Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Unit

Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District.

The District's employee group health, life, and dental insurance program, as well as its dependent care and medical expense reimbursement program, are administered through the Leon County District School Board Voluntary Employee benefits Trust (VEBT). Due to the substantive economic relationship between the district and the VEBT, the financial activities of the VEBT are reported in the accompanying basic financial statements.

The Leon County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 9. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units

The component units columns in the government-wide financial statements include the financial data of the District's other component units, which include the following:

Note 1 - <u>Summary of Significant Accounting Policies</u> *(Continued)*

A. Reporting Entity *(Concluded)*

Discretely Presented Component Units *(Concluded)*

The Foundation for Leon County Schools, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to provide charitable and educational aid to the Board, to promote education, and to encourage research, learning, and dissemination of information. The foundation is considered a component unit of the District because of the nature and significance of its relationship with the District.

Charter Schools

- The School of Arts and Sciences Foundation, Inc., (d/b/a School of the Arts and Sciences and School of the Arts and Sciences Center)
- Tallahassee School of Math and Science
- Governor's Charter Academy, a department of Renaissance Charter School, Inc.

The School of Arts and Sciences Foundation, Inc.; Tallahassee School of Math and Science; and Governor's Charter Academy, are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the *Florida Not For Profit Corporation Act*, and Section 1002.33, Florida Statutes. Each charter school operates under a charter approved by its sponsor, the Board. A portion of these not-for-profit corporation's funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the initial appointment of the charters schools, and there is the potential for the charter schools to impose specific financial burdens on the District.

The financial data reported on the accompanying statements was derived from the Foundation's and four charter schools' audited financial statements for the fiscal year ended June 30, 2017. These audited reports are filed in the District's administrative offices.

B. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Note 1 - <u>Summary of Significant Accounting Policies</u> *(Continued)*

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

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

- **Debt Service Fund, Other Debt Service**—to account for all funds transferred in to pay principal and interest payments on the Bus Lease Purchase and Certificates of Participation.

- **Capital Projects—**Other Capital Projects Fund—to account for financial resources generated by various sources such as certificates of participation and local sales tax to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- **Enterprise Fund**—to account for the activities of the District Permitting Office.

- **Other Employee Benefits Trust Fund (VEBT)—**to account for resources of the VEBT that administers the District's employee group health, life, and dental insurance programs, as well as the dependent care and medical expense reimbursement programs.

- **Private Purpose Trust Fund—**to account for resources of the Frank Stoutamire Scholarship Trust fund, the interest earnings of which are used for scholarships to students at Lively Technical Center.

Note 1 - Summary of Significant Accounting Policies *(Continued)*

D. Basis of Presentation: Fund Financial Statements *(Concluded)*

- **Agency Funds**—to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other

Note 1 - Summary of Significant Accounting Policies ***(Continued)***

E. Basis of Accounting ***(Concluded)***

postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates used are those used in the actuarial assumptions for the Other Postemployment Benefits Liability, Net Pension Liability and the Incurred But Not Reported Liability along with depreciable useful lives of capital assets.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits except for cash with fiscal agents, are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. Cash equivalents and investments with fiscal agents are uncollateralized, but held in a trust capacity both under a paying agent agreement for payment of maturing bond principal and interest and under a trust agreement.

Note 1 - Summary of Significant Accounting Policies *(Continued)*

G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Continued)*

Investments

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME meet all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Like money market funds, a participant's account balance is a share of the investment pool, not the underlying securities. This investment is reported at amortized cost which is considered the fair value of the participant's investment.

Investments made locally consist of United States Treasury Securities, obligations of United States government agencies and instrumentalities, corporate and municipal bonds, which are reported at fair value; and money market funds and certificates of deposit, which are reported at amortized cost. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

Inventories and Prepaid Items

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

Capital Assets

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

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

Note 1 - Summary of Significant Accounting Policies *(Continued)*

G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Continued)*

Capital Assets *(Concluded)*

Improvements Other than Buildings	8-35 Years
Buildings and Fixed Equipment	40 Years
Furniture, Fixtures, and Equipment	3-15 Years
Motor Vehicles	5-10 Years
Audio Visual Materials	3-5 Years

Current year information relative to changes in capital assets is described in Note 3.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense until then. The District has three (3) items that qualify for reporting in this category. The deferred outflows of resources related to the Florida Retirement System (FRS) Pension Plan, the Retiree Health Insurance Subsidy (HIS) Pension Plan, and the Other Postemployment Benefit (OPEB) Obligation are discussed in subsequent notes.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises from the FRS and HIS pensions, that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflow of resources is consumption of net assets by the government that is applicable to a future reporting period, so will not be recognized as an outflow of resources (expenditures) until that time.

Long-term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bonds payable and certificates of participation payable are reported net of the applicable premiums. Bonds and certificates of participation are amortized over the life of the debt.

Note 1 - Summary of Significant Accounting Policies *(Continued)*

G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Continued)*

Long-term Liabilities *(Concluded)*

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Changes in long-term liabilities for the current year are reported in Note 9.

Compensated Absences

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

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 the health Insurance Subsidy (HIS) and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. In the government-wide financial statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability.

The District's retirement plans and related amounts are described in Note 4.

Net Position Flow Assumption

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

Note 1 - <u>Summary of Significant Accounting Policies</u> *(Continued)*

G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Continued)*

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

Nonspendable—fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

Restricted—fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.

