series	Date	Amount Issued (in thousands)	Amount Outstanding (in thousands)	Interest Rates	Lease Term Maturity
2004-QZAB (1)	12/22/2004	$ 1,017	$ 160	(i)	2020
2009A-QSCB (2)	6/17/2009	49,913	28,179	(ii)	2024
2010A-QSCB (3)	7/22/2010	51,645	46,481	6.45%	2027
2011A (4)	5/20/2011	175,510	79,240	5.00%	2021
2012A (5)	4/4/2012	270,650	127,490	4.00% - 5.00%	2028
2014A (6)	2/27/2014	114,140	113,825	4.33% - 4.38%	2029
2015A (7)	2/11/2015	252,360	252,360	5.00%	2030
2015B (8)	2/11/2015	170,805	170,805	5.00%	2032
2015C (9)	9/11/2015	65,205	65,000	4.51%	2031
2016A (10)	4/27/2016	198,205	198,205	3.25% - 5.00%	2033
2016B (11)	4/27/2016	18,735	18,735	5.00%	2027
2017A (12)	6/26/2017	39,575	30,293	1.58%	2021
2017B (13)	12/18/2017	56,300	56,300	5.00%	2034
2017C (14)	12/18/2017	151,230	151,230	5.00%	2026
			$ 1,338,303		

(i) Interest on the Series 2004-QZAB is paid by the Federal Government in the form of an annual tax credit to the bank or other financial institution that holds the QZAB. Annual payments of $53,062 are being made for 16 consecutive years, being deposited in an escrow account held by a fiscal agent, which when coupled with interest earnings and net appreciation in market value will be sufficient to pay off the principal balance of the QZAB, in full, at maturity on December 22, 2020.

(ii) Series 2009A-QSCBs (Qualified School Construction Bonds) are issued with principal only repaid by the District (no interest) and the investor receives a tax credit in lieu of interest payment. Annual payments of $4,540,000 are being made for 11 consecutive years, being deposited in an escrow account held by a fiscal agent. The annual payment however, may be reduced through the purchase of Treasury Strips by the fiscal agent, which when coupled with interest earnings and net appreciation in market value, will be sufficient to pay off the principal balance of the QSCB, in full, at maturity on July 1, 2024.

(1) **2004-QZAB**

Issued to finance construction projects, technology, vocational equipment, development of curriculum and teacher training to promote market-driven technology. The interest on QZAB's is paid by the Federal Government in the form of an annual tax credit to a bank or other financial institution that holds the QZAB. On December 22, 2004, the District sold Series 2004-QZAB for $1 million of which $848,992 in principal will be repaid pursuant to the Trust Agreement. The Certificates are not insured by any municipal bond insurance policy.

(2) **2009A-QSCB**

Issued to finance the cost of acquisition, construction, installation and equipping education facilities. These are non-interest obligations and are issued as "principal only" (i.e. the principal is repaid by the District). The Certificates are not insured by any municipal bond insurance policy.

(3) **2010A-QSCB**

Issued to finance the cost of acquisition, construction, installation and equipping education facilities. This is a taxable obligation with the District receiving a direct subsidy rebate of a portion of the interest cost from the U.S. Treasury. The Certificates are not insured by any municipal bond insurance policy.

(4) **<u>2011A</u>**
Issued to refund a portion of outstanding Series 1997B, Series 2001A, and Series 2001B. The Certificates are insured by Assured Guaranty Municipal Corporation.

(5) **<u>2012A</u>**
Issued to refund outstanding Series 2001A, Series 2001B, and portions of Series 2003A and Series 2004C. The Certificates are not insured by any municipal bond insurance policy.

(6) **<u>2014A</u>**
Issued to refund outstanding Series 2004D. The Certificates are not insured by any municipal bond insurance policy.

(7) **<u>2015A</u>**
Issued to refund a majority of outstanding Series 2005A and Series 2006A. The Certificates are insured by Assured Guaranty Municipal Corporation.

(8) **<u>2015B</u>**
Issued to refund a majority of outstanding Series 2007A. The Certificates are not insured by any municipal bond insurance policy.

(9) **<u>2015C</u>**
Issued to refund outstanding Series 2006B. The Certificates are not insured by any municipal bond insurance policy.

(10) **<u>2016A</u>**
Issued to refund a majority of outstanding Series 2008A. The Certificates are not insured by any municipal bond insurance policy.

(11) **<u>2016B</u>**
Issued to refund outstanding Series 2009A-Tax Exempt. The Certificates are not insured by any municipal bond insurance policy.

(12) **<u>2017A</u>**
Issued to refund a majority of outstanding Series 2012B. The Certificates are not insured by any municipal bond insurance policy.

(13) **<u>2017B</u>**
Issued to refund outstanding Series 2009A-BAB (Build America Bonds). The Certificates are not insured by any municipal bond insurance policy.

(14) **<u>2017C</u>**
Issued to refund a portion of outstanding Series 2011A and Series 2012A. The Certificates are not insured by any municipal bond insurance policy.

The Certificates are not separate legal obligations of the District, but represent undivided interests in the basic lease payments to be made from appropriated funds budgeted annually by the Board for such purposes from current or other funds authorized by law and regulations of the Department of Education. However, neither the District, the State of Florida, nor any political subdivision thereof, shall be obligated to pay, except from appropriated funds, any sums due under the leases from any source of taxation. The full faith and credit of the District is not pledged for payment of such sums due hereunder and such sums do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation.

The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created two new categories of direct subsidy debt for school districts: The Qualified School Construction Bonds (QSCBs) and the Build America Bonds (BABs). Neither the QSCBs nor the BABs represent incremental Federal funding; both must be repaid by the District.

The Corporation leases the facilities, vehicles and equipment to the District under the lease agreements, which are automatically renewable through varying dates (see summary below), unless earlier terminated following the occurrence of an event of default or a non-appropriation of funds to make lease payments, all as described and defined in the leases. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases, including the 2004-QZAB, 2009A-QSCB, 2010A-QSCB, 2011A, 2012A, 2014A, 2015A, 2015B, 2015C, 2016A, 2016B, 2017A, 2017B, and 2017C. The remedies on default include the immediate surrender and delivery of possession of all facilities, vehicles and certain equipment (excludes certain computer equipment) financed under all leases to the Trustee in the condition, state of repair and appearance required under the leases. Upon such surrender, the Trustee will sell or lease such facilities, vehicles and certain equipment in such manner and to such person as it determines appropriate. The proceeds of any sale or lease will be applied first to the payment in full of the Certificates and then to the payment of the District's obligations under the reimbursement agreement and finally to the payment of the District.

