STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2018-162
March 2018

HAMILTON COUNTY
DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2017

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Rex L. Mitchell served as Superintendent of the Hamilton County Schools from 11-22-16, Thomas P. Moffses Jr. served as Superintendent before that date, and the following individuals served as School Board Members:

	District No.
Cheryl McCall	1
Gary Godwin, Vice Chair from 11-22-16, Chair through 11-21-16	2
Saul Speights from 11-22-16	3
Jeanie Daniels through 11-21-16	3
Johnny Bullard, Chair from 11-22-16, Vice Chair through 11-21-16	4
Suezette Wiggins	5

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

The team leader was Joseph M. Holmes and the audit was supervised by Glenda K. Hart, CPA.

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

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HAMILTON COUNTY DISTRICT SCHOOL BOARD

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HAMILTON COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below.

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

Material Weakness and Material Noncompliance

Financial Statement Finding No. 2017-001: District controls over the budgetary and financial reporting processes were deficient. These deficient controls contributed to the District's General Fund total assigned and unassigned fund balance declining 136 percent from $672,874 to a deficit of $239,978, representing a fund balance reduction of $912,852. As a result, the District has fewer resources for emergencies and unforeseen situations.

We also noted a certain additional matter as summarized below.

Additional Matter

Finding AM 2017-001: The District did not obtain the required actuarial valuation of the District Other Postemployment Benefits (OPEB) Plan to support OPEB information reported in the District's annual financial report for the fiscal year ended June 30, 2017.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I and Teacher Incentive Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs; and

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2017. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 69 percent of the assets and 88 percent of the liabilities of the aggregate remaining fund information. Our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County District School Board, as of June 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES**

OF FEDERAL AWARDS, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hamilton County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2017. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal year are as follows:

- As of June 30, 2017, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by $39,804,388.
- In total, net position increased $16,509,203, which represents a 70.9 percent increase over the 2015-16 fiscal year.
- General revenues total $17,197,187, or 45.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $20,823,786, or 54.8 percent of all revenues.
- At the end of the current fiscal year, the total fund balance of the General Fund was $157,995, which is $854,136 less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances totaled a net deficit of $239,978.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance,

transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's net pension liability and its progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2017, compared to net position as of June 30, 2016:

Net Position, End of Year

	Governmental Activities	
	6-30-17	**6-30-16**
Current and Other Assets	$ 12,746,996.06	$ 3,015,377.24
Capital Assets	48,643,991.89	29,502,549.00
Total Assets	61,390,987.95	32,517,926.24
Deferred Outflows of Resources	3,984,406.00	1,709,325.00
Long-Term Liabilities	12,931,198.19	9,474,719.78
Other Liabilities	12,100,108.09	219,883.57
Total Liabilities	25,031,306.28	9,694,603.35
Deferred Inflows of Resources	539,700.00	1,237,463.00
Net Position:		
Net Investment in Capital Assets	44,307,662.62	27,841,014.15
Restricted	3,591,011.82	1,954,235.46
Unrestricted (Deficit)	(8,094,286.77)	(6,500,064.72)
Total Net Position	$ 39,804,387.67	$ 23,295,184.89

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing $1,141,926 in compensated absences payable, $76,917 in other postemployment benefit obligations, and $10,085,560 in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2017, and June 30, 2016, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-17	6-30-16
Program Revenues:		
Charges for Services	$ 129,355.19	$ 124,592.22
Operating Grants and Contributions	1,403,075.34	1,351,045.76
Capital Grants and Contributions	19,291,355.57	1,044,555.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,239,866.04	4,345,543.59
Property Taxes, Levied for Capital Projects	1,137,583.80	1,107,639.62
Grants and Contributions Not Restricted to Specific Programs	11,576,562.39	11,854,880.15
Unrestricted Investment Earnings	3,427.23	2,914.85
Miscellaneous	239,747.88	404,614.88
Total Revenues	38,020,973.44	20,235,786.10
Functions/Program Expenses:		
Instruction	7,797,847.10	7,587,068.36
Student Support Services	642,317.32	639,282.21
Instructional Media Services	175,975.49	181,946.72
Instruction and Curriculum Development Services	624,436.67	538,796.98
Instructional Staff Training Services	1,114,402.93	1,231,870.31
Instruction-Related Technology	245,030.00	368,083.29
Board	427,726.59	394,186.26
General Administration	463,792.73	404,323.65
School Administration	765,680.96	845,084.86
Facilities Acquisition and Construction	803,991.86	718,867.05
Fiscal Services	465,476.19	317,248.30
Food Services	1,460,716.83	1,472,328.17
Central Services	181,876.14	195,366.26
Student Transportation Services	1,760,121.85	1,598,116.67
Operation of Plant	1,749,061.36	1,629,665.13
Maintenance of Plant	696,266.57	754,739.91
Administrative Technology Services	244,537.07	174,876.69
Community Services	14,360.24	72,526.31
Unallocated Interest on Long-Term Debt	19,112.70	11,688.31
Unallocated Depreciation	1,842,784.59	932,308.71
Loss on Disposal of Capital Assets	16,255.47	2,196.00
Total Functions/Program Expenses	21,511,770.66	20,070,570.15
Change in Net Position	16,509,202.78	165,215.95
Net Position - Beginning	23,295,184.89	23,129,968.94
Net Position - Ending	$ 39,804,387.67	$ 23,295,184.89

The largest revenue source is the State of Florida (73.8 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. However, the largest source of State revenue for the current year was Special Public Education Capital Outlay (PECO) Facility Construction funding (67.6 percent) used to fund the building of the District's new K-6 Hamilton County Elementary School.

Capital grants and contributions revenue increased by $18,246,801. These revenues are received from the State and are for the acquisition, construction, and maintenance of educational facilities. The increase is directly related to the funding received for the new K-6 Hamilton County Elementary School, as described above.

Instruction expenses represent 36.2 percent of total governmental expenses in the 2016-17 fiscal year. Instruction expenses increased by $210,779, or 2.8 percent, from the previous fiscal year. Instruction expenses and salaries are expected to decrease in the next fiscal year due to cost-cutting measures implemented by management.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by $2,148,606 during the fiscal year to $646,888 at June 30, 2017. This was due to the decrease in the General Fund fund balance discussed in the next section as well as a decrease in the Capital Projects – Public Education Capital Outlay Fund fund balance due to the construction of the new K-6 Hamilton County Elementary School.