Committed—fund balance classification may include amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned—fund balance is the portion of fund balance intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District classifies amounts as assigned that are constrained to be used for specified purposes based on the actions of the Superintendent and Chief financial Officer and are not included in other categories. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent fiscal year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Note 1 - Summary of Significant Accounting Policies *(Continued)*

G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Concluded)*

Fund Balance Policies *(Concluded)*
Unassigned—fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

H. Revenues and Expenditures/Expenses

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

State Revenue Sources
Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 30 days following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

A schedule of revenue from State sources for the current year is presented in Note 11.

Note 1 - Summary of Significant Accounting Policies *(Continued)*

H. Revenues and Expenditures/Expenses *(Continued)*

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

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

The Board adopted the 2018 tax levy on September 5, 2017. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

Millages and taxes budgeted for the current year are presented in Note 11.

Capital Outlay Surtax
The voters of Leon County (County) approved on November 6, 2012, a one-half cent school capital outlay surtax on sales in the County for 15 years, effective January 1, 2014, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

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

Note 1 - Summary of Significant Accounting Policies ***(Continued)***

H. Revenues and Expenditures/Expenses *(Concluded)*

Compensated Absences

Compensated absences (i.e., paid absences for employee vacation leave and sick leave) in the government-wide financial statements are accrued as liabilities to the extent that it is probable the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only for the current portion of compensating absences expected to be paid using expendable available resources

Proprietary Fund Operating and Non-operating Revenues and Expenses

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 the proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the District's proprietary fund relate to services provided by the District Permitting Office. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Accounting Changes

Governmental Accounting Standards Board Statement No. 75

The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan. As a plan sponsor, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires employers of single-employer defined benefit plans to report the employers' OPEB Plan liabilities. The requirements of this Statement are being applied retroactively by restating the actuarially determined liabilities of $32,199,147 at July 1, 2017, date of transition, and deferred outflow of resources of $1,735,284.

J. Adjustments to Beginning Net Position

The beginning net position of the District, was decreased by $13,024,767 which resulted from two error corrections and the adoption of the new accounting standard described above. One adjustment was related to the correction of errors that were discovered in the District's capital assets and accumulated depreciation balances when compared to subsidiary ledgers. Details of this adjustment are presented in Note 3. The other adjustment reduced the District's compensated absences liability because the retirement rate originally included in the computation of the liability is already accounted for in the District's Net Pension Liability under the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As described above, the District adopted GASB Pronouncement, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires the District to recognize a liability and operating statement activities related to changes in the OPEB Plan. As a result of these changes, beginning net position has been restated as follows:

Note 1 - Summary of Significant Accounting Policies *(Concluded)*

J. Adjustments to Beginning Net Position *(Concluded)*

Description	Amount
Beginning Net Position Prior to Restatement	$ 171,460,415
OPEB Plan Liability	(15,075,302)
Deferred Outflow of Resources	1,735,284
Capital Asset Correction	(1,847,231)
Compensated Absences Correction	2,162,482
Net Adjustment to Beginning Net Position	(13,024,767)
Total	$ 158,435,648

Note 2 - Cash Deposits with Financial Institutions and Investments

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to the extent available. Earnings are allocated monthly to each fund based on ending balances.

A. Investments

As of June 30, 2018, the District had the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	30 Day Average	$ 20,585,399
Debt Service Accounts	6 Months	24,997
Total Florida Prime		20,610,396
First American U.S. Treasury Money Market fund Class A (1)	39 Day Average	7,777
First American Government Obligations Fund Class Z (1)	24 Day Average	8,272,226
Fidelity Investments Money Market Government Portfolio Class I (1)	25 Day Average	20,872,566
Corporate Money Market Funds Cash Pool (1)	19 Day Average	13,095,383
United States Treasury Securities	Less than 1 Year	170,324
	1 to 5 Years	681,099
Obligations of United States Government Agencies and Instrumentalities		
	1 to 5 Years	14,774
	Over 10 Years	2,830,753
Corporate Bonds	Less than 1 Year	950,525
Municipal Bonds	Less than 1 Year	580,292
	1 to 5 Years	309,209
Total investments, Governmental Activities		68,395,324
Fiduciary Funds:		
Florida Prime (1)	30 Day Average	3,436
Certificates of Deposit	Less than 1 Year	273,573
Total Investments, Fiduciary Funds		277,009
Total investments, Primary Government		$ 68,672,333

Note (1): These investments are reported as cash equivalents for financial reporting purposes.

Note 2 - Cash Deposits with Financial Institutions and Investments ***(Continued)***

A. Investments ***(Continued)***

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
SBA Debt Service	$ 24,997	$ 24,997	$ 0	$ 0
United States Treasury Securities	851,423	0	851,423	0
Obligations of United States Government				0
Agencies and Instrumentalities	2,845,527	0	2,845,527	0
Corporate Bonds	950,525	0	950,525	0
Municipal Bonds	889,501	0	889,501	0
Certificates of Deposit	273,573	0	273,573	0
Total Investments by Fair Value Level	5,835,546	24,997	5,810,549	0
Investments Measured at Amortized Cost				
SBA Florida PRIME	20,588,835			
Money Market Funds	42,247,952			
Total Investments Measured at Amortized Cost	62,836,787			
Total Investments, Primary Government	$ 68,672,333			

- *Interest Rate Risk*

  Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits investment maturities to a maximum of 5 years, unless specifically matched with cash flow needs as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Note 2 - Cash Deposits with Financial Institutions and Investments *(Continued)*