The remaining obligation as of June 30, 2018, through maturity to the holders of the Certificates, is as follows (in thousands):

Year Ending June 30	Series 2004 QZAB	Series 2009A QSCB	Series 2010A QSCB	Series 2011A	Series 2012A	Series 2014A
2019	$ 53	$ 4,300	$ 8,497	$ 29,078	$ 24,306	$ 5,026
2020	53	4,293	8,497	29,079	20,349	8,965
2021	54	4,288	8,497	29,084	14,405	15,205
2022	-	4,282	8,497	-	14,411	15,177
2023	-	4,275	8,497	-	14,407	15,125
2024-2028	-	6,741	33,985	-	72,049	75,097
2029-2033	-	-	-	-	-	14,912
2033-2038	-	-	-	-	-	-
Subtotal	160	28,179	76,470	87,241	159,927	149,507
Less: Interest	-	-	(29,989)	(8,001)	(32,437)	(35,682)
Total Principal	$ 160	$ 28,179	$ 46,481	$ 79,240	$ 127,490	$ 113,825

Year Ending June 30	Series 2015A	Series 2015B	Series 2015C	Series 2016A	Series 2016B	Series 2017A
2019	$ 22,174	$ 13,490	$ 2,973	$ 18,659	$ 938	$ 10,161
2020	24,016	17,658	2,981	18,664	938	10,419
2021	24,012	17,660	2,973	18,661	937	10,686
2022	34,828	17,658	2,973	18,659	937	-
2023	34,828	17,657	2,973	18,662	937	-
2024-2028	166,909	88,279	22,106	93,307	21,598	-
2029-2033	33,412	70,615	63,136	93,307	-	-
2034-2038	-	-	-	-	-	-
Subtotal	340,179	243,017	100,115	279,919	26,285	31,266
Less: Interest	(87,819)	(72,212)	(35,115)	(81,714)	(7,550)	(973)
Total Principal	$ 252,360	$ 170,805	$ 65,000	$ 198,205	$ 18,735	$ 30,293

Year Ending June 30	Series 2017B	Series 2017C	Total
2019	$ -	$ 7,562	$ 147,217
2020	2,815	7,562	156,289
2021	2,815	7,562	156,839
2022	2,815	35,907	156,144
2023	2,815	35,124	155,300
2024-2028	20,385	103,397	703,853
2029-2033	48,799	-	324,181
2034-2038	10,495	-	10,495
Subtotal	90,939	197,114	1,810,318
Less: Interest	(34,639)	(45,884)	(472,015)
Total Principal	$ 56,300	$ 151,230	$ 1,338,303

The Corporation entered into trust agreements with the Trustee pursuant to which the Certificates will be executed, delivered and paid under the terms of which (together with the leases) the facilities, vehicles and equipment will be acquired and/or constructed. Trust funds have been established with the Trustee to facilitate payments in accordance with the lease purchase agreement and the trust agreements securing payment of the Certificates.

XII. INTEREST RATE SWAPS

The District is a party to two interest rate swap agreements recorded in the financial statements in accordance with GASB Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*, which was in effect for periods beginning with fiscal year ended June 30, 2010. All derivatives are to be reported in the Statement of Net Position at fair value, and all hedges must be tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value is either reported in the Statement of Net Position, or in the Statement of Activities.

In February 2015, the GASB issued Statement No. 72 (GASB 72), addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk (the mark-to-market value excludes the risk of nonperformance). The Statement is effective for reporting periods beginning after June 15, 2015. The District adopted GASB 72 beginning fiscal year ended 2016.

The District engaged an independent party to perform the valuation and required tests on these two swaps, and both swaps qualify for hedge accounting. Therefore, the change in fair value of the interest rate swaps for the period ended June 30, 2018, is reported within the Statement of Net Position. At the end of the year, the Statement of Net Position represents a derivative swap liability of $28.5 million, offset by a corresponding deferred outflow account in the Statement of Net Position in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The option for cancelling these swaps is only available to the District and not to the Counterparty. The expected swap cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. The observability of inputs used to perform the measurement results in the swap fair values being categorized as Level 2. Following are disclosures of key aspects of these agreements:

A. Certificates of Participation, Series 2015C

<u>Objective of the Interest Rate Swap</u> – The District entered into a variable to fixed rate swap agreement for its Certificates of Participation, Series 2006B dated June 6, 2006. The objective was to achieve lower borrowing costs as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on the subject certificates. On September 11, 2015, the District refinanced the Certificates of Participation, Series 2006B with Certificates of Participation (direct placement) Series 2015C. The swap associated with the Series 2006B remained in place and then became associated with Series 2015C. GASB 53 requires a termination of hedge accounting upon a refunding requiring the balance in the deferral account to be included as a cost of refunding. The required testing of hedge effectiveness between Series 2015C COPs and the associated swap resumes.

<u>Terms</u> – The Swap, with JP Morgan Chase Bank, N.A., with an initial notional amount of $65.0 million, became effective on June 6, 2006. The swap amortizes in tandem with the hedged certificates. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 4.131 percent. The District will receive from the Counterparty a variable payment based on two floating rate structures: 1) from July 1, 2006, through June 30, 2009, the interest rate is based on

the SIFMA Index; 2) from July 1, 2009, through June 30, 2031, the interest rate is based on 70 percent of the London Interbank Offered Rate (LIBOR). The swap agreement terminates on June 30, 2031.

Fair Value – This is the calculated value of the transaction using prevailing market rates, absent transaction costs, and incorporates the risk of nonperformance of the District. The swap had a negative fair value of $14.3 million as of June 30, 2018, as compared to a negative fair value of $18 million in the prior year.

Hedging derivative instrument payments and hedged debt – As of June 30, 2018, assuming interest rates remain the same for their term, as described, debt service requirements of the Series 2015C Certificates and the net swap payments, are as shown below. As rates vary, variable rate bond interest payments and net swap payments will vary and it is anticipated these schedules will vary from year to year.

Interest rates swap schedules are based on interest rates effective on June 30, 2018.

