

# POPULAR ANNUAL FINANCIAL REPORT



**Hillsborough County**  
**PUBLIC SCHOOLS**  
Preparing Students for Life



FISCAL YEAR ENDED  
JUNE 30, 2017



TAMPA, FL

## Vision

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*Preparing Students for Life*

## Mission

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*To provide an education and the supports that enable each student to excel as a successful and responsible citizen.*

### School Board Members

Lynn L. Gray

April Griffin

Sally A. Harris

Tamara P. Shamburger

Melissa Snively

Cindy Stuart

Susan L. Valdes

### Superintendent of Schools

Jeff Eakins



**Hillsborough County**

**PUBLIC SCHOOLS**

Preparing Students for Life

# Message from the CFO

Dear Citizens and Taxpayers of Hillsborough County:

Business Services is pleased to present the Hillsborough County Public Schools’ Popular Annual Financial Report (PAFR) for the community. This report is an opportunity to present the district’s finances in a more condensed format. We hope this provides an understanding of the basic financial health and operations in our district.

The intention of this report is to summarize the financial activities and operating results reported in the Hillsborough County Public Schools’ audited Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by the district’s independent external auditors. The PAFR, however, is unaudited and presented on a non-GAAP basis. It does not include full disclosures or segregated funds. For more detailed information, the Comprehensive Annual Financial Report is available on the district’s website at: <http://www.sdhc.k12.fl.us/doc/list/accounting-services/documents-forms/11-49>.

If you have any questions regarding this report, please contact Stephanie Heaton (813) 272-4292, or write to: Accounting Manager, 901 E. Kennedy Blvd., Tampa, FL 33602.

Respectfully,

Gretchen Saunders, Chief Financial Officer

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## VISION

*Preparing students for life.*

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## MISSION

*To provide an education and the supports that enable each student to excel as a successful and responsible citizen.*

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# School Board Members



*From top left to right: Susan L. Valdes representing District 1, Sally Harris, Chair, representing District 2, Cindy Stuart, representing District 3, Melissa Snively representing District 4, Tamara Shamburger, Vice Chair, representing District 5, April Griffin representing District 6, Lynn Gray representing District 7.*

## Hillsborough County Public

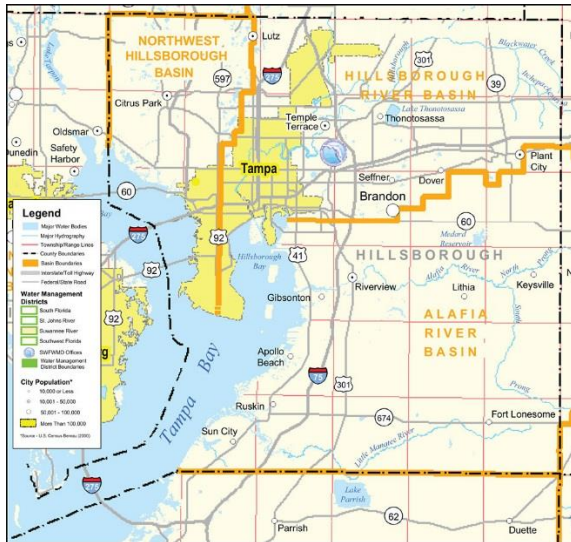
**Schools** is the eighth largest school district in the nation. The School Board is comprised of a seven-member board elected on staggered terms in a county wide election. The School Board is the policy making and legislative authority for the school district. It is responsible for the organization and control of the district's public schools, determining policy, adopting budget and other matters related to the effective operation and general improvement of the school system. The School Board appoints the Superintendent of Schools.

The Superintendent is the Chief Executive Officer and is responsible for enforcement of laws and ordinances, preparation and administration of the annual budget, provision of services, implementation of policies, and appointment of staff. Hillsborough County Public Schools embraces the diversity of its students and strives to achieve excellence in education through a rigorous hands-on curriculum taught by highly-effective educators.