A. Investments *(Continued)*

- *Interest Rate Risk (Concluded)*
  For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

- *Credit Risk*
  Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to United States Treasury securities, obligations of United States Government Agencies and Instrumentalities, residential and commercial mortgage-backed securities with the highest rating from at least one of the six nationally recognized statistical rating organizations, corporate securities with the second highest rating from at least two of the six nationally recognized statistical rating organizations, State and/or Local Government Taxable and/or Tax-Exempt Debt with the second highest rating from at least two of the six nationally recognized statistical rating organizations, and certificates of deposit in State qualified public depositories, as well as the Local Government Surplus Funds Trust Fund. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Note 2 - <u>Cash Deposits with Financial Institutions and Investments</u> *(Concluded)*

A. Investments *(Concluded)*

- *Credit Risk (Concluded)*
  The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

  The following describes investments held by the District at year-end:

  - Florida PRIME, rated AAAm by Standard & Poor's.
  - First American Institutional U.S. Treasury Money Market Fund Class A, First American Government Obligations Fund Class Z, and Fidelity Investments Money Market Government Portfolio Class I, rated AAAm by Standard & Poor's.
  - Corporate and Municipal bonds, rated at least A by Standard & Poor's and A1 by Moody's.
  - United States Treasury Securities and Obligations of the United States Government Agencies and Instrumentalities are backed by the full faith and credit of the United States Government.

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

- *Concentration of Credit Risk*
  Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy requires the concentration limits not to exceed 15 percent for certain portfolios. No single issuer exceeded 5 percent of the District's total investments.

Note 3 - Capital Assets

Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments (1)	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated					
Land	$ 17,486,642	$ (30,000)	$ 473,587	$ 6,300	$ 17,923,929
Construction in Progress	7,158,357	0	18,808,500	9,808,914	16,157,943
Total Capital Assets Not Being Depreciated	24,644,999	(30,000)	19,282,087	9,815,214	34,081,872
Capital Assets Being Depreciated					
Improvements Other Than Buildings	36,385,806	0	4,621,585	0	41,007,391
Buildings and Fixed Equipment	555,832,783	7,431	5,187,329	1,163	561,026,380
Furniture, Fixtures, and Equipment	39,016,717	631,318	2,030,468	4,901,867	36,776,636
Motor Vehicles	31,395,246	1,670,623	205,464	2,193,400	31,077,933
Audio Visual Materials	0	5,367,198	3,300	403,550	4,966,948
Computer Software	7,530,071	(4,296,791)	636,126	126,719	3,742,687
Total Capital Assets Being Depreciated	670,160,623	3,379,779	12,684,272	7,626,699	678,597,975
Less Accumulated Depreciation for					
Improvements Other Than Buildings	26,577,167	0	943,080	0	27,520,247
Buildings and Fixed Equipment	213,672,079	472,241	13,412,769	336	227,556,753
Furniture, Fixtures, and Equipment	28,248,968	1,386,825	2,337,921	4,522,993	27,450,721
Motor Vehicles	20,105,944	1,673,769	1,825,870	2,191,784	21,413,799
Audio Visual Materials and	0	3,308,568	358,136	373,271	3,293,433
Computer Software	3,888,111	(1,644,393)	335,658	123,470	2,455,906
Total Accumulated Depreciation	292,492,269	5,197,010	19,213,434	7,211,854	309,690,859
Total capital Assets Being Depreciated, Net	377,668,354	(1,817,231)	(6,529,162)	414,845	368,907,116
Governmental Activities Capital Assets, Net	$ 402,313,353	$ (1,847,231)	$ 12,752,925	$ 10,230,059	$ 402,988,988

Note (1): Adjustments to the capital asset records are described in Note 1J.

The District's capital assets serve multiple functions, therefore, depreciation expense was not allocated to the various expense functions on the statement of activities, but is shown as unallocated depreciation expense.

Note 4 - Retirement Plans – Defined Benefit Pension

General Information about the Florida Retirement System (FRS)

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employers' proportionate share of the net pension liabilities for the FRS and HIS defined benefit pension plans.

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

Note 4 - <u>Retirement Plans – Defined Benefit Pension</u> *(Continued)*

General Information about the Florida Retirement System (FRS) ***(Concluded)***
Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (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 Florida Retirement System 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 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, Division of Retirement (www.dms.myflorida.com). The FRS Investment Plan is administered by the Florida State Board Administration (SBA), and is reported in an SBA annual financial statement and in the State of Florida Comprehensive Annual Financial Report.

Florida Retirement System (FRS) Defined Benefit Pension Plan
Plan Description. The FRS Pension Plan (Plan) is a defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class*—Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC)—Members in senior management level positions.
- *Special Risk Class*—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 six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans 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 FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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 employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. 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.

Note 4 - Retirement Plans – Defined Benefit Pension *(Continued)*

Florida Retirement System (FRS) Defined Benefit Pension Plan *(Continued)*
Benefits Provided. Benefits under the FRS Pension 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 retirement plan and/or the 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 chart demonstrates the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	**Percent Value**
Regular Class 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 Class members initially enrolled on or after 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
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1975	3.00
Senior Management Service Class	2.00
Elected Officers' Class	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS 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 is initially enrolled before July 1, 2011 and has service 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.

Prior to July 1, 2011, the FRS was noncontributory for employees. Beginning July 1, 2011, employees who are not participating in DROP are required to contribute 3 percent of their salary to the FRS. The District is required to contribute an actuarially determined rate based on employee salary.