	(dollars in thousands)			
	Series	Interest Rate		
Year Ending June 30	2015C Principal	Interest (1)	Net Swap Payments (2)	Total
2019	$ -	$ 1,198	$ 1,734	$ 2,932
2020	-	1,198	1,734	2,932
2021	-	1,198	1,734	2,932
2022	-	1,198	1,734	2,932
2023	-	1,198	1,734	2,932
2024-2028	7,225	5,990	8,671	21,886
2029-2031	57,775	2,161	3,127	63,063
Total	$ 65,000	$ 14,141	$ 20,468	$ 99,609

(1) Assumes variable interest rate of 1.84318 percent (actual rate on June 30, 2018, of 70 percent of 1-month LIBOR + 38 bps).

(2) Assumes fixed swap rate (payment) of 4.131 percent less variable swap receipt of 1.46318 percent (70 percent of 1-month LIBOR).

Credit Risk - This is the risk that a counterparty will not fulfill its obligations. As of June 30, 2018, the District was not exposed to credit risk because the swap had a negative mark-to-market value of $14.9 million. However, should interest rates change and the mark-to-market value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's mark-to-market value. The swap agreement contains a collateral agreement with the Counterparty. To mitigate the potential for credit risk, if a Counterparty's credit rating from either Standard & Poor's (S&P) and/or Moody's Investors Services is "A- / A3" respectively or lower, and the mark-to-market value of the swap reaches certain threshold amounts, the swap requires collateralization of the mark-to-market value of the swap by the Counterparty with U. S. Government Securities. Collateral would be posted with a third-party custodian.

Swap Counterparty Data as of June 30, 2018
(dollars in thousands)

Counterparty	Swap Notional Amount	Credit Rating Moody's	Credit Rating S&P	Swap Fair Value
JP Morgan Chase Bank, N.A.	$ 65,000	Aa3	A+	$ (14,328)

Basis Risk – Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable Counterparty. The District receipts on the swap are based on 1 Month LIBOR, just as the payments on the certificates are based on 1 Month LIBOR, with no difference in percentages, therefore there is no basis risk associated with this swap.

Termination Risk – The District has the option to terminate the swap prior to its expiration date for any reason. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract. If the swap is terminated, the Series 2015C certificates would no longer carry a synthetic fixed interest rate and would be subject to the interest rate risk associated with variable rate debt. Also, if at the time of termination, the swap has a negative mark-to-market value, the District would be liable to the Counterparty for payment equal to the swap's mark-to-market value.

B. Certificates of Participation, Series 2014A

Objectives of the Interest Rate Swap – The objective was to achieve lower borrowing costs as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on Series 2004D. On February 27, 2014, the District refinanced the Certificates of Participation, Series 2004D with Certificates of Participation (direct placement) Series 2014A. The swap associated with the Series 2004D remained in place and then became associated with Series 2014A. GASB 53 requires a termination of hedge accounting upon a refunding requiring the balance in the deferral account to be included as a cost of refunding. The required testing of hedge effectiveness between Series 2014A COPs and the associated swap resumes.

Terms – The Swap, with Citibank, N.A., with an initial notional amount of $113.8 million, became effective on June 30, 2004. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 3.85 percent. The District will receive from the Counterparty a variable payment based on 67 percent of the LIBOR. The District will also pay the interest rate resulting from the 2014A variable rate certificates. The swap agreement terminates on July 1, 2029.

Fair Value – The swap had a negative fair value of $14.2 million as of June 30, 2018, as compared to a negative fair value of $19.9 million in the prior year.

Hedging derivative instrument payments and hedged debt – As of June 30, 2018, assuming interest rates remain the same for their term, as described, debt service requirements of the Series 2014A Certificates and the net swap payments, are as shown below. As rates vary, variable rate bond interest payments and net swap payments will vary and it is anticipated these schedules will vary from year to year. Interest rates swap schedules are based on interest rates effective on June 30, 2018.

	(dollars in thousands)			
	Series	Interest Rate		
Year Ending	2014A		Net Swap	
June 30	Principal	Interest (1)	Payments (2)	Total
2019	$ -	$ 2,267	$ 2,789	$ 5,056
2020	3,925	2,267	2,789	8,981
2021	10,350	2,189	2,692	15,231
2022	10,775	1,983	2,439	15,197
2023	11,200	1,768	2,175	15,143
2024-2028	63,300	5,305	6,524	75,129
2029-2032	14,275	284	350	14,909
Total	$ 113,825	$ 16,063	$ 19,758	$ 149,646

(1) Assumes variable interest rate of 1.9932 percent on $56,910,000 and 1.9900 percent of $56,915,000 (actual rate on June 30, 2018, of 70 percent of 1-month LIBOR + 53 bps and SIFMA + 48 bps, respectively).

(2) Assumes fixed swap rate (payment) of 3.85 percent less variable swap rate (receipt) of 1.40 percent.

Credit Risk – As of June 30, 2018, the District was not exposed to credit risk because the swap had a negative mark-to-market value of $14.4 million. However, should interest rates change and the mark-to-market value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's mark-to-market value. The swap agreement contains a collateral agreement with the Counterparty. To mitigate the potential for credit risk, if a Counterparty's credit rating from either Standard & Poor's (S&P) and Moody's Investors Services is "A+"/A1, respectively or lower, and the mark-to-market value of the swap reaches certain threshold amounts, the swap requires collateralization of the mark-to-market value of the swap by the Counterparty with U.S. Government Securities. Collateral would be posted with a third-party custodian.

Swap Counterparty Data as of June 30, 2018
(dollars in thousands)

Counterparty	Swap Notional Amount	Credit Rating Moody's	Credit Rating S&P	Swap Fair Value
Citibank, N.A., New York	$ 113,825	A1	A+	$ (14,190)

Basis Risk – Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The swap exposes the District to basis risk since the District receives a percentage of LIBOR to offset the variable rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk – The District has the option to terminate the swap prior to its expiration date for any reason. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract. If the swap is terminated, the Series 2014A certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate debt. Also, if at the time of termination, the swap has a negative mark-to-market value, the District would be liable to the Counterparty for payment equal to the swap's mark-to-market value.

XIII. COMPENSATED ABSENCES

District employees are granted a specific number of vacation days and sick leave with pay as services are rendered. Certain employees are paid for portions of sick leave accrued but not used in a fiscal year. Administrative, supervisory and non-instructional professional employees are paid for unused vacation (up to a maximum of 60 days) upon termination. All other eligible employees are paid for unused vacation (up to a maximum of 50 days) upon termination.