# About Hillsborough County Public Schools

Hillsborough County Public Schools (HCPS) is the eighth largest school district in the nation. The county is so expansive or large, it covers 1,000 square miles.



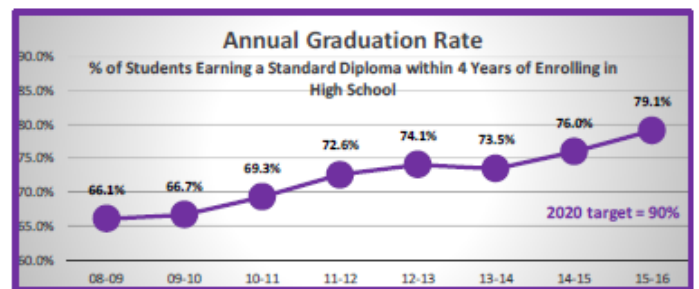
There are 144 elementary schools, 44 middle schools, 28 high schools, 9 specialty schools, and 19 other programs.

As of April 2017, we have 25,900 employees and a student population that totals 212,038.



The mission of our district is to provide an education and the supports that enable each student to excel as a successful and responsible citizen.

The targeted goal for every employee in our district is to help students achieve a graduation rate of 90% in the year 2020. This has become our culture and way of work.



# About Hillsborough County Public Schools



HCPS is more than just reading, writing and arithmetic. Education is about reviewing today's problems to empower tomorrow's solutions.

Overall, HCPS' graduation rate has increased up to 79.1%, up three percentage points from the previous year.

With a focus on college readiness, HCPS saved families more than \$15 million in college credits by offering Advanced Placement classes (\$5 million more than in 2015-2016).

In March 2017, 20 of our 33 magnet schools were recognized by the Magnet Schools of America as either a Magnet School of Excellence or a Magnet School of Distinction.

Twelve HCPS schools were ranked among the best in the state and nationally by U.S. News & World Report's 2017 list of best high schools. The rankings are based on performance on state assessments and how well they serve all students, not just those college bound.

HCPS schools were ranked among the top five large districts with the highest number of students who connected with College Board to enhance SAT scores.

HCPS joined a national network of partners with the overall goal of developing and training

100,000 excellent science, technology, engineering, and math (STEM) teachers by 2021. HCPS is the only school district in Florida, and one of only seven districts across the nation, chosen to participate. Our STEM program recently received national attention when our education director of STEM was invited to speak before the U.S. Senate on the success of our innovating curriculum, career pathways, and community partnerships.

Our school district was recognized as one of the best in the nation for music education by the National Association of Music Merchants. Only 4% of districts nationwide received this prestigious award in 2017.

We have 65 unique Career and Technical Education (CTE) programs within our high school sites. We also have 206 middle and high school CAPE (Career and Professional Education) Academies that prepare students today for the jobs of tomorrow.

Nearly 5,000 students earned industry certification in high demand fields and careers during the 2016-2017 school year making them more marketable to future employers.

# Financial Summary

## Government-wide Financial Information

The Government-wide financial statements include the Statement of Net Position and the Statement of Activities. This information is designed to provide readers with a long-term overview of the district's finances similar to the private sector. All governmental funds are consolidated and presented as Governmental Activities which are normally supported by taxes and intergovernmental revenues.

The Statement of Net Position (below) provides information on all of HCPS's assets and liabilities, with the difference between the two reported as net position or "net worth". Increases or decreases in the net position serves as an indicator of whether the financial position of the district is improving or declining. Component Unit (charter schools) information is not included in this financial summary.