Note 4 - Retirement Plans – Defined Benefit Pension ***(Continued)***

Florida Retirement System (FRS) Defined Benefit Pension Plan ***(Continued)***
Contributions. The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer (A)**
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Elected County Officers	3.00	45.50
Florida Retirement System, Special Risk	3.00	23.27
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	0.00	13.26
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:
(1) Employer rates include 1.66% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04% for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon the retirement class in which reemployed.

The District's contributions to the defined benefit pension plan totaled $10,999,006 for the fiscal year ended June 30, 2018, excluding HIS plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of $116,788,035 for its proportionate share of the 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 projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportionate share was 0.3948299 percent, which was a decrease of 0.000929 percentage points (0.23 percent) from its proportionate share measured as of June 30, 2016 (0.395759454 percent).

For the year ended June 30, 2018, the District recognized pension expense of $17,870,543. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 10,718,331	$ 646,946
Changes of Assumptions	39,249,025	0
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	0	2,894,299
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	0	6,553,376
District FRS Contributions Subsequent to the Measurement Date	10,999,006	0
Total	$ 60,966,362	$ 10,094,621

Note 4 - Retirement Plans – Defined Benefit Pension *(Continued)*

Florida Retirement System (FRS) Defined Benefit Pension Plan *(Continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

The deferred outflows of resources related to pensions totaling $10,099,006 resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended 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
2019	$ 4,478,555
2020	14,525,264
2021	9,693,959
2022	739,094
2023	7,284,662
Thereafter	3,151,201
Total	$ 39,872,735

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:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Asset Valuation Method	Fair Market Value
Discount Rate (Municipal Bond Rate)	7.10 percent
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. There were no changes in actuarial assumptions. As a result of the 2014 actuarial experience study, the inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return was revised to 7.10%.

The long-term expected rate of return assumptions on pension plan investments are not based on historical returns, but instead are based on a forward-looking capital market economic model. An analytical basis for the selection of the long-term expected rate of return assumption was developed in October 2015, when the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below demonstrates Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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.

Note 4 - Retirement Plans – Defined Benefit Pension *(Continued)*

Florida Retirement System (FRS) Defined Benefit Pension Plan *(Concluded)*

Actuarial Assumptions. (Concluded)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.70%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	9.70%
Total	100.00%			
Assumed inflation - Mean			2.60%	1.90%

Note: (1) As outlined in the Plan's Investment Policy

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
District's Proportionate Share of the Net Pension Liability	$ 211,379,290	$ 116,788,035	$ 38,255,622

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

Note 4 - <u>Retirement Plans – Defined Benefit Pension</u> *(Continued)*

Health Insurance Subsidy (HIS) Defined Benefit 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. It is a monthly subsidy payment to assist retirees of State-administered retirement systems in paying health insurance costs and is administered by the Florida Department of Management Services, division of Retirement. Persons are eligible for health insurance subsidy payments who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system except those individuals who are pension recipients under Section 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes or any other special pension or relief act are not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminates employment with all employers participating in the Florida Retirement System and:

- For a member of the FRS investment plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes.
- For a member of the FRS defined benefit pension plan, or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan.

Any person retiring on or after July 1, 2001, as a member of the Florida Retirement System, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class under the pension plan as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes. Additionally, participants in the Senior Management Service Optional Annuity Program and the State District System Optional Retirement Program are not eligible to receive benefits from the HIS plan.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Program is funded by required contributions from FRS participating employers as set by the 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 Statues. The state contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS 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.

Note 4 - Retirement Plans – Defined Benefit Pension *(Continued)*

Health Insurance Subsidy (HIS) Defined Benefit Pension Plan *(Continued)*
Contributions. *(Concluded)*
The District's contributions to the HIS defined-benefit pension plan totaled $2,929,177 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 $116,788,035 for its proportionate share of the 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 projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportionate share was 0.549877103 percent, which was a decrease of 0.00898988 percentage points (1.66 percent) from its proportionate share measured as of June 30, 2016 (0.540887223 percent).

For the year ended June 30, 2018, the District recognized pension expense of $3,812,859. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 122,422
Changes of Assumptions	8,264,611	5,084,100
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	32,606	0
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	762,233	3,383,853
District Contributions Subsequent to the Measurement Date	2,929,177	0
Total	$ 11,988,627	$ 8,590,375

The deferred outflows of resources totaling $2,929,177 was related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended 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:

Note 4 - Retirement Plans – Defined Benefit Pension *(Continued)*

Health Insurance Subsidy (HIS) Defined Benefit Pension Plan *(Concluded)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

Fiscal Year Ending June 30,	Amount
2019	$ 304,297
2020	298,127
2021	295,166
2022	323,599
2023	(30,896)
Thereafter	(721,218)
Total	$ 469,075

Actuarial Assumptions. The actuarial assumptions that determined the total pension liability as of June 30, 2017, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 through June 30, 2013. 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
Discount Rate	3.58 percent

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

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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
District's Proportionate Share of the Net Pension Liability	$ 67,093,334	$ 58,795,397	$ 51,883,674

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

Note 4 - Retirement Plans – Defined Benefit Pension *(Continued)*

FRS – Defined Contribution Pension Plan

The District contributes 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 SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

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. Service retirement benefits are based upon the value of the members 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 Class, 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 plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer**
Florida Retirement System, Regular	3.00	3.30
Florida Retirement System, Elected County Officers	3.00	8.34
Florida Retirement System, Special Risk	3.00	11.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. 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. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2017, 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.