Major Governmental Funds

The General Fund is the District's chief operating fund. The total fund balance decreased by $854,136 during the fiscal year to $157,995 at June 30, 2017. Normally, unassigned fund balance is available for spending at the District's discretion. However, the District's unassigned fund balance decreased by $461,986 to a deficit of $267,238 primarily due to a reduction in FEFP funding. The District submitted a financial recovery plan to the State for the 2017-18 fiscal year and it was approved in May 2017. The recovery plan demonstrates the District's commitment to returning the District to a sound financial condition.

The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form ($5,388), (2) restricted for particular purposes ($392,584), or (3) assigned for particular purposes ($27,261).

The Special Revenue – Other Fund has total revenues and expenditures of $2,545,532 each and the funding was mainly used for instruction and instructional staff training. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of $437,831. These funds are restricted for the construction of the new K-6 Hamilton County Elementary School.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2016-17 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of $506,917, or 3.6 percent. At the same time, final appropriations are more than the original budgeted amounts by $726,181. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Final budgeted revenues, expenditures, and fund balance were in agreement with actual figures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017, is $48,643,992 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software. The total increase in capital assets for the current fiscal year was 64.9 percent due to the construction of the new K-6 Hamilton County Elementary School. At June 30, 2017, construction in progress consisted solely of work completed to date on this project.

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

Long-Term Debt

At June 30, 2017, the District has total long-term debt outstanding of $1,626,795, composed of $58,000 of bonds payable, $331,451 of installment-purchases payable, $83,236 of obligation under capital lease, and $1,154,108 of Special Public Education Capital Outlay Advance Payable. During the current fiscal year, retirement of debt was $365,884, which was largely offset by a new installment-purchase agreement.

Additional information on the District's long-term debt can be found in Notes II.H.1. through II.J.3. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The latest enrollment projections for the District indicate enrollment counts will remain largely the same in the 2017-18 fiscal year. The property tax base increased; however, the State largely offset this increase with a reduction in the local required effort millage rate.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Business Services, Hamilton County District School Board, 5683 US Highway 129 South, Suite 1, Jasper, Florida 32052.

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Hamilton County District School Board
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 3,329,405.18
Investments	1,379.65
Taxes Receivable	4,872.21
Accounts Receivable	28,024.79
Due from Other Agencies	9,352,651.44
Inventories	30,662.79
Nondepreciable Capital Assets	22,872,441.02
Depreciable Capital Assets, Net	25,771,550.87
TOTAL ASSETS	61,390,987.95
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	3,984,406.00
LIABILITIES	
Accrued Salaries and Benefits	24,955.35
Payroll Deductions and Withholdings	160,164.57
Accounts Payable	204,254.78
Construction Contracts Payable	1,825,805.61
Construction Contracts Payable - Retained Percentage	883,728.64
Due to Other Agencies	1,199.14
Revenue Anticipation Note	9,000,000.00
Long-Term Liabilities:	
Portion Due Within One Year	1,113,014.27
Portion Due After One Year	11,818,183.92
TOTAL LIABILITIES	25,031,306.28
DEFERRED INFLOWS OF RESOURCES	
Pensions	539,700.00
NET POSITION	
Net Investment in Capital Assets	44,307,662.62
Restricted for:	
State Required Carryover Programs	378,309.53
Debt Service	1,379.65
Capital Projects	3,166,718.75
Food Service	30,329.10
Other Purposes	14,274.79
Unrestricted	(8,094,286.77)
TOTAL NET POSITION	$ 39,804,387.67

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

Hamilton County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 7,797,847.10	$ 2,085.00	$ 25,623.04
Student Support Services	642,317.32	-	-
Instructional Media Services	175,975.49	-	-
Instruction and Curriculum Development Services	624,436.67	-	-
Instructional Staff Training Services	1,114,402.93	-	-
Instruction-Related Technology	245,030.00	-	-
Board	427,726.59	-	-
General Administration	463,792.73	-	-
School Administration	765,680.96	-	-
Facilities Acquisition and Construction	803,991.86	-	-
Fiscal Services	465,476.19	-	-
Food Services	1,460,716.83	93,466.43	1,377,452.30
Central Services	181,876.14	-	-
Student Transportation Services	1,760,121.85	33,803.76	-
Operation of Plant	1,749,061.36	-	-
Maintenance of Plant	696,266.57	-	-
Administrative Technology Services	244,537.07	-	-
Community Services	14,360.24	-	-
Unallocated Interest on Long-Term Debt	19,112.70	-	-
Unallocated Depreciation*	1,842,784.59	-	-
Loss on Disposal of Capital Assets	16,255.47	-	-
Total Governmental Activities	$ 21,511,770.66	$ 129,355.19	$ 1,403,075.34
General Revenues:			
Taxes:			
Property Taxes, Levied for Operational Purposes			
Property Taxes, Levied for Capital Projects			
Grants and Contributions Not Restricted to Specific Programs			
Unrestricted Investment Earnings			
Miscellaneous			
Total General Revenues			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

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

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
$ -	$ (7,770,139.06)
-	(642,317.32)
-	(175,975.49)
-	(624,436.67)
-	(1,114,402.93)
-	(245,030.00)
-	(427,726.59)
-	(463,792.73)
-	(765,680.96)
19,216,118.69	18,412,126.83
-	(465,476.19)
-	10,201.90
-	(181,876.14)
-	(1,726,318.09)
-	(1,749,061.36)
27,402.00	(668,864.57)
-	(244,537.07)
-	(14,360.24)
47,834.88	28,722.18
-	(1,842,784.59)
-	(16,255.47)
$ 19,291,355.57	(687,984.56)
	4,239,866.04
	1,137,583.80
	11,576,562.39
	3,427.23
	239,747.88
	17,197,187.34
	16,509,202.78
	23,295,184.89
	$ 39,804,387.67