STATEMENT OF NET POSITION	2017	2016
<b>Assets</b>		
Cash and investments	\$ 361,749,787	\$ 420,212,896
Other assets	103,963,314	57,883,320
Capital assets	2,272,759,582	2,294,400,784
<b>Total assets</b>	<b>2,738,472,683</b>	<b>2,772,497,000</b>
Deferred outflows of resources	726,226,398	380,678,768
<b>Total assets and deferred outflows of resources</b>	<b>3,464,699,081</b>	<b>3,153,175,768</b>
<b>Liabilities</b>		
Accounts payable	37,795,051	120,112,393
Other liabilities	60,803,415	-
Long-term liabilities	2,709,213,951	2,066,181,311
<b>Total liabilities</b>	<b>2,807,812,417</b>	<b>2,186,293,705</b>
Deferred inflows of resources	35,794,532	219,406,162
<b>Total liabilities and deferred inflows of resources</b>	<b>2,843,606,949</b>	<b>2,405,699,867</b>
Net investment of capital assets	1,323,826,049	1,334,058,551
Restricted	253,270,085	235,597,847
Unrestricted	(956,004,001)	(822,180,497)
<b>Total net position</b>	<b>\$ 621,092,132</b>	<b>\$ 747,475,901</b>

- Key financial highlights included assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$621,092,132 (net position).
- Of this amount, \$(956,004,001) represents a deficit unrestricted net position. This deficit balance was attributed to the effects of long term liabilities for pensions, other post employment benefits, and compensated absences.
- Decreases in the net position that are attributed to current year operations are primarily due to workforce related expenditures.
- The largest portion of the district's net position \$1,323,826,049, reflects its net investment in capital assets less any related debt and deferred outflows of resources used to acquire those assets that is still outstanding.

# Financial Summary

## Government-wide Financial Information

The Statement of Activities (below) provides information on all of HCPS's revenues and expenditures, with the difference between the two reported as net position or "net worth". Increases or decreases in the net position serves as an indicator of whether the financial position of the district is improving or declining. Component Unit (charter schools) information is not included in this financial summary.

STATEMENT OF ACTIVITIES	2017	2016
<b>Revenues</b>		
Charges for services	\$ 52,943,667	\$ 51,993,170
Operating grants and contributions	93,721,867	93,302,021
Capital grants and contributions	12,962,778	11,186,446
Property taxes, levied for operational purposes	453,097,176	446,798,976
Property taxes, levied for capital projects	125,707,135	116,622,968
Local sales taxes	30,717,925	29,660,622
Grants and contributions not restricted to specific programs	1,303,194,275	1,298,735,266
Investment earnings	3,567,657	3,621,747
Miscellaneous	79,301,524	82,027,095
<b>Total revenues</b>	<b><u>2,155,214,003</u></b>	<b><u>2,133,948,311</u></b>
<b>Expenses</b>		
Instructional services	1,294,842,156	1,205,857,776
Instructional support services	261,150,193	250,291,821
Pupil transportation services	71,438,578	67,078,396
Operation and maintenance of plant	149,629,991	142,255,430
Non-capitalizable facilities acquisition and construction	116,950,050	128,843,091
School administration	114,527,764	107,622,312
General administration	56,126,948	72,970,137
Food services	121,827,932	119,177,056
Community services and other	65,737,888	88,341,869
Interest on long term debt	29,140,739	34,731,965
Unallocated depreciation	225,534	228,165
<b>Total expenses</b>	<b><u>2,281,597,773</u></b>	<b><u>2,217,398,020</u></b>
Change in net position	(126,383,769)	(83,449,708)
Net position at the beginning of the year	747,475,901	830,925,609
Net position at the end of the year	<b><u>\$ 621,092,132</u></b>	<b><u>\$ 747,475,901</u></b>

- Key financial highlights included an increase in unrestricted grants and contributions of \$4,459,009 as a result of an increase in grants awarded to the district.
- Property tax revenue increased \$15,382,367 million during the year as a result of an increase in assessed values.
- For the most part, the increase in expenses was due to the increase in other post employment benefits, compensated absences.
- Decreases in the net position attributed to current year operations are primarily due to workforce related expenditures.



# Accounting and Reporting

## Accounting Terminology

**Net invested in capital assets** is the difference between the value of capital assets and the unpaid portion of debt that is financing those capital assets.