All employees are eligible to receive portions of accumulated unused sick pay upon retirement. Such portions are determined based upon the employee's length of service. Prior to July 1, 2004, Florida Statutes and Board policy limited retirement sick leave payments to no more than 25 percent of the sick leave accumulated on or after July 1, 2001, up to a maximum payment of 60 days. Beginning July 1, 2004, this limitation was eliminated.

At June 30, 2018, the estimated current liability for accumulated sick leave including retirement and social security contributions was $7.8 million and $0.1 million in the General Fund and Special Revenue Funds, respectively. The balance of compensated absences payable from future resources was $28.4 million for accumulated vacation leave and $134.8 million for accumulated sick leave and are only reflected in the governmental activities in the government-wide presentation. The net change between the prior year balance and the current year balance of the non-current portion was recorded in the government-wide statements as a current year expense. The General and Special Revenue Funds are typically used to liquidate the long-term liabilities associated with compensated absences.

The following is a summary of changes in the liability for compensated absences for the fiscal year ended June 30, 2018 (in thousands):

Balance - June 30, 2017		$ 167,064
Additions		85,146
Reductions		(81,120)
Balance - June 30, 2018		171,090
Less:		
Amount due within 1 year		
Current portion (modified accrual basis)	$ 7,893	
Noncurrent portion		163,197
Other amount due within 1 year	10,950	
Total due in more than 1 year		$ 152,247
Total amount due within 1 year (full accrual basis)	$ 18,843	

XIV. OTHER POSTEMPLOYMENT BENEFITS

Plan Description.

The District administers a single-employer defined benefit OPEB plan (Plan) for certain postemployment benefits, including continued coverage for retirees and dependents in the Medical/Prescription Plans, as well as participation in the Employer-sponsored Dental group plan. In addition, retirees are eligible to continue the Employer-sponsored term life insurance policy provided by the District. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. Eligible retirees may choose among the same Medical Plan options available for active employees of the Employer. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the Medical Plan options. Covered retirees and their dependents are subject to all the same medical, prescription and life insurance benefits and rules for coverage as are active employees. Retirees and their dependents are permitted to remain covered under the District's respective medical plans as long as they pay the premium for the plan and coverage elected. This conforms to the requirement for Florida governmental employers' provision of Section 112.0801, Florida Statutes. The premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs, that means that the District is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees, providing an implicit rate subsidy. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate under the District's Retirement Assistance Program. The District, therefore, has assumed an obligation to pay for that implicit subsidy for the covered lifetime of the current retirees and their dependents, as well as the covered lifetime of the current employees after they retire in the future. The District does not prepare a standalone financial report for the Plan, and the Plan is not included in the report of a Public Entity Retirement System or another entity. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For the governmental activities, other postemployment benefits are generally liquidated with resources of the General Fund.

Benefit Terms and Employees Covered.

The authority for establishing and amending the plan funding policy and benefit terms rests with the Board. The District has not advanced funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation and plans to fund this postemployment benefit on a pay-as-you-go basis. As of the valuation date, January 1, 2017, there were approximately 25,190 active participants and 990 inactive participants (retirees and beneficiaries) receiving postemployment benefits. The District provided required employer contributions toward the annual OPEB cost in the amount of $7.3 million, comprised of benefit payments made on behalf of retirees for claims expense, retention costs, and net of retiree contributions totaling $7.4 million.

Total OPEB Liability.

The District's total OPEB liability of $174.2 million was based on the measurement date of June 30, 2017, and was determined using an actuarial roll-forward supplement based on the results of a full actuarial valuation previously performed as of January 1, 2017.

Actuarial Assumptions and Other Inputs.

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Discount Rate	3.56 percent
20-Year Municipal Bond Rate	3.56 percent
Municipal Bond Rate Basis	Fidelity 20-Year Municipal GO AA Index
Assumed Rate of Payroll Growth	3.7 percent - 7.8 percent (including inflation)
General Inflation	2.50 percent
Mortality Rates - Active Members	RP-2000 Combined Healthy Participant Mortality Table, with mortality improvement projected to all future years from the year 2000 using Projection Scale BB. Rates have been adjusted to be a blend of 50 percent White Collar and 50 percent Blue Collar (male) and 100 percent White Collar (female)
Mortality Rates - Nondisabled Inactive Members	RP-2000 Mortality Table for Annuitants, with mortality improvement projected to all future years from the year 2000 using Projection Scale BB. Rates have been adjusted to be a blend of 50 percent White Collar and 50 percent Blue Collar (male) and 100 percent White Collar (female)
Mortality Rates - Impaired (from Disability) Members	RP-2000 Disabled Retiree tables and Healthy White Collar tables for males and females. Rates have been adjusted to be 100 percent Disabled Retiree with setback 4 years (male) and set forward 2 years (female)
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7 percent for 2018 calendar year, decreasing to 6.75 percent for 2019 and gradually trending to an ultimate trend rate of 4.24 percent, with 0.53 percent added to approximate the effect of the excise tax
Projected Retiree Premium Contributions	$626.00 (Medicare and Non-Medicare)
Projected Spouse Premium Contributions	$692.00 (Medicare and Non-Medicare)
Administrative Expenses	Included in the per capita health costs
Actuarial Cost Method	Entry Age Normal
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
Valuation Date	January 1, 2017
Census Data	As of January 1, 2017

The District selected the participant data, economic, demographic, health care trend and mortality assumptions, and benefit provisions used in the January 1, 2017, valuation. The demographic assumptions were based on those employed in the July 1, 2016, actuarial valuation of the FRS, which were developed by the FRS from a statewide experience study covering the period 2008 through 2013. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions for development of the pattern of the normal cost increases were the same as those used by the FRS.

There were no benefit changes during the measurement period. Effective as of January 1, 2018, the District is no longer offering the Consumer Driven medical plan. In its place, a cost-effective Premier

Choice HSA medical plan is offered. These changes were made after the measurement date and as a result will be reflected in the Schedule of Changes to the Total OPEB Liability for fiscal year ending June 30, 2019.

<u>Changes to the Total OPEB Liability</u>.

Below are the details regarding the total OPEB liability from June 30, 2017, to June 30, 2018 (in thousands):

		Total OPEB Liability
Balance at June 30, 2017, as Restated	$	180,753
Changes for the Fiscal Year:		
Service Cost		9,696
Interest on the Total OPEB Liability		5,454
Changes of Assumptions and Other Inputs		(14,423)
Benefit Payments		(7,298)
Net Changes		(6,571)
Balance at June 30, 2018	$	174,182

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

<u>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</u>.