Hamilton County District School Board
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	$ 164,343.89	$ -	$ 3,147,365.27
Investments	-	-	-
Taxes Receivable	3,896.43	-	-
Accounts Receivable	27,256.53	-	-
Due from Other Funds	274,458.04	-	-
Due from Other Agencies	28,119.82	298,380.16	9,000,000.00
Inventories	5,388.22	-	-
TOTAL ASSETS	$ 503,462.93	$ 298,380.16	$ 12,147,365.27
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 21,964.02	$ -	$ -
Payroll Deductions and Withholdings	160,164.57	-	-
Accounts Payable	163,339.62	34,535.63	-
Construction Contracts Payable	-	-	1,825,805.61
Construction Contracts Payable - Retained Percentage	-	-	883,728.64
Due to Other Funds	-	262,645.39	-
Due to Other Agencies	-	1,199.14	-
Revenue Anticipation Note	-	-	9,000,000.00
Total Liabilities	345,468.21	298,380.16	11,709,534.25
Fund Balances:			
Nonspendable:			
Inventories	5,388.22	-	-
Restricted for:			
State Required Carryover Programs	378,309.53	-	-
Debt Service	-	-	-
Capital Projects	-	-	437,831.02
Food Service	-	-	-
Other Purposes	14,274.79	-	-
Total Restricted Fund Balance	392,584.32	-	437,831.02
Assigned for:			
Purchases on Order	15,302.89	-	-
Board Approved Budget Items	11,957.64	-	-
Total Assigned Fund Balance	27,260.53	-	-
Unassigned Fund Balance	(267,238.35)	-	-
Total Fund Balances	157,994.72	-	437,831.02
TOTAL LIABILITIES AND FUND BALANCES	$ 503,462.93	$ 298,380.16	$ 12,147,365.27

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

Other Governmental Funds	Total Governmental Funds
$ 17,696.02	$ 3,329,405.18
1,379.65	1,379.65
975.78	4,872.21
768.26	28,024.79
-	274,458.04
26,151.46	9,352,651.44
25,274.57	30,662.79
$ 72,245.74	$ 13,021,454.10
$ 2,991.33	$ 24,955.35
-	160,164.57
6,379.53	204,254.78
-	1,825,805.61
-	883,728.64
11,812.65	274,458.04
-	1,199.14
-	9,000,000.00
21,183.51	12,374,566.13
25,274.57	30,662.79
-	378,309.53
1,379.65	1,379.65
19,353.48	457,184.50
5,054.53	5,054.53
-	14,274.79
25,787.66	856,203.00
-	15,302.89
-	11,957.64
-	27,260.53
-	(267,238.35)
51,062.23	646,887.97
$ 72,245.74	$ 13,021,454.10

Hamilton County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Fund Balances - Governmental Funds		$ 646,887.97
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		48,643,991.89
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Obligations Under Capital Lease	$ (83,236.05)	
Installment-Purchases Payable	(331,450.91)	
Bonds Payable	(58,000.00)	
Special Public Education Capital Outlay Advance Payable	(1,154,108.06)	
Compensated Absences Payable	(1,141,926.17)	
Net Pension Liability	(10,085,560.00)	
Other Postemployment Benefits Payable	(76,917.00)	(12,931,198.19)
The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	$ 3,984,406.00	
Deferred Inflows Related to Pensions	(539,700.00)	3,444,706.00
Net Position - Governmental Activities		$ 39,804,387.67

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

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Hamilton County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 25,623.04	$ -	$ -
Federal Through State and Local	221,289.56	2,545,532.46	-
State	8,798,113.70	-	19,156,096.00
Local:			
Property Taxes	4,239,866.04	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	255,591.95	-	-
Total Local Revenues	4,495,457.99	-	-
Total Revenues	13,540,484.29	2,545,532.46	19,156,096.00
Expenditures			
Current - Education:			
Instruction	6,658,444.32	875,256.83	-
Student Support Services	408,110.98	220,063.61	-
Instructional Media Services	172,100.82	-	-
Instruction and Curriculum Development Services	186,913.67	423,773.97	-
Instructional Staff Training Services	201,546.75	888,318.95	-
Instruction-Related Technology	236,739.86	2,895.00	-
Board	418,308.79	-	-
General Administration	338,666.70	114,914.12	-
School Administration	745,817.38	3,004.60	-
Facilities Acquisition and Construction	-	-	42,109.00
Fiscal Services	450,780.52	-	-
Food Services	1,368.13	-	-
Central Services	171,051.85	6,819.69	-
Student Transportation Services	1,498,720.81	3,435.47	-
Operation of Plant	1,710,512.49	4,484.22	-
Maintenance of Plant	680,935.98	-	-
Administrative Technology Services	239,152.79	-	-
Community Services	14,044.05	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	72,954.21	-	20,677,487.70
Other Capital Outlay	172,595.25	2,566.00	-
Debt Service:			
Principal	173,661.95	-	-
Interest and Fiscal Charges	1,185.19	-	59,918.77
Total Expenditures	14,553,612.49	2,545,532.46	20,779,515.47
Excess (Deficiency) of Revenues Over Expenditures	(1,013,128.20)	-	(1,623,419.47)
Other Financing Sources (Uses)			
Transfers In	125,264.75	-	633,954.42
Proceeds of Installment-Purchase Agreements	-	-	-
Loss Recoveries	33,727.80	-	-
Transfers Out	-	-	(14,707.00)
Total Other Financing Sources (Uses)	158,992.55	-	619,247.42
Net Change in Fund Balances	(854,135.65)	-	(1,004,172.05)
Fund Balances, Beginning	1,012,130.37	-	1,442,003.07
Fund Balances, Ending	$ 157,994.72	$ 0.00	$ 437,831.02

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

Other Governmental Funds	Total Governmental Funds
$ -	$ 25,623.04
1,349,463.30	4,116,285.32
103,612.81	28,057,822.51
1,137,583.80	5,377,449.84
93,466.43	93,466.43
1,370.79	256,962.74
1,232,421.02	5,727,879.01
2,685,497.13	37,927,609.88
-	7,533,701.15
-	628,174.59
-	172,100.82
-	610,687.64
-	1,089,865.70
-	239,634.86
-	418,308.79
-	453,580.82
-	748,821.98
685,580.89	727,689.89
-	450,780.52
1,421,837.97	1,423,206.10
-	177,871.54
-	1,502,156.28
-	1,714,996.71
-	680,935.98
-	239,152.79
-	14,044.05
269,563.29	21,020,005.20
34,931.18	210,092.43
192,222.12	365,884.07
17,927.51	79,031.47
2,622,062.96	40,500,723.38
63,434.17	(2,573,113.50)
-	759,219.17
390,780.00	390,780.00
-	33,727.80
(744,512.17)	(759,219.17)
(353,732.17)	424,507.80
(290,298.00)	(2,148,605.70)
341,360.23	2,795,493.67
$ 51,062.23	$ 646,887.97

Hamilton County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Governmental Funds		$ (2,148,605.70)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.		19,157,698.36
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(16,255.47)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases longterm liabilities in the statement of net position. Repayment of longterm debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.		
Capital Lease Principal Payments	$ 123,557.24	
Installment-Purchases Principal Payments	198,326.83	
Inception of Installment-Purchase Agreement	(390,780.00)	
Bond Principal Payments	44,000.00	(24,895.93)
Special facility construction advances provide current financial resources to the governmental funds, but increase long-term liabilities in the statement of net position.		59,635.76
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.		(100,568.24)
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year.		6,036.00
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		
FRS Pension Contribution	$ 602,333.00	
HIS Pension Contribution	164,103.00	
FRS Pension Expense	(890,396.00)	
HIS Pension Expense	(299,882.00)	(423,842.00)
Change in Net Position - Governmental Activities		$ 16,509,202.78

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

Hamilton County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 158,652.00
Accounts Receivable	260.00
TOTAL ASSETS	$ 158,912.00
LIABILITIES	
Accounts Payable	$ 5,624.00
Internal Accounts Payable	153,288.00
TOTAL LIABILITIES	$ 158,912.00

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Hamilton County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

B. Reporting Entity

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on these criteria, no component units are included within the District's reporting entity.