**Net Position** is the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources for the district as a whole.

**Restricted net position** is the amount of assets or resources limited for a specific purpose.

**Unrestricted net position** is the difference between assets and liabilities not already included in net investments in capital assets, and restricted net position.

**Government-wide** is the district as a whole.

**Governmental activities** is the district's basic services funded by property, sales tax, and the Florida Education Finance Program (FEFP).

**Deferred outflows of resources** are a consumption of net position that is applicable to a future reporting period.

**Deferred inflows of resources** are an acquisition of net position that is applicable to a future reporting period.

**Capital assets** are assets that the district intends to hold or continue to use over a long period of time.

**Appropriation** is setting aside of budget for specific use.

**Estimated Revenue** is setting aside budget for expected revenue.

**Fund** is a fiscal and accounting entity that are segregated for the purpose of carrying on a specific activity.

**Function** is a classification that indicates the overall purpose or object of an expenditure.

**Object** is an indication of the type of goods or services obtained as a result of the expenditure.

## Budget

Under state law, the district is required to prepare an annual budget. The budget is prepared by each governmental fund type prescribed by law and State Board of Education rules. Original budgets are submitted to the Florida Department of Education for approval.

The budget is prepared by fund, function, object, and department. Management may make budget transfers between departments and objects; however, the function level is the legal level of budgetary control and may only be amended by resolution of the Board. The original budget is amended monthly based upon transfers at the function level.

The initial board approved budget is referred to as the original budget. At fiscal year end, the final amended budget contains all of the adjustments for legally authorized revisions of the original budget throughout the year.

The district prepares a "budget to actual" comparison for School Board review on a monthly basis.

Budgets are prepared using the modified accrual basis, which is the method used to account for actual transactions in the governmental funds. In modified accrual, revenue is recorded in the period it becomes available and measureable whereas expenditures are recognized in the period the liability is incurred.

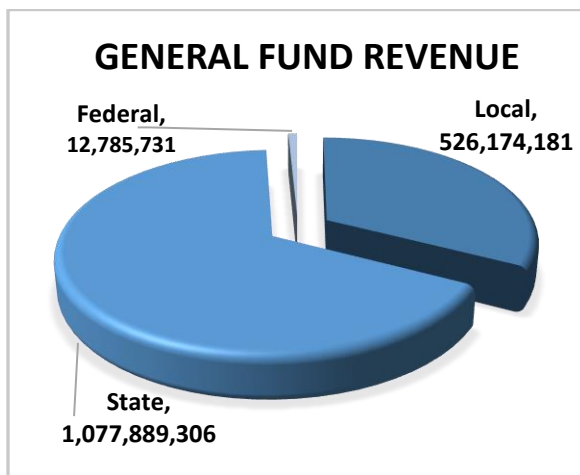


# Where The Money Comes From

## Sources of Revenue

Adequate resources are necessary in order to provide quality educational services. There are three types of revenue sources that sustain our school district: local, state, and federal dollars.

While the district utilizes other funds that are presented on the financial statements, most of the daily operations are in the General Fund. As such, it will be the primary focus of discussion.



## Local Sources

Local revenue sources made up 32% of General Fund revenues in fiscal year 2017; those revenues totaled \$526 million. The majority of those funds, \$453 million (86% of local sources) are from Hillsborough County property taxes.

## Understanding Property Tax

Owners of residential or business real estate pay taxes to fund services and agencies within the community -- education is just one of those services. Taxes are levied by the taxing authorities empowered by the State Legislature. The taxable valuation of real estate or personal property is established by the County Property Appraiser. The Florida Legislature sets the millage, or rate of taxation, for schools. Millage rate is the rate of taxes levied based on a mill (1/10 of a cent), or one dollar per one thousand dollars of taxable value.



## State Sources

State revenue sources made up 67% of General Fund revenues in fiscal year 2017; those revenues totaled \$1 billion. The majority of those funds, \$795 million (74% of state sources) are from the Florida Education Finance Program.