The following presents the total OPEB liability of the District (in thousands), as well as what the District's total OPEB liability would be (in thousands) if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent):

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	$ 197,407	$ 174,182	$ 154,440

<u>Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend</u>.

The following presents the total OPEB liability of the District (in thousands), as well as what the District's total OPEB liability would be (in thousands) if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6 percent to 3.77 percent) or 1 percentage point higher (8 percent to 5.77 percent) than the current healthcare cost trend rates (7 percent to 4.77 percent):

	1% Decrease (6% decreasing to 3.77%)	Healthcare Cost Trend Rates (7% decreasing to 4.77%)	1% Increase (8% decreasing to 5.77%)
Total OPEB Liability	$ 146,853	$ 174,182	$ 209,115

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>.

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $13.8 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ -	$ 13,112
Benefits Paid Subsequent to the Measurement Date	6,133	-
Total	$ 6,133	$ 13,112

The deferred outflows of resources related to OPEB, totaling $6.1 million resulting from District contributions subsequent to the measurement date of June 30, 2017, are recognized as a reduction of total OPEB liability in the fiscal year ended June 30, 2019. Amounts recognized in the deferred inflow of resources related to OPEB will be recognized in the OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (1,311)
2020	(1,311)
2021	(1,311)
2022	(1,311)
2023	(1,311)
Thereafter	(6,557)
Total	$ (13,112)

XV. RETIREMENT PLANS

The District provides retirement benefits to its employees through the Florida Retirement System and a Deferred Retirement Option Program (DROP). All regular employees of the District are covered by the Florida Retirement System, a State-administered cost-sharing multiple-employer defined benefit retirement plan (Plan) with a Deferred Retirement Option Program (DROP) and The Retiree Health Insurance Subsidy (HIS) Program available for eligible employees. The General Fund typically has been used in prior years to liquidate the long-term liabilities associated with the net pension obligation.

Florida State Retirement Programs

<u>Plan Description</u>: The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail.

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 $173.3 million 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
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:

Class	Percent of Gross Salary Employee	Employer (1)
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
Teachers' Retirement System, Plan E	6.25	11.90
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 $82.7 million for the fiscal year ended June 30, 2018, which was equal to the required contributions for the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. As a result of GASB 68, at June 30, 2018, the District reported a liability of $860.6 million 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 2.91 percent, which was an increase of 0.16 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 $138.4 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 78,984	$ 4,768
Change of Assumptions	289,230	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	21,328
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	20,974	36,152
District FRS Contributions Subsequent to the Measurement Date	82,749	-
Total	$ 471,937	$ 62,248

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $82.7 million, 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:

Fiscal Year Ending June 30	Amount (in thousands)
2019	$ 39,687
2020	113,722
2021	78,253
2022	13,658
2023	58,591
Thereafter	23,029
Total	$ 326,940

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:

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share (in thousands) 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	$ 1,557,677	$ 860,624	$ 281,910

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

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of $10.1 million for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $22.4 million 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 $442.5 million 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 4.14 percent, which was an increase of 0.18 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 $34.9 million. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 921
Change of Assumptions	62,195	38,260
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	245	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	15,977	7,218
District HIS Contributions Subsequent to the Measurement Date	22,376	-
Total	$ 100,793	$ 46,399

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $22.4 million, will be recognized as a reduction in 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:

Fiscal Year Ending June 30	Amount (in thousands)
2019	$ 8,477
2020	8,431
2021	8,408
2022	6,447
2023	3,402
Thereafter	(3,147)
Total	$ 32,018

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

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

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

The actuarial assumptions for July 1, 2016, which were used to determine the total pension liability for the HIS program were based on certain results of the most recent experience study for the FRS Pension Plan. Additionally, update procedures were used to determine liabilities as of June 30, 2017.

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 (in thousands) 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:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's Proportionate Share of the Net Pension Liability	$ 504,911	$ 442,465	$ 390,451

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

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of $1.9 million for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

FRS – Defined Contribution Pension Plan

The District contributed $5.3 million in the 2018 fiscal year to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the State Board of Administration (SBA) and 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:

Class	**Percent of Gross Compensation**
FRS, Regular	6.30
FRS, Elected County Officers	11.34
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.

Payables to the Investment Plan. At June 30, 2018, the District reported a payable of $0.9 million for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2018.

XVI. RETIREMENT ASSISTANCE PROGRAM

In addition to the retirement benefits described in Note XV., the District has authorized a Retirement Assistance Program to provide financial assistance for the purchase of health and life insurance to our retirees.

For those eligible employees who qualify for the Employer's Retirement Assistance Program (RAP), listed below are brief descriptions and eligibility criteria of this Plan.

RAP effective July 1, 2008, through October 15, 2008:

- Are retired under the RAP.

- Effective upon retirement, the District will provide paid employee health insurance (HMO premium, Consumer Driven Plan premium, or Premier Choice HSA Plan premium) until the employee is Medicare eligible. The Consumer Driven Plan was offered through December 31, 2017. Effective January 1, 2018, the Consumer Driven Plan was replaced with the Premier Choice HSA Plan.
- Were insured under the Employer's group life insurance program on the last day before the insured's retirement.
- Are one of the following:
  - Full-time bargaining unit members who are at least age 55 and on Step 20 or higher on the teachers' salary schedule in the FRS and who have at least 10 years of service in the District.
  - Full-time bargaining unit members who are at least age 55 and on Step 20 or above in the Teacher Retirement System (TRS) and who have at least 10 years of service in the District.

A summary of the total expenditures for the fiscal year ended June 30, 2018, is as follows (dollars in thousands):

	Number of Participants	Health Insurance*	Total
RAP	2	$ 46	$ 46

*Net of Florida Retirement System subsidy if applicable.

The District will subsidize health and life insurance premiums for those qualified employees on an annual basis. The subsidies continue until age 65. Premium costs in excess of the subsidy are borne by the participants. The District's expenditures are recognized in the fiscal year in which they are paid and are not funded in advance on an actuarially determined basis. As of June 30, 2018, 2 employees participated in the District's retirement assistance program.