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. Separate financial statements are provided for governmental 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.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the proceeds of Special Facilities Construction Account appropriations to be used to construct the new K-6 Hamilton County Elementary School, and for the financial resources generated by Public Education Capital Outlay and Debt Service Trust Fund to be used for facilities maintenance.

Additionally, the District reports the following fiduciary fund type:

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between funds are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough

thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at year end to reflect year-end physical inventories.

4. Capital Assets

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

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

Description	Estimated Useful Lives
Improvements Other Than Buildings	40 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Property Under Capital Lease	10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2017.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the Annual Financial Report, authorized the assignment of fund balance. 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 year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based

upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

Pursuant to Section 1013.64, Florida Statutes, the District received special allocations in the 2015-16 and 2016-17 fiscal years for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following 3 fiscal years. During the 3-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

3. District Property Taxes

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

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

The Board adopted the 2016 tax levy on September 12, 2016. 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 Hamilton County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

The District's investments at June 30, 2017, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	39 Day Average	$ 3,123.56
Debt Service Accounts	6 Months	1,379.65
Total Investments		$ 4,503.21

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

Fair Value Measurement

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

measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investments in SBA debt service accounts are valued using Level 1 inputs.

Interest Rate Risk

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

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.

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, 2017, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the 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 registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed

by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The District's investment in Florida PRIME is rated AAAm by Standard & Poor's.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Reclassification (1)	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	$ 700,122.48	$ -	$ -	$ -	$ 700,122.48
Construction in Progress	1,164,413.34	-	21,007,905.20	-	22,172,318.54
Total Capital Assets Not Being Depreciated	1,864,535.82	-	21,007,905.20	-	22,872,441.02
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	2,435,945.88	-	-	-	2,435,945.88
Buildings and Fixed Equipment	33,157,445.65	-	12,100.00	-	33,169,545.65
Furniture, Fixtures, and Equipment	4,217,951.42	115,769.00	188,191.43	165,349.70	4,356,562.15
Motor Vehicles	3,809,718.17	-	-	30,131.00	3,779,587.17
Property Under Capital Lease	361,480.08	(115,769.00)	-	-	245,711.08
Audio Visual Materials and Computer Software	750,468.85	-	21,901.00	135,271.17	637,098.68
Total Capital Assets Being Depreciated	44,733,010.05	-	222,192.43	330,751.87	44,624,450.61
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	853,017.56	-	79,737.55	-	932,755.11
Buildings and Fixed Equipment	9,166,426.95	-	1,547,453.08	-	10,713,880.03
Furniture, Fixtures, and Equipment	3,719,763.77	34,730.64	179,303.52	152,107.33	3,781,690.60
Motor Vehicles	2,593,093.63	-	224,146.02	27,117.90	2,790,121.75
Property Under Capital Lease	39,366.23	(34,730.64)	32,929.79	-	37,565.38
Audio Visual Materials and Computer Software	723,328.73	-	8,829.31	135,271.17	596,886.87
Total Accumulated Depreciation	17,094,996.87	-	2,072,399.27	314,496.40	18,852,899.74
Total Capital Assets Being Depreciated, Net	27,638,013.18	-	(1,850,206.84)	16,255.47	25,771,550.87
Governmental Activities Capital Assets, Net	$ 29,502,549.00	$ 0.00	$ 19,157,698.36	$ 16,255.47	$ 48,643,991.89

Note: (1) Equipment and related depreciation no longer under capital lease at June 30, 2017, was reclassified to furniture, fixtures, and equipment.

The class of property under capital lease is presented in Note II.H.1.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Food Services	$ 5,468.66
Student Transportation Services	224,146.02
Unallocated	1,842,784.59
Total Depreciation Expense - Governmental Activities	$ 2,072,399.27

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled $1,190,278 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.

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

retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
DROP – Applicable to Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $602,333 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of $6,235,109 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.024693425 percent, which was a decrease of 0.001672508 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of $890,396. In addition, 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	$ 477,408	$ 58,053
Change of assumptions	377,205	-
Net difference between projected and actual earnings on FRS pension plan investments	1,611,700	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	280,096
District FRS contributions subsequent to the measurement date	602,333	-
Total	$ 3,068,646	$ 338,149

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $602,333, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. 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
2018	$ 271,399
2019	271,399
2020	899,739
2021	610,595
2022	58,719
Thereafter	16,313
Total	$ 2,128,164

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 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, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.6 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2016 valuation was updated from 7.65 percent to 7.6 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 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 (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
District's proportionate share of the net pension liability	$ 11,479,258	$ 6,235,109	$ 1,870,048

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the

event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $164,103 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of $3,850,451 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.033038073 percent, which was an increase of 0.000843303 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of $299,882. In addition, 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	$ -	$ 8,770
Change of assumptions	604,234	-
Net difference between projected and actual earnings on HIS pension plan investments	1,947	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	145,476	192,781
District contributions subsequent to the measurement date	164,103	-
Total	$ 915,760	$ 201,551

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $164,103, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. 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
2018	$ 86,937
2019	86,937
2020	86,566
2021	86,388
2022	108,757
Thereafter	94,521
Total	$ 550,106

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	2.85 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2016 valuation was updated from 3.8 percent to 2.85 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 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 (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension liability	$ 4,417,342	$ 3,850,451	$ 3,379,962

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

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

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

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a

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

The District's Investment Plan pension expense totaled $134,498.62 for the fiscal year ended June 30, 2017.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. 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 and prescription drug 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 retiree healthcare costs are generally greater than active employee healthcare costs. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to Board approval each year. Under this retirement incentive, retirees receive $50 per month rate subsidy until the retiree reaches age 65. 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.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended by the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 35 retirees received other postemployment benefits. The District provided required contributions of $135,499 toward the annual OPEB cost, net of retiree contributions totaling $192,129, which represents 1.9 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for 1 year)	$ 35,370
Amortization of Unfunded Actuarial Accrued Liability	98,534
Interest on Normal Cost and Amortization	1,545
Annual Required Contribution	135,449
Interest on Net OPEB Obligation	3,115
Adjustment to Annual Required Contribution	(9,151)
Annual OPEB Cost (Expense)	129,413
Contribution Toward the OPEB Cost	(135,449)
Decrease in Net OPEB Obligation	(6,036)
Net OPEB Obligation, Beginning of Year	82,953
Net OPEB Obligation, End of Year	$ 76,917

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014-15	$ 126,528	104.5%	$ 88,989
2015-16	129,413	104.7%	82,953
2016-17	129,413	104.7%	76,917

Funded Status and Funding Progress. As of March 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $1,054,161, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,054,161 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $10,089,373, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.4 percent.