## Florida Education Finance Program (FEFP)

The FEFP is a funding formula that was adopted by the Florida Legislature in 1973 to allocate funds appropriated by the Legislature to school districts for K-12 public school operations. The FEFP implements the constitutional requirement for a uniform system of free public education. The funds are allocated using a unit of measurement for each student called a "full-time equivalent" or (FTE). In order to obtain the correct FEFP funding for each district in the State of Florida, the Commissioner of Education annually prescribes survey periods. For FTE reporting, the survey periods are:

- Survey Period 1 (July): Beginning of the fiscal year (July 1) to the beginning of the 180-day school year
- Survey Period 2 (October): First 90 days of the 180-day school year
- Survey Period 3 (February): Second 90 days of the 180-day school year
- Survey Period 4 (June): End of the 180-day school program to the end of the fiscal year (June 30)

# Where The Money Comes From

## Federal Sources

Federal revenue sources made up 1% of General Fund revenues in fiscal year 2017; those revenues totaled \$12 million. There are two types of federal sources: federal grants direct which made up \$3 million and federal grants through state which made up \$9 million.

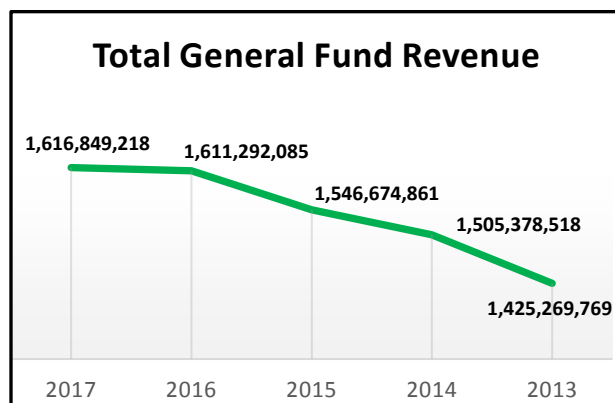
## Types of Federal Sources

The majority of federal revenue sources to the General Fund are Junior Reserve Officers' Training Corps (JROTC) and Medicaid revenue. The district has an agreement with the Department of Defense to contribute a percentage of salary for retired military personnel who are hired to teach JROTC at our high schools. Medicaid reimbursement is claimed for services provided to our Medicaid eligible students with Individualized Education Plans (IEPs).

## Total Revenues

Overall, the total amount of revenue from the three sources: local, state, and federal, totaled \$1,616,849,218 for the 2017 fiscal year.

Over the last five years, revenue was in a growth pattern. The increase in revenue from 2015 to 2016 was \$64,617,224. However, the revenue growth from 2016 to 2017 was only \$5,557,133.