Note 4 - Retirement Plans – Defined Benefit Pension *(Concluded)*

FRS – Defined Contribution Pension Plan *(Concluded)*

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; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled $742,886 for the fiscal year ended June 30, 2018.

Note 5 - Other Postemployment Benefit Plan – OPEB Plan

The District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for reporting the employers' OPEB Plan liability.

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Summary of Membership Information. The following table provides a summary of the number of participants in the plan as of the measurement date:

Retirees and Beneficiaries	944
Inactive, Nonretired Members	0
Active Members	2,990
Total Plan Members	3,934

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

Note 5 - Other Postemployment Benefit Plan – OPEB Plan *(Continued)*

Changes in the Total OPEB Plan Liability. (Concluded)

Description	Amount
Service Cost	$ 1,143,416
Interest on Total OPEB Plan Liability	948,268
Changes of Assumptions	(2,340,268)
Benefit Payments	(1,735,284)
Net Change in Total OPEB Plan Liability	(1,983,868)
Net OPEB Plan Liability, Beginning of Year	32,199,146
Net OPEB Plan Liability, End of Year	$ 30,215,278

Funded Status and Funding Progress. As of June 30, 2017, the most recent valuation date, the total OPEB Plan liability was $30,215,278, and assets held in trust were $0, resulting in a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $114,416,406, and the ratio of the total OPEB Plan liability to the covered payroll was 26.41 percent.

The OPEB Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB expense or the net OPEB Plan liability, and the OPEB Plan is financed on a pay-as-you-go basis.

Actuarial Valuation Date. For employee and retiree population purposes, June 30, 2017, was the actuarial valuation date. For development of per capita cost purposes and for valuation purposes, January 1, 2018, was used as the effective date of OPEB Plan provisions.

Actuarial Valuation Methods and Assumptions. Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Individual Entry Age Normal Cost Method with an increasing normal cost pattern consistent with the salary increase assumptions used in the July 1, 2016, actuarial valuation of the Florida Retirement (FRS) was used in the OPEB Plan liability calculation.

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

Note 5 - Other Postemployment Benefit Plan – OPEB Plan *(Continued)*

Actuarial Valuation Methods and Assumptions. (Concluded)
Mortality tables used in the July 1, 2016, actuarial valuation of the Florida Retirement System were used. They are based on the results of a statewide experience study covering the period 2008 through 2013.

The total OPEB Plan liability actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.70 percent to 7.8 percent, including inflation as used in the July 1, 2016, actuarial valuation of the Florida Retirement System

Healthcare cost trend rates were based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.24%. The impact of the excise tax on High-Cost Employer Health Plans (aka "Cadillac" tax) is modeled by adding 0.37% to the assumed medical trend rates for 2022 and all subsequent years.

Aging factor expenses were based on the 2013 SOA Study "Health Care Costs – From Birth to Death". Administrative expenses are included in the per capita health costs.

Discount Rate. There are no invested plan assets held in trust to finance the OPEB Plan liability. The discount rate used equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA rating as of the measurement date. For the purpose of the OPEB Plan valuation, the municipal bond rate was 3.56% (based on the daily rate closest to but not later than the measurement date of the "Fidelity General Obligation AA Index"). The discount rate was 2.92% as of the beginning of the measurement period.

The District's annual OPEB expense totaled $1,819,560 for the fiscal year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows and inflows of resources related to the OPEB Plan liability from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 0	$ 2,068,144
District Contributions Subsequent to the Measurement Date	1,711,610	0
Total	$ 1,711,610	$ 2,068,144

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 5 - Other Postemployment Benefit Plan – OPEB Plan *(Concluded)*

Discount Rate. (Concluded)

	Amount
2019	$ (272,124)
2020	(272,124)
2021	(272,124)
2022	(272,124)
2023	(272,124)
Thereafter	(707,524)
Total	$ (2,068,144)

Sensitivity of the District's Total OPEB Plan Liability to Changes in the Discount Rate. The following presents the District's OPEB Plan liability calculated using the discount rate of 3.56 percent, as well as what the OPEB Plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
OPEB Plan Liability	$ 33,997,736	$ 30,215,278	$ 27,050,717

Sensitivity of the District's Total OPEB Plan Liability to the Healthcare Cost Trend Rate Assumption. Regarding the sensitivity of the total OPEB liability, calculated using the assumed trend rates as well as what the OPEB Plan's total liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease (6.00% Down To 3.61%)	Current Healthcare Cost Trent Rate Assumption	1% Increase (8.00% Down to 5.61%)
OPEB Plan Liability	$ 27,879,599	$ 30,215,278	$ 32,642,120

Note 6 - Encumbrances

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

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

Major Funds					
General	Special Revenue Food Service	Capital Projects Local Capital Improvement	Capital Projects Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 2,087,166	$ 0	$ 0	$ 15,289,420	$ 6,419,384	$ 23,795,970