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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical

pattern of sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of March 1, 2015, used the projected unit credit cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 6.5 percent initially beginning March 1, 2015, reduced gradually over 70 years to an ultimate rate of 4.6 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis with an amortization period of 10.2927 years.

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at June 30, 2017:

Project	Contract Amount	Completed to Date	Balance Committed
Hamilton County Elementary School	$ 23,773,708.85	$ 22,172,318.54	$ 1,601,390.31

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

The following is a schedule of encumbrances at June 30, 2017:

Major Funds				
General	Special Revenue - Other	Capital Projects - Public Education Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
$ 15,302.89	$ 115,046.54	$ 1,601,390.31	$ 14,728.29	$ 1,746,468.03

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the North East Florida Educational Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to

enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

Employee 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 3 fiscal years.

H. Lease Obligations

1. Obligation Under Capital Lease

The class and amounts of property being acquired under capital lease is as follows:

	Asset Balance
Phone System	$ 245,711

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2018	$ 86,028.43	$ 83,236.05	$ 2,792.38

The stated interest rate is 3.304 percent.

2. Installment-Purchases Payable

Computer equipment with purchase prices of $214,133.97 and $390,780 was acquired under installment-purchase agreements. Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2018	$ 206,963.66	$ 200,799.34	$ 6,164.32
2019	131,827.43	130,651.57	1,175.86
Total	$ 338,791.09	$ 331,450.91	$ 7,340.18

The stated interest rate is 5.23 percent and 0.9 percent, respectively.

I. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Revenue Anticipation Note	$ 0	$ 9,000,000	$ 0	$ 9,000,000

Proceeds from the revenue anticipation note were used to fund construction expenses until receipt of the 2017-18 fiscal year Public Education Capital Outlay Special Facilities funding.

J. Long-Term Liabilities

1. Special Public Education Capital Outlay Advance Payable

The liability at June 30, 2017, of $1,154,108.06 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2018-19 fiscal year.

2. Bonds Payable

Bonds payable at June 30, 2017, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2014B, Refunding	$ 58,000	2 - 5	2020

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2018	$ 49,720	$ 47,000	$ 2,720
2019	5,370	5,000	370
2020	6,120	6,000	120
Total State School Bonds	$ 61,210	$ 58,000	$ 3,210

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Obligation Under Capital Lease	$ 206,793.29	$ -	$ 123,557.24	$ 83,236.05	$ 83,236.05
Installment-Purchases Payable	138,997.74	390,780.00	198,326.83	331,450.91	200,799.34
Bonds Payable	102,000.00	-	44,000.00	58,000.00	47,000.00
Special Public Education Capital Outlay Advance Payable	1,213,743.82	-	59,635.76	1,154,108.06	577,054.03
Compensated Absences Payable	1,041,357.93	185,540.12	84,971.88	1,141,926.17	93,917.72
Net Pension Liability	6,688,874.00	4,667,331.00	1,270,645.00	10,085,560.00	111,007.13
Other Postemployment Benefits Payable	82,953.00	129,413.00	135,449.00	76,917.00	-
Total Governmental Activities	$ 9,474,719.78	$ 5,373,064.12	$ 1,916,585.71	$ 12,931,198.19	$ 1,113,014.27

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. Due to the nature of the liabilities, there are no amounts due in one year for other postemployment benefits.

K. Fund Balance Reporting

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

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

L. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 274,458.04	$ -
Special Revenue:		
Other	-	262,645.39
Nonmajor Governmental	-	11,812.65
Total	$ 274,458.04	$ 274,458.04

The interfund receivable and payables represent a temporary loan to cover an anticipated deficit cash balance in the pooled accounts. These amounts are expected to be repaid within 1 year.

M. Revenues and Expenditures

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2016-17 fiscal year:

Source	Amount
Gross Receipts Tax (Public Education Capital Outlay)	$ 19,156,096.00
Florida Education Finance Program	6,539,522.00
Categorical Educational Program - Class Size Reduction	1,678,867.00
Voluntary Prekindergarten Program	135,174.27
Motor Vehicle License Tax (Capital Outlay and Debt Service)	76,756.34
Workforce Development Program	71,046.00
Miscellaneous	400,360.90
Total	$ 28,057,822.51

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2016-17 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.588	$ 3,575,402.14
Basic Discretionary Local Effort	0.748	582,911.83
Voted School Tax:		
Additional Operating	0.250	194,823.47
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,168,942.18
Total	7.086	$ 5,522,079.62

N. Interfund Transfers

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

	Interfund	
Funds	**Transfers In**	**Transfers Out**
Major:		
General	$125,264.75	$ -
Capital Projects:		
Public Education Capital Outlay	633,954.42	14,707.00
Nonmajor Governmental	-	744,512.17
Total	$759,219.17	$759,219.17

Interfund transfers were to move restricted capital outlay revenues to offset eligible property insurance premium expenditures made in the General Fund and to move District required capital outlay funding for the Special Facilities Construction Account funding.

III. SUBSEQUENT EVENTS

The Board authorized the issuance of a tax anticipation note (Note) in the amount of $1,600,000. The proceeds will be used for operating expenses for the fiscal year ending June 30, 2018. The closing of the Note took place on October 20, 2017, and the Note was to mature on February 1, 2018. The stated interest rate is 3 percent.

The Board authorized the issuance of Capital Improvement Revenue Certificate, Series 2017, in the amount of $800,000. The proceeds will be used for expenses related to capital improvement projects for the fiscal year ending June 30, 2018. The issuance of the certificate took place on October 20, 2017, and the certificate is to mature on November 1, 2027. The stated interest rate is 4.5 percent.

Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 25,000.00	$ 107,592.30	$ 25,623.04	$ (81,969.26)
Federal Through State and Local	120,000.00	139,320.30	221,289.56	81,969.26
State	9,631,719.00	8,798,113.70	8,798,113.70	-
Local:				
Property Taxes	4,112,682.00	4,239,866.04	4,239,866.04	-
Miscellaneous	158,000.00	255,591.95	255,591.95	-
Total Local Revenues	4,270,682.00	4,495,457.99	4,495,457.99	-
Total Revenues	14,047,401.00	13,540,484.29	13,540,484.29	-
Expenditures				
Current - Education:				
Instruction	6,594,175.52	6,658,444.32	6,658,444.32	-
Student Support Services	430,976.33	408,110.98	408,110.98	-
Instructional Media Services	159,986.57	172,100.82	172,100.82	-
Instruction and Curriculum Development Services	139,999.38	186,913.67	186,913.67	-
Instructional Staff Training Services	242,231.64	201,546.75	201,546.75	-
Instruction-Related Technology	569,790.17	236,739.86	236,739.86	-
Board	373,211.78	418,308.79	418,308.79	-
General Administration	357,186.67	338,666.70	338,666.70	-
School Administration	701,516.32	745,817.38	745,817.38	-
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	373,579.71	450,780.52	450,780.52	-
Food Services	-	1,368.13	1,368.13	-
Central Services	192,083.12	171,051.85	171,051.85	-
Student Transportation Services	1,395,804.58	1,498,720.81	1,498,720.81	-
Operation of Plant	1,651,033.22	1,710,512.49	1,710,512.49	-
Maintenance of Plant	360,076.13	680,935.98	680,935.98	-
Administrative Technology Services	242,757.81	239,152.79	239,152.79	-
Community Services	-	14,044.05	14,044.05	-
Fixed Capital Outlay:				-
Facilities Acquisition and Construction	-	72,954.21	72,954.21	-
Other Capital Outlay	43,022.93	172,595.25	172,595.25	-
Debt Service:				-
Principal	-	173,661.95	173,661.95	-
Interest and Fiscal Charges	-	1,185.19	1,185.19	-
Total Expenditures	13,827,431.88	14,553,612.49	14,553,612.49	-
Excess (Deficiency) of Revenues Over Expenditures	219,969.12	(1,013,128.20)	(1,013,128.20)	-
Other Financing Sources				
Transfers In	150,000.00	125,264.75	125,264.75	-
Loss Recoveries	-	33,727.80	33,727.80	-
Total Other Financing Sources	150,000.00	158,992.55	158,992.55	-
Net Change in Fund Balances	369,969.12	(854,135.65)	(854,135.65)	-
Fund Balances, Beginning	190,138.12	1,012,130.37	1,012,130.37	-
Fund Balances, Ending	$ 560,107.24	$ 157,994.72	$ 157,994.72	$ 0.00

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ -	$ -	$ -
-	2,545,532.46	2,545,532.46	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	2,545,532.46	2,545,532.46	-
-	875,256.83	875,256.83	-
-	220,063.61	220,063.61	-
-	-	-	-
-	423,773.97	423,773.97	-
-	888,318.95	888,318.95	-
-	2,895.00	2,895.00	-
-	-	-	-
-	114,914.12	114,914.12	-
-	3,004.60	3,004.60	-
-	-	-	-
-	-	-	-
-	-	-	-
-	6,819.69	6,819.69	-
-	3,435.47	3,435.47	-
-	4,484.22	4,484.22	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	2,566.00	2,566.00	-
-	-	-	-
-	-	-	-
-	2,545,532.46	2,545,532.46	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

Schedule of Funding Progress –
Other Postemployment Benefits Plan

Actuarial Valuation Date (2)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
03/01/09	$ -	$ 1,937,109	$ 1,937,109	0.0%	$ 6,793,522	28.5%
03/01/15	-	1,054,161	1,054,161	0.0%	10,089,373	10.4%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit cost actuarial method to estimate the actuarial accrued liability.
(2) The District did not obtain an actuarial valuation to support the other postemployment benefits liability at June 30, 2012, June 30, 2013, June 30, 2014, and June 30, 2017.

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

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.024693425%	0.026365933%	0.026515981%	0.027240606%
District's proportionate share of the FRS net pension liability	$ 6,235,109	$ 3,405,514	$ 1,617,865	$ 4,689,321
District's covered payroll	$ 10,202,640	$ 9,772,145	$ 9,212,710	$ 10,110,731
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	61.11%	34.85%	17.56%	46.38%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

	2017	2016	2015	2014
Contractually required FRS contribution	$ 602,333	$ 602,189	$ 642,824	$ 580,812
FRS contributions in relation to the contractually required contribution	(602,333)	(602,189)	(642,824)	(580,812)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 9,899,674	$ 10,202,640	$ 9,772,145	$ 9,212,710
FRS contributions as a percentage of covered payroll	6.08%	5.90%	6.58%	6.30%

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

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

	2016	2015	2014	2013
District's proportion of the HIS net pension liability	0.033038073%	0.032194770%	0.031007513%	0.034803415%
District's proportionate share of the HIS net pension liability	$ 3,850,451	$ 3,283,360	$ 2,899,278	$ 3,030,095
District's covered payroll	$ 10,202,640	$ 9,772,145	$ 9,212,710	$ 10,110,731
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.74%	33.60%	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

	2017	2016	2015	2014
Contractually required HIS contribution	$ 164,103	$ 169,341	$ 123,068	$ 106,221
HIS contributions in relation to the contractually required contribution	(164,103)	(169,341)	(123,068)	(106,221)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 9,899,674	$ 10,202,640	$ 9,772,145	$ 9,212,710
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State 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.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The March 1, 2009, unfunded actuarial accrued liability of $1,937,109 was significantly higher than the March 1, 2015, liability of $1,054,161 as a result of benefit and other changes as discussed below:

- Termination and retirement assumptions have been updated to those used in the Florida Retirement System Actuarial Valuation as of July 1, 2014.
- The payroll growth rate was reduced from 4 percent to 3 percent and the discount rate was reduced from 4 percent to 3.5 percent.
- The percentage of employees assumed to elect medical coverage upon retirement was reduced from 50 percent to 35 percent based on professional judgement and the level of benefits offered by the plan.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.6 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 3.8 percent to 2.85 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Hamilton County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	$ -	$ 523,194.72
National School Lunch Program	10.555	17001, 17003	-	769,452.48
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007	-	39,102.21
Total Child Nutrition Cluster			-	1,331,749.41
Special Education Cluster:				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	91,500.00	1,113,102.32
Special Education - Preschool Grants	84.173	266, 267	-	129,271.42
Total Special Education Cluster			91,500.00	1,242,373.74
Not Clustered				
United States Department of Agriculture:				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4931	-	17,713.89
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	25,623.04
			-	
United States Department of Education:				
Teacher Incentive Fund	84.374	N/A	-	308,616.07
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	-	20,549.11
Title I Grants to Local Educational Agencies	84.010	212, 226	-	748,912.61
Career and Technical Education - Basic Grants to States	84.048	161	-	50,306.41
Education for Homeless Children and Youth	84.196	127	-	39,822.01
Rural Education	84.358	110	-	21,734.82
English Language Acquisition State Grants	84.365	102	-	23,551.20
Improving Teacher Quality State Grants	84.367	224	-	89,666.49
Total United States Department of Education			-	1,303,158.72
United States Department of Health and Human Services:				
University of South Florida:				
Temporary Assistance for Needy Families	93.558	None	-	80,000.00
Total Expenditures of Federal Awards			$ 91,500.00	$ 4,000,618.80

The accompanying notes are an integral part of this schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Hamilton County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

(2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(4) Noncash Assistance for National School Lunch Program. Includes $74,510.30 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2017-001.

We also noted an additional matter finding on pages 67 and 68.

District's Responses to Findings

The District's response to the financial statement finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Financial Statement Finding No. 2017-001 and in the **CORRECTIVE ACTION PLAN**. The District's response to the additional matter finding identified in our audit is described on page 68 in Finding AM 2017-001. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2018

AUDITOR GENERAL
STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Hamilton County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2017. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	

CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.374	Teacher Incentive Fund

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDING

MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Financial Condition

Finding Number	**2017-001**
Opinion Unit(s)	Major Fund: General Fund
Financial Statements Account Title(s)	Fund Balance: Assigned and Unassigned
Fund Name(s)	General Fund
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable

Finding

District controls over the budgetary and financial reporting processes were deficient. These deficient controls contributed to the District's General Fund total assigned and unassigned fund balance declining 136 percent from $672,874 to a deficit of $239,978, representing a fund balance reduction of $912,852. As a result, the District has fewer resources for emergencies and unforeseen situations.

Criteria

Sections 1011.02, 1011.03, and 1011.05, Florida Statutes, prescribe elements of the District's budgetary process and provide that the official budget shall not be altered, amended, or exceeded except as authorized.

Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted per functions, if the Board approves the expenditures and amends the budget within the timelines established by the policies.

State Board of Education (SBE) Rule 6A-1.007, Florida Administrative Code (FAC), requires the Superintendent and Board to take whatever action is necessary during the fiscal year to keep expenditures and obligations within the budgeted income.

SBE Rule 6A-1.008, FAC, requires the Superintendent to submit to the Board, at least monthly, financial statements (financial reports) for Board use and consideration in a form prescribed by the Board. These reports and other relevant financial information are necessary for the Board to effectively monitor the District's financial condition.

Board Policy 7.07, *Accounting and Control Procedures*, requires District personnel to present monthly financial reports to the Board that identify cumulative-to-date receipts and expenditures, but does not require other essential information to help the Board understand the District's financial condition. For example, a comparison of budget to actual cumulative-to-date expenditures by function and object and ending fund balance amounts were not required in the monthly financial reports. Useful information for managing financial resources would also ensure the composition of fund balances, such as unassigned and available for spending and restricted and unavailable for spending, is included in the financial reports.

An established budget process consists of activities that encompass the development, implementation, and evaluation of a plan to allocate scarce available resources for the provision of services, capital assets, and to meet financial obligations. The budget process should provide for appropriate approvals and incorporate a mechanism for adjusting or amending the budget during the budget period should unforeseen events require changes to the original budget plan. Procedures for properly monitoring the budget and for

making adjustments to meet changing financial circumstances are necessary to mitigate the risk that expenditures may exceed available resources.

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriations by the Board, while the total remaining fund balance (i.e., assigned and unassigned fund balance accounts) is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions of fund balance represent the amount that may be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires the District to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's total ending fund balance classified as assigned and unassigned fund balance in the District's approved operating budget as a percentage of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE). Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency.

Section 218.503(1), Florida Statutes, provides that district school boards shall be subject to review and oversight by the Commissioner of Education and Section 218.503(3), Florida Statutes, provides for the Commissioner to determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition. If State assistance is needed, the district school board is considered to be in a state of financial emergency.

Condition

Our examination of District records supporting the District budgetary process for the 2016-17 fiscal year disclosed that the original budget was prepared and approved in accordance with applicable laws and rules. However, we noted that budget amendments did not always provide for effective monitoring and control of the District budget. For example, the December 31, 2016, budget amendment presented for Board approval on February 13, 2017, projected a $97,378 deficit ending fund balance in the General Fund at June 30, 2017. Notwithstanding, the Board meeting minutes did not indicate any discussions of the projected deficit and the Board approved the budget amendment as presented without any official actions to remedy the anticipated deficit.

Our examination of District records for the 2016-17 fiscal year also indicated that the District presented monthly financial reports to the Board; however, the reports presented through April 2017 did not include required and essential information. Contrary to Board Policy 7.07, *Accounting and Control Procedures*, the monthly financial reports did not include cumulative-to-date receipts. In addition, essential information, such as a comparison of budgeted to actual cumulative-to-date expenditures by function and object and ending fund balance amounts to facilitate a comparison to the Board-approved budget was not presented. Further, at the March 13, 2017, Board meeting, the January 2017 monthly financial report was presented to the Board with comments from District personnel indicating "all was going well and right on target."

During the 2016-17 fiscal year, the District experienced a decline in its financial condition as the General Fund total assigned and unassigned fund balance decreased by $912,852 (136 percent) from $672,874 to a deficit of $239,978. District control deficiencies, such as insufficient budgetary controls and financial monitoring, may have contributed to the significant fund balance decrease. The

following table presents a summary of the General Fund financial condition ratios for the past 3 fiscal years.