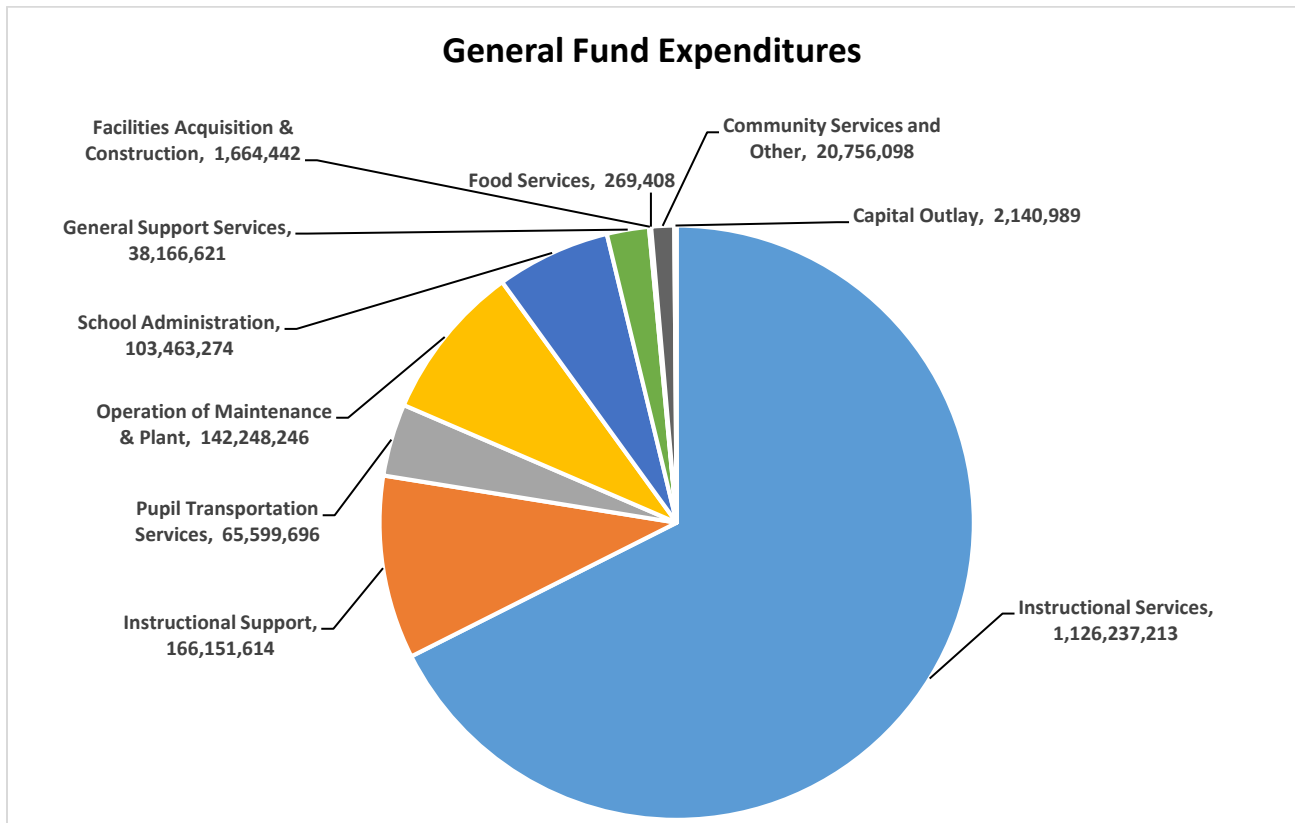


While local and federal revenue sources remained consistent, and there was a small increase in total state revenue source. This total was a result of a large decrease in categorical revenue and a small increase in FEFP. Categorical revenue is revenue that the state earmarks for specific uses. These dollars cannot be used for any other purpose. An example of this type of revenue would be funds for textbooks, transportation of students, and security.

The small increase in FEFP was aligned with enrollment. As the student enrollment increased, so did the state funding. However, the increase from fiscal year 2016 to 2017 was very small by comparison. The district enrollment increased by 2,623 students over the prior year. Of this increase, 1,632 students were enrolled in charter schools.



# How The Money is Spent



Instructional Services is the largest expenditure category. Students are directly impacted by this category, which relate to direct classroom instruction.

Instructional Support provides administrative, technical (guidance and health) and logistical support to facilitate and enhance instruction.

Pupil Transportation Services relates to the transporting of students to and from school activities, either between home and school, from school to school, or on trips for curricular activities.

Operation of Maintenance and Plant relate to maintenance, grounds, and custodial services of buildings and schools.

School Administration expenditures are due to activities concerned with directing and managing the operation of a school.

General Support Services are expenditures from activities performed by operating schools and the school system and providing the essential facilities and services for the pupils and staff.

Facilities Acquisition and Construction are expenditures from acquisition of land, building, remodeling, construction, initial installation, or improvements.

Food Services are expenditures resulting from preparing and servicing food to students.

Community Services and Other are expenditures from activities provided by the school system for the community as a whole.