Effective July 1, 1998, employees who have vested under the Plan may elect to participate in the State of Florida's Deferred Retirement Option Program (DROP). Under DROP provisions, a participant will have its monthly retirement benefit paid directly into DROP where it will earn tax deferred interest at a rate established by the State, compounded monthly, for up to 60 months, except for teachers who may be granted extensions of 36 months upon the Superintendent's approval. The participant may continue to work for the District until his/her pre-selected termination date or the end of the DROP period. At termination, the participant will receive a lump sum payment of his/her accumulated DROP benefits, and, thereafter, he/she will receive its monthly Plan benefit. As of June 30, 2018, there were 1,490 District employees participating in the DROP incentive program.

XVII. FICA ALTERNATIVE

The District has established the FICA Alternative Retirement Plan (the FICA Plan), a defined contribution retirement plan, for certain temporary employees not covered under the Plan. Under provision of the Internal Revenue Code (IRC) section 3121(b)(7)(F), public employers could place employees not covered under existing employer pension plans into an alternative retirement plan in place of social security. The FICA Plan was established under IRC section 401(a) and requires a mandatory pre-tax contribution of 7.5 percent in lieu of social security contributions. The FICA Plan is noncontributory for the District and eliminates the required match of social security contributions. Approximately 5,834 temporary employees are currently participating in the FICA Plan. For the period ended June 30, 2018, $2.4 million was contributed by participating employees based on gross wages of $32 million. A third-party administrator administers the FICA Plan with administrative fees being paid for by the District. The District does not have any fiduciary responsibility.

XVIII. RISK MANAGEMENT

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 students, and natural disasters. Workers' compensation, automobile liability, general liability and health insurance coverage are being provided on a self-insurance basis up to specified limits. The District purchases commercial insurance for certain risks in excess of the self-insurance coverage and for other risks of loss. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating and payment of claims.

The District is self-insured for portions of its health insurance, general and automobile liability insurance, and workers' compensation. Claim activity (expenditures for general and automobile liability, workers' compensation and health insurance) is recorded in the General Fund as payments become due each period. The estimated liability for self-insured risks represents an estimate of the amount to be paid on claims reported and on claims incurred but not reported. For the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year end) and represents a reconciling item between the fund level and government-wide presentations. Settled claims resulting from risks described above have not exceeded commercial coverage for the past 3 years.

The claims liability for workers compensation, automobile liability and general liability are based on an actuarial valuation performed by an independent actuary as of June 30, 2018, using a margin for a 50 percent confidence level. With the 50 percent confidence level, the actuary is estimating the margin necessary so that there is a 50 percent likelihood that the funding level will be sufficient to cover the actual liabilities. The employee health insurance liability is based on an actuarial calculation of estimated claims that have been incurred but not reported. The total claims liability of $74.3 million at June 30, 2018, includes estimated losses for all reported claims and for claims incurred but not reported.

A summary of changes in the estimated liability for self-insured risks is as follows (in thousands):

	2018	2017
Balance, beginning of year	$ 73,252	$ 76,269
Additions:		
Claims incurred	231,805	212,807
Reductions:		
Claims payments	(230,726)	(215,824)
Balance, end of year	74,331	$ 73,252
Less: portion due within 1 year	(38,780)	
Total due in more than 1 year	$ 35,551	

XIX. FUND BALANCE REPORTING

The District's fund balance is reported with the following hierarchy:

Nonspendable: The District has $8.6 million in inventory and $14.6 million in prepaids classified as nonspendable.

Spendable:

Restricted for State Categorical Programs, Debt Service, Capital Projects, and Food Service:

Florida Statutes require certain revenues to be designated for the purposes of State required carryover programs, debt service, capital projects, and food service. The restricted fund balance totaling $343.9 million represents $6.6 million in State required carryover programs, $1.9 million for workforce development, $8.1 million in debt service, $281.2 million in capital projects, and $46.1 million in food service.

Committed for Self Insurance: The School Board through resolution has committed $54.3 million for future self-insured claims.

Assigned for School Operations: The District has assigned spendable fund balance for its school operations totaling $25.1 million. The assigned fund balance is comprised of outstanding encumbrances of $14 million for goods and services including supplies, furniture, fixtures and equipment, and fuel; next year's budget appropriations of $2 million; obligations for other postemployment benefits of $4.3 million; and $4.8 million for before and after care programs.

Unassigned: The District's General Fund unassigned fund balance is $57.4 million.

The following table shows the District's fund balance classification at June 30, 2018 (in thousands):

	Major Funds					
	General	**COP Series Debt Service**	**District Bonds**	**Local Millage Capital Improvement**	**Other Governmental Funds**	**Total Governmental Funds**
Fund Balances						
Nonspendable:						
Inventories:						
General Fund	$ 5,492	$ -	$ -	$ -	$ -	$ 5,492
Special Revenue - Food Service	-	-	-	-	3,108	3,108
Prepaid Items	14,557	-	-	-	-	14,557
Total Nonspendable	20,049	-	-	-	3,108	23,157
Restricted:						
State Required Carryover Programs	6,621	-	-	-	-	6,621
Workforce Development	1,870	-	-	-	-	1,870
Capital Projects	-	-	58,046	120,670	102,493	281,209
Special Revenue - Food Service	-	-	-	-	46,125	46,125
Debt Service	-	2,298	-	-	5,817	8,115
Total Restricted	8,491	2,298	58,046	120,670	154,435	343,940
Committed:						
Self-Insurance	54,323	-	-	-	-	54,323
Assigned:						
School Operations - Encumbrances	13,985	-	-	-	-	13,985
Net Year Budget Appropriations	2,000	-	-	-	-	2,000
OPEB	4,349	-	-	-	-	4,349
Special Revenue - Miscellaneous	-	-	-	-	4,838	4,838
Total Assigned	20,334	-	-	-	4,838	25,172
Unassigned	57,372	-	-	-	-	57,372
Total Fund Balances	$ 160,569	$ 2,298	$ 58,046	$ 120,670	$ 162,381	$ 503,964

The total of the assigned and unassigned amounts will be used to calculate fund balance as a percentage of revenues under the provisions of Section 1011.051, Florida Statutes. At the end of the fiscal year, the total amount of the assigned and unassigned General Fund balance was $77.7 million or 3.7 percent of the General Fund's total revenues, and 4.3 percent of the General Fund's total revenues excluding Charter school revenues.