Note 7 - Construction Commitments

Projects	Description	Contract Amount	Completed June 30, 2018	Balance Committed
Chaires	New Construction, Remodeling, Renovation			
	Drainage and Site Improvement	$ 3,050,828	$ 1,737,292	$ 1,313,536
Fairview	New Construction Gymnasium	5,334,095	1,541,037	3,793,058
Sullivan	Window Replacement	2,151,828	994,718	1,157,110
Raa	Parent Drop-off Canopy			
	and Site Improvement	205,483	143,133	62,350
Rickards	New Construction, Remodeling, Renovation			
	and Site Improvement	5,259,762	1,953,862	3,305,900
Sealey	Renovations Gymnasium	1,651,936	851,574	800,362
Cobb	Roof Replacement and ADA Bathroom			
	Renovations	2,425,000	2,399,888	25,112
Cox	Field Replacement and Site work	1,543,059	717,607	825,452
WT Moore	Site Work-PE Fields and Drainage	1,922,674	875,139	1,047,535
WT Moore	Upgrade Chiller and Boiler	915,469	754,749	160,720
Springwood	New Construction - Cafeteria	3,007,136	1,569,884	1,437,252
Lively	HVAC System	750,000	437,815	312,185
Pineview	Roof Replacement	850,000	806,512	43,488
Central Kitchen	Roof Replacement	690,000	677,868	12,132
Various	Projects under $150,000 individually	822,685	696,865	125,820
Total		$ 30,579,955	$ 16,157,943	$ 14,422,012

Note 8 - Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, property damage, and boiler and machinery coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

A liability in the amount of $5,043,183 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2018.

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

	Fiscal Year Liability	Claims and Changes in Estimates	Payments	Fiscal Year-end
2016-17	$ 4,214,849	$ 1,560,193	$ (720,026)	$ 5,055,016
2017-18	5,055,016	126,258	(138,091)	5,043,183

Note 8 - Risk Management Programs *(Concluded)*

Health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

Note 9 - Long-term Liabilities

Lease Purchase Agreement

Description – Lease Purchase Agreement: School Buses
Amount Outstanding - $5,547,065
Interest Rate – 2.033%
Final Maturity – October 1, 2023

The District entered into a financing arrangement on December 18, 2014, which was characterized as a lease purchase agreement, whereby the District secured financing to purchase 45 compressed natural gas school buses.

Amounts payable for the planned extended repayment of the lease purchase agreement is as follows:

Year Ending June 30,	Total	Principal	Interest
2019	$ 991,397	$ 878,625	$ 112,772
2020	991,397	896,488	94,909
2021	991,398	914,714	76,684
2022	991,398	933,310	58,088
2023	991,397	952,284	39,113
2024	991,398	971,644	19,754
Total Minimum Lease Payments	$ 5,948,385	$ 5,547,065	$ 401,320

Certificates of Participation

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

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2016 Refunding	$ 45,900,000	1.818	2026	$ 58,410,000
QZAB 2004	3,313,000	0.00	2020	3,313,000
QZAB 2008A	1,872,000	0.19	2024	5,000,000
QZAB 2008B	6,000,000	1.7	2023	15,000,000
QZAB 2010	33,209,140	5.68	2028	33,209,140
QSCB 2010	18,597,100	4.84	2027	18,597,100
Total Certificates of Participation	$ 108,891,240			$ 133,529,240

Note 9 - Long-term Liabilities *(Continued)*

Certificates of Participation *(Continued)*
The District entered into financing arrangement on October 1, 1997, characterized as lease-purchase agreements, with the Leon County School Board Leasing Corporation (Leasing Corporation), whereby the District secured the financing of Lawton Chiles High School for a total amount of $34,970,000. The financing was accomplished through the issuance of Certificates of Participation (COPs), Series 1997, to be repaid from the proceeds of rents paid by the District. The financing was accomplished through the issuance, by the Leasing Corporation to third-party investors, of certificates of participation.

On November 1, 2004, the master financial arrangement was amended and the Leasing Corporation issued COPs, Series 2004 Qualified Zone Academy Bonds (QZABs), in the amount of $3,313,000. Under the terms of the lease agreement for these QZABs, the District was required to make the five annual payments of $418,854, which were deposited with a trustee and are to be invested in accordance with a repurchase agreement until maturity and, when combined with interest earnings, will be sufficient to pay off the principal balance in full, at maturity November 23, 2020.

The Leasing Corporation issued COPS, Series 2005, Refunding, on March 9, 2005, to advance refund a portion of the COPs, Series 1997.

The master financing arrangement was amended on June 15, 2006, to issue COPs, series 2006, in the amount of $61,795,000. The COPs were issued to secure financing of various educational facilities throughout the District.

The master financing arrangement was amended on March 6, 2008, to issue COPs, Series 2008A QZABs, in the amount of $5,000,000. The QZABs were issued to secure financing of improvements to be made at three District schools.

The master financing arrangement was amended on September 24, 2010, to issue COPs, Series 2010 Qualified School Construction Bonds (QSCBs), in the amount of $18,597,000. The QSCBs were issued to secure financing of improvements to be made at four district schools. Principal payments are made into a sinking fund for the debt to be paid in full at the end of its term in 2027.

The master financing arrangement was amended on December 28, 2010, to issue COPs, Series 2010 QZABs, in the amount of $33,209,140. The QZABs were issued to secure financing of improvements to be made at ten District schools. Principal payments are paid into a sinking fund for the debt to be paid in full at the end of its term in 2028.

The master financing arrangement was amended on April 14, 2016, to refund COPs Series 2005 and Series 2006, in the amount of $58,410,000.