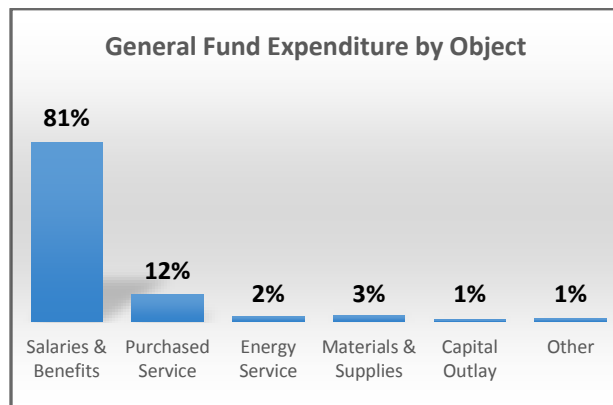
Capital Outlay expenditures are capital expenditures for the acquisition of fixed assets or additions to fixed assets.

# How The Money is Spent

## Expenditures by Object

While it is important to identify expenditures at the function level, or purpose, the object reveals the type of goods or services received.

The expenditures for the General Fund total \$1,666,697,598. Out of this amount: salaries and benefits are \$1,352,316,319 or 81%; purchased services are \$202,158,402 or 12%; energy services are \$36,824,204 or 2%; materials and supplies are \$42,922,482 or 3%; capital outlay are \$11,781,078 or 1%; and other types are \$20,695,115 or 1% of the total expenditures.



## Salaries and Benefits

In fiscal year 2017 employee compensation made up 81% of the district General Fund expenditures. HCPS had 15,466 certified teachers, 232 principals, 436 assistant principals, 326 district administrators, 9440 support personnel totaling 25,900 employees.

## Purchased Services

Dollars paid for personal services delivered by people who are not on the district payroll.

## Energy Services

Expenditures in this category are: natural gas, bottled gas, electricity, gasoline, and diesel fuel.

## Materials and Supplies

Expenditures in this object are for items that are expendable or consumable such as: supplies, vehicle repair parts, tires, oil, and grease.

## Capital Outlay

Expenditures for acquisition or improving capital assets including buildings, land, equipment, and motor vehicles.

## Other

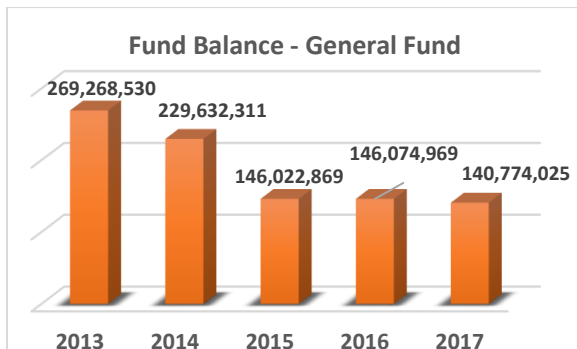
Items not previously classified: dues and fees, judgements and settlements, or temporary personnel.



# Fund Balance - General Fund

## Fund Balance

Fund balance is the net worth of a fund measured by assets minus liabilities. At the end of each fiscal year, the difference between revenue minus expenditures will affect fund balance. If revenue is higher, it will increase fund balance. If expenditures are higher, it will decrease fund balance. For example, when expenditures exceed revenue at the end of a fiscal year, cash (which is an asset) is reduced. This results in having less assets available for use.



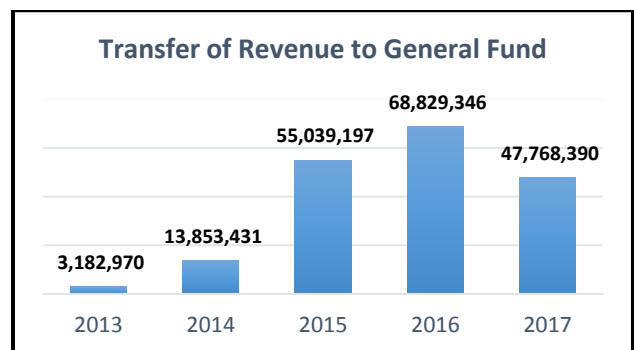
District expenditures have been exceeding the operating revenue year after year. The General Fund has been paying expenses that belong to other funds such as maintenance, repair, and improvements of school sites.