XX. NET POSITION

The government-wide Statement of Net Position reports all financial and capital resources of the District, as well as its liabilities. The difference between assets and deferred outflows and liabilities and deferred inflows are reported as net position. Net position is displayed in three components:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position: Net position where constraints on their use are (1) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position (deficit): All other assets and liabilities not part of the above categories. This amount represents the accumulated results of all past years' operations. The deficit in net position of governmental activities is due to long-term liabilities, including compensated absences, pension liabilities, and OPEB.

The composition of net investment in capital assets as of June 30, 2018, is shown in the table below (in thousands):

Total capital assets, net of accumulated depreciation		$ 2,746,084
Less:		
Total debt outstanding, net of unspent proceeds	$ (1,603,481)	
Retainage payable	(2,619)	
Total related debt		(1,606,100)
Total net investment in capital assets (1)		$ 1,139,984

(1) The deferred amount on refunding is included in the calculation of the net investment in capital assets.

XXI. COMMITMENTS AND CONTINGENCIES

At June 30, 2018, the District had purchase orders outstanding for goods and/or services related to future expenditures for the 2017-18 school year totaling $15.8 million in the General Fund ($14 million was within assigned fund balance and $1.8 million was restricted for State Categorical Programs), and $85 million in the Capital Projects Funds, of which $68.5 million was for various construction contracts. The accompanying financial statements do not give effect to these purchase orders.

The District has various agreements with other governmental agencies that may require the District to contribute additional financial resources, as anticipated by such agreements. Such liabilities are accrued at the time they become known to the District.

The District receives funding from the State of Florida under the FEFP and is based in part on a computation of the number of students attending different types of instruction (FTE Computation). The accuracy of data compiled by individual schools supporting the FTE Computation is subject to audit by the State and, if found to be in error, could result in refunds to the State or in decreases to future funding allocations. Additionally, the District participates in a number of federal, state and local grants, which are subject to financial, and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the State due to errors in the FTE computation or the amount of grant expenditures, which may be disallowed by grantor agencies, would not be material to the financial position of the District.

The District is a defendant in numerous lawsuits as of June 30, 2018. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with its legal counsel, that the final settlements of these matters will not have a material adverse effect on the financial condition, changes in financial position, cash flows or changes in fund balance of the affected funds.

XXII. SUBSEQUENT EVENTS

On September 18, 2018, the District issued $125 million Tax Anticipation Notes, Series 2018, pursuant to Section 1011.13, Florida Statues, to provide interim funds for the payment of operating expenses of the District for the fiscal year commencing July 1, 2018, and ending June 30, 2019, in anticipation of the receipt of the ad valorem taxes. The Notes and the interest thereon will be special, limited obligations of the District, payable from and secured by a pledge of the ad valorem taxes levied and collected for the benefit of the District for operating purposes. The Notes are not subject to redemption prior to maturity.

On August 28, 2018, voters in Broward County approved the Secure the Next Generation referendum. This 1/2 mill initiative will provide additional School Resource Officers and security staff for all schools, including charter schools with more than 900 students, and improve compensation for teachers and school related non-administrative staff. It will also serve to guarantee essential programs in District schools such as additional guidance counselors, social workers and behavior specialists.

On February 13, 2019, the District issued $174.8 million General Obligation Bonds, Series 2019, pursuant to the $800 million General Obligation Bond referendum approved by voters on November 4, 2014. The Series 2019 bonds are the second bond series issued pursuant to this referendum. The bonds are secured by the general taxing authority of the District.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (in thousands)
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
SOURCES/INFLOWS:				
Revenues:				
Local sources:				
Ad valorem taxes	$ 923,836	$ 918,653	$ 918,653	$ -
Interest on investments	3,250	6,495	6,495	-
Other	56,680	70,475	70,475	-
Total local sources	983,766	995,623	995,623	-
State sources:				
Florida education finance program	740,296	703,547	703,547	-
Discretionary lottery funds	4,706	497	497	-
Categorical programs and other	397,636	399,532	399,411	(121)
Total state sources	1,142,638	1,103,576	1,103,455	(121)
Federal sources:				
Grants and other	19,700	23,890	23,890	-
Total federal sources	19,700	23,890	23,890	-
Total Revenues	2,146,104	2,123,089	2,122,968	(121)
Other financing sources				
Transfers in	87,830	94,702	94,702	-
Total other financing sources	87,830	94,702	94,702	-
Total amounts available for appropriations	2,233,934	2,217,791	2,217,670	(121)
USES/OUTFLOWS:				
Expenditures				
Current operating:				
Instructional services	1,482,985	1,466,254	1,466,208	46
Student and instructional support services	190,843	209,217	209,217	-
Student transportation services	87,397	92,770	92,612	158
Operation and maintenance of plant	247,183	250,980	251,184	(204)
School administration	135,695	141,184	141,184	-
General administration	85,824	99,703	99,703	-
Total current operating	2,229,927	2,260,108	2,260,108	-
Debt service:				
Interest charges and other	1,480	952	952	-
Total debt service	1,480	952	952	-
Capital outlay	-	-	-	-
Total expenditures	2,231,407	2,261,060	2,261,060	-
Other financing uses:				
Transfers out	2,602	40	40	-
Total charges against appropriations	2,234,009	2,261,100	2,261,100	-
Net change in fund balances	$ (75)	$ (43,309)	$ (43,430)	$ (121)
Appropriated beginning fund balances	$ 75	$ 43,309		
Adjustment to conform with GAAP:				
Elimination of encumbrances			13,974	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (GAAP Basis)			(29,456)	
Fund balances, beginning of year			190,025	
Fund balances, end of year			$ 160,569	

Schedule of Changes in the District's Total OPEB Liability and Related Ratios (in thousands)

	2018
Total OPEB Liability	
Service Cost	$ 9,696
Interest	5,454
Changes of Assumptions or Other Inputs	(14,423)
Benefit Payments	(7,298)
Net Change in Total OPEB Liability	(6,571)
Total OPEB Liability - Beginning, as Restated	180,753
Total OPEB Liability - Ending	$ 174,182
Covered-Employee Payroll	$ 1,145,721
Total OPEB Liability as a Percentage of Covered-Employee Payroll	15.20%