Note 9 - Long-term Liabilities *(Continued)*

Certificates of Participation *(Continued)*

The District gave ground leases on District properties to the Leasing Corporation with a rental fee of $10 per year as a condition of the financing arrangements. The initial terms of the leases are approximately 35 years commencing on October 1, 2997 (Series 1997); 16 years commencing on November 1, 2004 (series 2004 QZABs); 17 years commencing on March 1, 2005 (Series 2005, refunding); 20 years commencing June 15, 2006 (Series 2006); 16 years commencing on March 6, 2009 (Series 2008A QZABs); 15 years commencing on July 25, 2008 (Series 2008B QZABs); 15 years commencing on July 1, 2012 (Series 2010 QSCBs); and 18 years commencing on December 1, 2011, (Series 2010 QZABs). The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground Lease Agreement for the benefit of the securers of the COPs for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

The District properties included in the ground leases under these arrangements include:

- Series 2004 QZABs – Technology equipment at 24 District school sites as listed in the lease schedule.

- Series 2008A QZABs and Series 2008B QZABs – Technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School.

- Series 2010 QSCBs – New construction at Gilchrist Elementary School, Killearn Lakes Elementary School, Kate Sullivan Elementary School, and Gretchen Everhart School.

- Series 2010 QZABs – Renovations at Astoria Park Elementary School, Canopy Oaks Elementary School, Ft. Braden School, Oak Ridge Elementary School, Sabal Palm Elementary School, Springwood Elementary School, Woodville Elementary School, Fairview Middle School, Raa Middle School, and Rickards High School.

Series 2016 Refunding (Refunding of Series 2005 refunding, which originally refunded Series 1997, and Refunding of Series 2006) – Construction of Lawton Chiles High School, Montford Middle School, Conley Elementary School, and renovations to Pineview Elementary School, Deerlake Middle School, Killearn Lakes Elementary School, Lawton Chiles High School, and Lincoln High School.

The Series 2016, Refunding, mature on July 1, 2026, with semiannual lease payments on July 1 and January 1, have a fixed interest rate of 1.818 percent. The Series 2004 QZABs mature on November 23, with interest rates paid by the Federal government in the form of annual tax credits to COP holders. The Series 2008A QZAB lease payments are payable annually on March 9 at a fixed interest rate of 0.19 percent. The Series 2008B QZABs lease payments are payable annually on September 1 at a fixed rate of 4.84%. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68%. The Series 2010 QSCBs and the Series 2010 QZABs receive Federal subsidies at the same interest rates as the bonds, resulting in a net zero percent cost to the District.

Note 9 - Long-term Liabilities *(Continued)*

Certificates of Participation *(Continued)*

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30, 2018:

Year Ending June 30,	Total	Principal	Interest
2019	$ 4,621,167	$ 1,312,000	$ 3,309,167
2020	10,356,855	6,697,000	3,659,855
2021	13,648,499	10,105,000	3,543,499
2022	10,317,371	6,892,000	3,425,371
2023	10,297,425	6,992,000	3,305,425
2024-2028	39,460,576	25,087,000	14,373,576
2029	52,749,380	51,806,240	943,140
Total Minimum Lease Payments	$ 141,451,273	$ 108,891,240	$ 32,560,033

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Original Amount
State School Bonds:				
Series 2009A (New Money)	$ 740,000	2.00-5.00	2029	$ 945,000
Series 2009A, Refunding	40,000	3.00	2019	500,000
Series 2010A, Refunding	285,000	3.00-5.00	2021	2,175,000
Series 2014B, Refunding	21,000	2.00-5.00	2020	7,055,000
District Revenue Bonds:				
Series 2014	59,520,000	1.82-3.66	2027	75,000,000
Total Bonds Payable	$ 60,606,000			$ 85,675,000
Add Unamortized Bond Premium	6,154,653			
Total Certificates of Participation	$ 66,760,653			

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

■ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

Note 9 - Long-term Liabilities *(Continued)*

Certificates of Participation *(Concluded)*

- **Sales Tax Revenue Bonds, Series 2014**
  These bonds are authorized by Section 212.055(6), Florida Statutes. These bonds are secured by a pledge of proceeds from a one-half cent discretionary sales surtax levied as authorized by the voters of Leon County on November 6, 2012.

  The District pledged a total of $81,748,350 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2014 Sales Tax Revenue Bond issue described above. During the 2017-2018 fiscal year, the District recognized sales tax revenues totaling $21,826,346 and expended $7,455,950 (34 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or September 1, 2027. Assuming a nominal growth rate in the collection of sales tax revenues, approximately 35 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

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

Year Ending June 30,	Total	Principal	Interest
State School Bonds:			
2019	$ 226,708	$ 180,000	$ 46,708
2020	189,558	151,000	38,558
2021	186,788	155,000	31,788
2022	79,538	55,000	24,538
2023	82,338	60,000	22,338
2024-2028	562,975	485,000	77,975
Total State School Bonds	1,327,905	1,086,000	241,905

Year Ending June 30,	Total	Principal	Interest
Sales Tax Revenue Bonds:			
2019	$ 7,449,825	$ 4,735,000	$ 2,714,825
2020	7,447,075	4,975,000	2,472,075
2021	7,442,075	5,225,000	2,217,075
2022	7,434,325	5,485,000	1,949,325
2023	7,428,200	5,760,000	1,668,200
2024-2028	37,090,900	33,340,000	3,750,900
Total Sales Tax Revenue Bonds	74,292,400	59,520,000	14,772,400
Total	$ 75,620,305	$ 60,606,000	$ 15,014,305