To offset these costs, there have been transfers of revenue from other funds. This form of non-operating revenue is called "Other Financing Sources (Uses)".



Even with these transfers, the fund balance has consistently declined over the years.

Transfers to the General Fund reduces the availability of monies from the fund it was transferred from. For example, revenue transferred to the General Fund from a Capital Fund would reduce the monies needed for capital projects. The Capital Fund will have less funding available to maintain, improve, or repair existing sites.

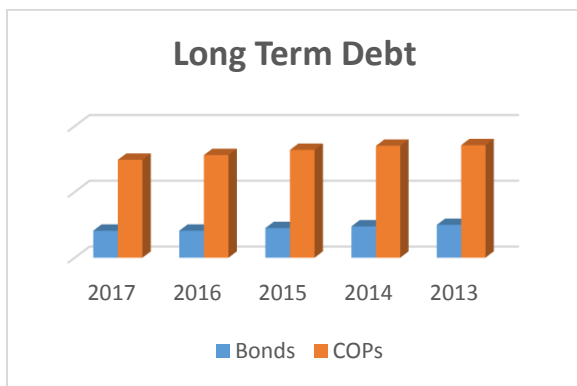


# Long Term Debt

## Long Term Debt

The district's borrowed and bonded debt has continually decreased over the last five years. There are two types of debt: Certificates of Participation (COPs) and Bonds.

	2017	2016	2015	2014	2013
<b>Bonds</b>	205,079,468	205,176,922	225,117,337	238,225,803	249,408,592
<b>COPs</b>	743,854,065	779,863,431	819,059,319	850,584,266	855,283,000
	948,933,533	985,040,353	1,044,176,656	1,088,810,069	1,104,691,592



## Certificates of Participation (COPs)

Certificates of Participation are a financing mechanism that allow a school district to finance property to be paid over time in the form of lease payments. The proceeds are used for construction and renovation of facilities. The funding source for this type of debt come from property taxes.

## Bonds

Bonds are similar to a mortgage on a home. The district sells bonds to investors who will pay principal and interest. The proceeds are used for the construction and renovation of facilities, acquisition of land, or the purchase of equipment.

There are three types of bonds: State School Bonds, District Revenue Bonds, and Sales Tax Revenue Bonds.

## State School Bonds

These bonds are issued by the State Board of Education on behalf of school districts. They are secured by a pledge of the district's portion of the state-assessed motor vehicle license tax. All principal and interest payments, along with any other compliance are administered by the State Board of Education.

## District Revenue Bonds

These type of bonds allow the district to pledge a portion of racetrack funds that accrue annually to Hillsborough County to pay down the debt associated with issuance.

## Sales Tax Revenue Bonds

These type of bonds are secured by a pledge of proceeds that come from property taxes or one-half cent millage assessed to property owners in Hillsborough County.

## Bond Ratings

The district has been given the following bond ratings on both types of debt:

	Sales Tax Rev. Bonds	Certificates of Participation
Moody's	A2	Aa2
Standard & Poors	A-	AA-
Fitch	A-	AA

## The ratings defined:

	Moody's	S&P	Fitch
Highest Quality	Aaa	AAA	AAA
High Quality	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium	A1	A+	A+
	A2	A	A
	A3	A-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

# Capital Assets



As assets age, the maintenance cost increases, buildings need new roofs, or air-conditioning systems need to be overhauled. Likewise, aging buses need constant repair. This includes minor parts such as belts, batteries, or tires to major parts such as engines or transmissions. While most of the funding for capital assets come from the Capital Funds, the General Fund does absorb some of the expenditures.



### What are capital assets?

All district owned property such as land, buildings, equipment, leasehold improvements, vehicles (including buses), and software make up the value of our capital assets. The total value of our capital assets was \$2,272,759,582 in fiscal year 2017.

### What we own