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

	2017	2016	2015	2014	2013
District's Proportion of the FRS Net Pension Liability	2.91%	2.75%	3.05%	3.13%	3.14%
District's Proportionate Share of the FRS Net Pension Lliability	$ 860,624	$ 694,160	$ 393,881	$ 190,768	$ 540,324
District's Covered Payroll	$ 1,319,977	$ 1,225,971	$ 1,227,048	$ 1,209,179	$ 1,176,412
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	65.20%	56.62%	32.10%	15.78%	45.93%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	2018	2017	2016	2015	2014
Contractually Required FRS Contribution	$ 82,749	$ 75,743	$ 67,042	$ 74,349	$ 68,486
FRS Contributions in Relation to the Contractually Required Contribution	(82,749)	(75,743)	(67,042)	(74,349)	(68,486)
FRS Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,346,477	$ 1,319,977	$ 1,225,971	$ 1,227,048	$ 1,209,179
FRS Contributions as a Percentage of Covered Payroll	6.15%	5.74%	5.47%	6.06%	5.66%

Note: (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 (in thousands) (1)

	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	4.14%	3.96%	4.04%	4.07%	4.05%
District's Proportionate Share of the HIS Net Pension Liability	$ 442,465	$ 461,221	$ 412,416	$ 380,520	$ 352,835
District's Covered Payroll	$ 1,319,977	$ 1,225,971	$ 1,227,048	$ 1,209,179	$ 1,176,412
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.52%	37.62%	33.61%	31.47%	29.99%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	$ 22,376	$ 21,900	$ 20,284	$ 15,458	$ 13,941
HIS Contributions in Relation to the Contractually Required Contribution	(22,376)	(21,900)	(20,284)	(15,458)	(13,941)
HIS Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,346,477	$ 1,319,977	$ 1,225,971	$ 1,227,048	$ 1,209,179
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.65%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds. (A description of any differences in the basis of accounting used to prepare the budgets should be included, if applicable. For example: "except that no budget appropriation is made for capital leases in the year of inception.")
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent year's appropriations.

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

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

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

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

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

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

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

Broward 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	Total Expenditures
Clustered			
Child Nutrition Cluster:			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	18002	$ 17,389,921
National School Lunch Program	10.555	18001, 18003	72,166,664
Summer Food Service Program for Children	10.559	17006, 17007, 18006, 18007	1,661,011
Total Child Nutrition Cluster			91,217,596
WIOA Cluster			
United States Department of Labor:			
Career Source Broward:			
WIOA Youth Activities	17.259	None	623,079
Student Financial Assistance Cluster:			
United States Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	153,527
Federal Pell Grant Program	84.063	N/A	5,186,213
Total Student Financial Assistance Cluster			5,339,740
Special Education Cluster:			
United States Department of Education:			
Florida Department of Education			
Special Education - Grants to States	84.027	262, 263	58,225,486
Special Education - Preschool Grants	84.173	266, 267	1,424,244
Total Special Education Cluster			59,649,730
TANF Cluster:			
United States Department of Health and Human Services:			
Florida Department of Children and Families:			
Temporary Assistance for Needy Families	93.558	None	244,873
CCDF Cluster:			
United States Department of Health and Human Services:			
Florida Agency for Workforce Innovation:			
Child Care and Development Block Fund	93.575	None	309,515
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	274,663
Total CCDF Cluster			584,178
Not Clustered			
United States Department of Agriculture:			
Florida Department of Health:			
Child and Adult Care Food Program	10.558	A-3804	5,994,396
Florida Department of Agriculture and Consumer Services:			
State Administration Expense for Child Nutrition	10.560	None	57,565
Team Nutrition Grants	10.574	None	1,000
Fresh Fruit and Vegetable Program	10.582	18004	279,890
Total United States Department of Agriculture			6,332,851
United States Department of Defense:			
Army Junior Reserve Officers Training Corps	12.UNK	N/A	1,413,978
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	192,718
Marine Junior Reserve Officers Training Corps	12.UNK	N/A	126,740
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	145,277
Total United States Department of Defense			1,878,713

(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Expenditures
National Science Foundation:			
Education and Human Resources	47.076	None	$ 363,421
United States Department of Education:			
Career and Technical Education - National Programs	84.051	N/A	19,246
Magnet Schools Assistance	84.165	N/A	1,911,696
School Safety National Activities	84.184	N/A	910,307
Fund for the Improvement of Education	84.215	N/A	16,310
Teacher Incentive Fund	84.374	N/A	17,996,891
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 192, 193, 194	2,721,519
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	77,518,480
Migrant Education - State Grant Program	84.011	217	115,849
Career and Technical Education - Basic Grants to States	84.048	161, 164	3,047,317
Education for Homeless Children and Youth	84.196	127	103,808
Charter Schools	84.282	298	1,604,391
Twenty-First Century Community Learning Centers	84.287	244	3,994,963
English Language Acquisition State Grants	84.365	102	5,015,570
Supporting Effective Instruction State Grants	84.367	224	5,443,932
School Improvement Grants	84.377	126	1,707,313
Student Support and Academic Enrichment Program	84.424	241	950,329
Total United States Department of Education			123,077,921
United States Department of Health and Human Services:			
Head Start	93.600	N/A	16,002,457
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	N/A	591,090
Florida Department of Children and Families:			
Social Services Block Grant	93.667	None	747
Total United States Department of Health and Human Services			16,594,294
Total Expenditures of Federal Awards			$ 305,906,396

The notes below are an integral part of this Schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Broward 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, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

(4) Noncash Assistance - National School Lunch Program. Includes $7,982,155 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(5) Head Start. Expenditures include $5,214,052 for grant number/program year 04CH4684/04 and $10,788,405 for grant number/program year 04CH4684/05.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward 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 aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

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

AUDITOR GENERAL
STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program

We have audited the Broward 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**.

The District's basic financial statements include the operations of Central Charter School, Imagine Charter School at North Lauderdale, Renaissance Charter School at Pines, Renaissance Charter School at Plantation, and Renaissance Charter School at University (Charter Schools) as part of the reported aggregate discretely presented component units on the accompanying basic financial statements. The Charter Schools expended $1,353,026, $1,061,333, $958,321, $1,083,017, and $760,918, respectively, in Federal awards, which is not included in the District's **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** during the fiscal year ended June 30, 2018. Our audit, described below, did not include the operations of these Charter Schools because, pursuant to Section 218.39(1), Florida Statutes, the Charter Schools engaged other auditors to perform audits in accordance with the Uniform Guidance.

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

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:
84.007 and 84.063	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers
84.374	Teacher Incentive Fund
Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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