Note 9 - Long-term Liabilities *(Concluded)*

Changes in Long-term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Governmental Activities					
Debt Related to Capital Assets:					
Certificates of Participation Payable	$ 115,488,240	$ 0	$ 6,597,000	$ 108,891,240	$ 1,312,000
Lease Purchase Payable	6,408,184	0	861,119	5,547,065	878,626
Bonds Payable	65,354,000	0	4,748,000	60,606,000	4,915,000
Premiums	6,897,454	0	742,801	6,154,653	0
Total Capital Asset Related Debt	194,147,878	0	12,948,920	181,198,958	7,105,626
Compensated Absences Payable	29,467,245	3,613,177	2,651,451	30,428,971	2,620,805
Other Postemployment Benefits Payable*	32,199,147	0	1,983,868	30,215,279	1,735,284
Estimated Insurance Claims Payable	5,055,016	126,258	138,091	5,043,183	1,327,696
Net Pension Liability:					
Florida Retirement System	99,929,574	16,858,461	0	116,788,035	0
Health Insurance Subsidy	63,038,165	0	4,242,768	58,795,397	1,722,320
Total Governmental Activities	$ 423,837,025	$ 20,597,896	$ 21,965,098	$ 422,469,823	$ 14,511,731

*The beginning Other Postemployment Benefits Payable balance presented above has been increased by $15,075,302 as a result of the implementation of GASB Statement No. 75.

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

Note 10 - Deferred Outflow/Inflow of Resources

The unrestricted net position includes the effect of deferred outflow of resources equal to $74,666,599 and inflow of resources equal to $20,753,140 at June 30, 2018, respectively, which will be recognized as expenditures (outflow) and revenue (inflow) in subsequent years.

Description	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Other Postemployment Benefits	$ 1,735,284	$ 0	$ 23,674	$ 1,711,610
Pension Related Deferred Outflows:				
Florida Retirement System	49,805,787	60,966,363	49,805,787	60,966,363
Total Deferred Outflows				
Health Insurance Subsidy	12,834,272	11,988,627	12,834,272	11,988,627
Total Deferred Outflows	$ 64,375,343	$ 72,954,990	$ 62,663,733	$ 74,666,600
Pension Related Deferred Inflows:				
Other Postemployment Benefits	$ 0	$ 2,068,144	$ 0	$ 2,068,144
Florida Retirement System	8,920,972	10,094,621	8,920,972	10,094,621
Health Insurance Subsidy	4,309,570	8,590,375	4,309,570	8,590,375
Total Deferred Inflows	$ 13,230,542	$ 20,753,140	$ 13,230,542	$ 20,753,140

Note 11 - Revenues

Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 123,213,982
Class Size Reduction	36,389,349
Workforce Development	6,322,703
Miscellaneous Revenue	5,526,178
Florida School Recognition	2,182,273
CO & DS Distributed	1,044,134
PECO Funds	983,197
Voluntary Prekindergarten Program	507,436
Charter School Capital Outlay Fund	314,520
CO & DS Withheld SBE Bonds	290,539
Adult With Disabilities	225,000
Racing Commission Funds	223,250
School Lunch Supplement	93,189
School Breakfast Supplement	81,321
Discretionary Lottery	59,225
Other Miscellaneous State Revenue	56,300
State License Tax	53,129
Undistributed CO & DS Interest	28,787
CO & DS Withheld Administration Expense	20,325
SBE Bond Interest	1,741
Total State Revenue	$ 177,616,578

Accounting policies relating to certain State revenue sources are described in Note 1.

Property Taxes

The following is a summary of millages and taxes budgeted from the 2017 tax roll for the 2017-18 fiscal year; taxes budgeted are stated at 96 percent of the actual tax roll levy to allow for early payment discounts and uncollectable amounts:

General Fund	Millages	Taxes Budgeted
Nonvoted School Tax:		
Require Local Effort	4.325	$ 70,585,590
Required Local Effort –		
Prior Period Adjustment	0.000	0
Basic Discretionary Local Effort	0.748	12,173,611
Capital Projects Funds		
Nonvoted Tax:		
Local Capital Improvement	1.500	24,465,927
Total	6.573	$ 107,225,128

Note 12 - Interfund Balances

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:	$ 6,310,224	$ 0
General	10,499,343	0
Debt Service:		
Other Debt Service	0	0
Capital Projects:		
Other Capital Projects	0	7,460,400
Nonmajor Governmental	8,615,253	17,964,420
Total	$ 25,424,820	$ 25,424,820

Transfers from the Capital Projects Funds are for payments of principal and interest on certificates of participation and bonds, and to assist in funding maintenance operations of the District. The remaining transfers between funds were operational in nature.

Interfund receivables and payables consist of the following at June 30, 2018:

	Due from Other Funds	Due to Other Funds
General Fund	$ 272,716	$ 0
Agency Funds	0	272,716

Note 13 - Summary Disclosure of Significant Contingencies

Litigation

The District is involved in several pending and threatened legal actions. Although the outcome of these lawsuits is not currently determinable, in the opinion of the District's legal counsel, the resolution of these matters should not materially affect the financial condition of the District.

REQUIRED SUPPLEMENTARY INFORMATION

LEON COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Note 1 - Budgetary Basis of Accounting

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

Note 2 - Schedule of Net Pension Liability and Schedule 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.

Note 3 - 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.

Note 4 - Schedule of Changes in Other Postemployment Benefits (OPEB) and Related Ratios

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

Changes of Assumptions. The discount rate used to determine the Total OPEB Liability was increased from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the end of the measurement period.