General Fund Financial Condition Ratios

For the Fiscal Years Ended June 30, 2015, 2016, and 2017

Fiscal Year Ended June 30	Total Assigned and Unassigned Fund Balance (A)	Total General Fund Revenues (B)	Financial Condition Ratio (A)/(B)
2015	$ 765,240	$13,720,157	5.58%
2016	$ 672,874	$14,307,994	4.70%
2017	$(239,978)	$13,540,484	-1.77%

In a letter dated April 28, 2017, the Superintendent notified the Board and the FDOE that the financial condition ratio could possibly fall to 0 percent or less at June 30, 2017. Along with the notifications, the Superintendent submitted a Fiscal Recovery Plan for the 2016-17 and 2017-18 fiscal years. However, the Superintendent did not promptly submit the notifications as the submissions were not made until 4 months after the December 2016 budget amendment projected the financial condition ratio would fall below 2 percent.

On May 12, 2017, the Commissioner of Education approved the District's Fiscal Recovery Plan, which was reasonably anticipated to avoid a financial emergency pursuant to Section 218.503, Florida Statutes. As part of the District's Fiscal Recovery Plan for the 2017-18 fiscal year, the District projected a financial condition ratio of 3.4 percent at June 30, 2018, due to various cost savings measures such as:

- The consolidation of three elementary schools into one school, resulting in the elimination of 13 employee positions.
- The elimination of 6 middle/high school employee positions.
- The consolidation of responsibilities to eliminate 7 District-level positions.

Cause

District management did not have effective budgetary monitoring and financial reporting procedures before May 2017. After April 2017, District personnel revised District budgetary and financial reporting formats to include Board-required information and implemented spending and hiring freezes to help mitigate the financial shortfall for the 2016-17 fiscal year. District personnel indicated that the decline in the General Fund assigned and unassigned fund balance was because enrollment was overestimated by 105 students, which reduced State funding. The overestimate was associated with the closure of a special needs school and a Florida Department of Juvenile Justice facility that did not open. Another factor that caused reduced State funding was District noncompliance cited in enrollment audit findings.

Effect

Contrary to Section 1011.051, Florida Statutes, the Superintendent did not submit the financial condition notifications to the Board and FDOE until 4 months after the District became aware that the projected financial condition ratio would fall below 2 percent. Absent sufficiently detailed monthly financial reports, the Board did not have all the required and essential information to effectively monitor the District's financial condition. In addition, when the financial condition ratio of the General Fund falls below 3 percent, the District has fewer resources available for emergencies and unforeseen situations than other school districts of comparable size. Failure to timely identify and reverse the decline of the District's financial condition could culminate in the District's inability to meet current fiscal obligations.

District Response

District administration previously failed to properly account for its General Fund resources which resulted in a detriment to the District's financial condition. Specifically, adjustments to the budget and expenditures were not timely made to account for reductions in funding and excessive spending primarily in the maintenance, operation of plant, and transportation functions.

The District has implemented controls over the budgeting and financial monitoring process to ensure appropriations do not exceed estimated receipts and fund balances, the Board is made sufficiently aware of the District's current and projected financial condition, and that necessary budget adjustments and notifications may be timely made. Also, Districtwide cost saving measures have been employed to improve the General Fund financial outlook and bring the financial condition ratio into compliance with applicable rules and regulations.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

ADDITIONAL MATTER

OTHER POSTEMPLOYMENT BENEFITS REPORTING

Finding Number	**AM 2017-001**
Opinion Unit(s)	Government-Wide Statements
Financial Statements Account Title(s)	Other Postemployment Benefits Payable
Fund Name(s)	Not Applicable
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding(s)	Not Applicable

Finding

The District did not obtain the required actuarial valuation of the District Other Postemployment Benefits (OPEB) Plan to support OPEB information reported in the District's annual financial report (AFR) for the fiscal year ended June 30, 2017.

Criteria

Generally accepted accounting principles (GAAP) require the District to report an OPEB liability for District coverage of retired employees who continue to receive health benefits offered by the District, and note disclosures and required supplementary information to describe the OPEB plan, funding status and progress, and actuarial methods and assumptions. GAAP further require that the District obtain an actuarial valuation of the District OPEB plan at least biennially since the plan included up to 207 plan members, which exceeded the 200-member minimum required for a biennial actuarial study.

In addition, according to GAAP, certain Actuarial Standards of Practice (ASOP) must guide preparation of the actuarial study. For example, Section 3.1.2 of the Introduction to the ASOP provides that actuarial standards should be used by actuaries who have the necessary education and experience to understand and apply them, and other individuals should consider obtaining the advice of a qualified actuary before making use of or otherwise relying upon ASOP.

Condition

On the District AFR at June 30, 2017, the District reported an OPEB Payable of $76,917 and related note disclosures. However, the District did not obtain the required biennial actuarial valuation to support the payable and disclosures, but

	instead elected to report the same OPEB information that was reported in the AFR for the fiscal year ended June 30, 2016.
Cause	In response to our inquiry, District personnel indicated that, because of changes in key personnel, the District neglected to notify the Board to contract for and obtain the required actuarial valuation.
Effect	District personnel indicated that, without the actuarial valuation, the District saved approximately $9,000 in actuarial service costs and the OPEB information reported was not quantitatively material as of June 30, 2017. Notwithstanding, there is an increased need for the District to obtain the required biennial actuarial valuation as the OPEB liability amount increases in future years due to its cumulative nature.
Recommendation	The District should timely notify the Board to contract for and obtain the required actuarial valuation of the District OPEB plan to support the OPEB information required to be reported in the District AFR.
District Response	The District acknowledges it needs an OPEB report completed in order to properly account for the OPEB liability in its financial statements and meet the requirements set forth by applicable governmental accounting standards. An actuary report was not obtained during the 2016-17 fiscal year as required due to turnover in key personnel and the cost savings integral to improving the District's financial condition. The District plans to obtain a report as required during and for the 2017-18 fiscal year.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Hamilton County School District
Superintendent of Schools
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Jasper, Florida 32052
Phone: 386.792.1228 – Fax: 386.792.3681

Rex L. Mitchell, Superintendent

School Board Members
Cheryl McCall – District 1
Gary Godwin – District 2
Saul Speights – District 3
Johnny Bullard – District 4
Suezette Wiggins – District 5

March 21, 2018

Hamilton County District School Board
Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Finding Number:	*2017-001*
Planned Corrective Action:	The District has implemented controls over the budgeting and financial monitoring process to ensure appropriations do not exceed estimated receipts and fund balances, the Board is made sufficiently aware of the District's current and projected financial condition, and that necessary budget adjustments and notifications may be timely made. Also, Districtwide cost saving measures have been employed to improve the General Fund financial outlook and bring the financial condition ratio into compliance with applicable rules and regulations.
Anticipated Completion Date:	June 30, 2018
Responsible Contact Person:	Michael D Vinson Jr, Director of Business Services