

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-104
March 2016

GULF COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Jim Norton served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Robert D. Little, III, Chair from 11-18-14	1
George M. Cox to 11-17-14, Vice Chair	2
Brooke Wooten, from 11-18-14	2
Linda R. Wood, Chair to 11-17-14	3
Billy C. Quinn, Jr.	4
John W. Wright, Vice Chair from 11-18-14	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 Kimberly Phillips, CPA, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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GULF COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matters

Finding 1: As similarly noted in our report Nos. 2014-055 and 2015-078, the District needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 2: Controls over food service collections continue to need improvement.

Finding 3: Controls over virtual instruction program (VIP) operations and related activities continue to need enhancement. The development and maintenance of comprehensive, written VIP policies and procedures could ensure that part-time virtual instruction is offered to all students and timely, written notifications are provided to parents about all VIP options.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 2015-001: For the Child Nutrition Cluster Federal award, the District did not always ensure that purchases were made based on Board-approved bids and contracts or that vendor billings agreed with bids and contract terms, resulting in questioned costs of \$3,644.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the Gulf County District 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 major Federal program;
- Established internal controls that promote and encourage: (1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; (2) the economic and efficient operation of the District; (3) the reliability of records and reports; and (4) the safeguarding of District assets;
- 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 program; and
- Taken corrective actions for findings included in our report No. 2015-078.

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, 2015. 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

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by 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 Office of Management and Budget Circular A-133.



Sherrill F. Norman, CPA
Auditor General

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Tallahassee, Florida 32399-1450



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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Gulf County District School Board, as of and for the fiscal year ended June 30, 2015, 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 47 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Those statements were audited by other auditors whose report thereon has been furnished to us, and 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, the major fund, and the aggregate remaining fund information of the Gulf County District School Board, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Budgetary Comparison Schedule – General Fund, 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 required 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** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 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
February 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Gulf County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 fiscal year are as follows:

- The District's net position decreased by \$7,059,355.64 primarily due to the implementation of new accounting standards related to the reporting of pensions. The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The requirements of this Statement are being implemented prospectively, with the District reporting its proportionate share of the actuarially determined FRS and HIS liabilities of \$4,836,273 and \$3,063,709, respectively, at July 1, 2014, the date of transition, amortized over 30 years. The beginning net position of the District, was decreased by \$7,132,879 due to the adoption of this new accounting standard.
- The General Fund (the primary operating fund) in the fund financial statements reflects revenues and other financing sources that exceeded expenditures and other financing uses by \$98,669.68. This may be compared to last fiscal year's results in which General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$10,729.79.
- General revenues in the government-wide statements account for \$17,819,639.32 of total revenues. Program specific revenues in the form of charges for services, grants, or contributions account for \$1,059,560 of total revenues.
- The District has \$18,805,675.96 in expenses, including \$1,059,560 that are offset by program specific charges for services, grants, or contributions. General revenues, primarily from ad valorem taxes and the Florida Education Finance Program (FEFP), provided resources for the remaining programs.

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, deferred outflows of resources, liabilities, and deferred inflows 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.

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 its education programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local taxes and the State's education finance program provide most of the resources that support these activities.

Over a period of time, changes in the District's net position are an indication of an improving or deteriorating financial condition. This information should be evaluated in conjunction with nonfinancial factors, such as changes in the District's property tax base and student enrollment.

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, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information 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.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds

statement of revenues, expenditures, and changes in fund balances provide a reconciliation of 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 fund is the General 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 Fund 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 private-purpose trust funds to account for scholarship funds established by private donors, and 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 (RSI) concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees, and other RSI relating to pension reporting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compares the current fiscal year to the prior fiscal year.

Net position over time may serve as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities	
	6-30-15	6-30-14
Current and Other Assets	\$ 1,586,714.85	\$ 1,519,542.45
Capital Assets	15,878,569.02	16,142,647.92
Total Assets	17,465,283.87	17,662,190.37
Deferred Outflows of Resources	1,492,677.00	-
Long-Term Liabilities	7,947,565.16	2,839,055.66
Other Liabilities	155,408.79	148,752.15
Total Liabilities	8,102,973.95	2,987,807.81
Deferred Inflows of Resources	3,239,960.00	-
Net Position:		
Net Investment in Capital Assets	15,586,569.02	15,772,647.92
Restricted	242,283.23	309,230.15
Unrestricted Deficit	(8,213,825.33)	(1,407,495.51)
Total Net Position	\$ 7,615,026.92	\$ 14,674,382.56

The largest portion of the District's net position is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment; improvements other than buildings; and motor vehicles), 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.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position deficit of \$8,213,825.33 is significantly higher than in previous years as the result of implementation of GASB Statement No. 68. This Statement requires employers participating in cost-sharing multi-employer defined benefit plans to report the employer's proportionate share of the defined benefit pension plans. The requirements of this Statement resulted in reporting FRS and HIS pension liabilities of \$1,813,944 and \$3,163,406, respectively, at June 30, 2015.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

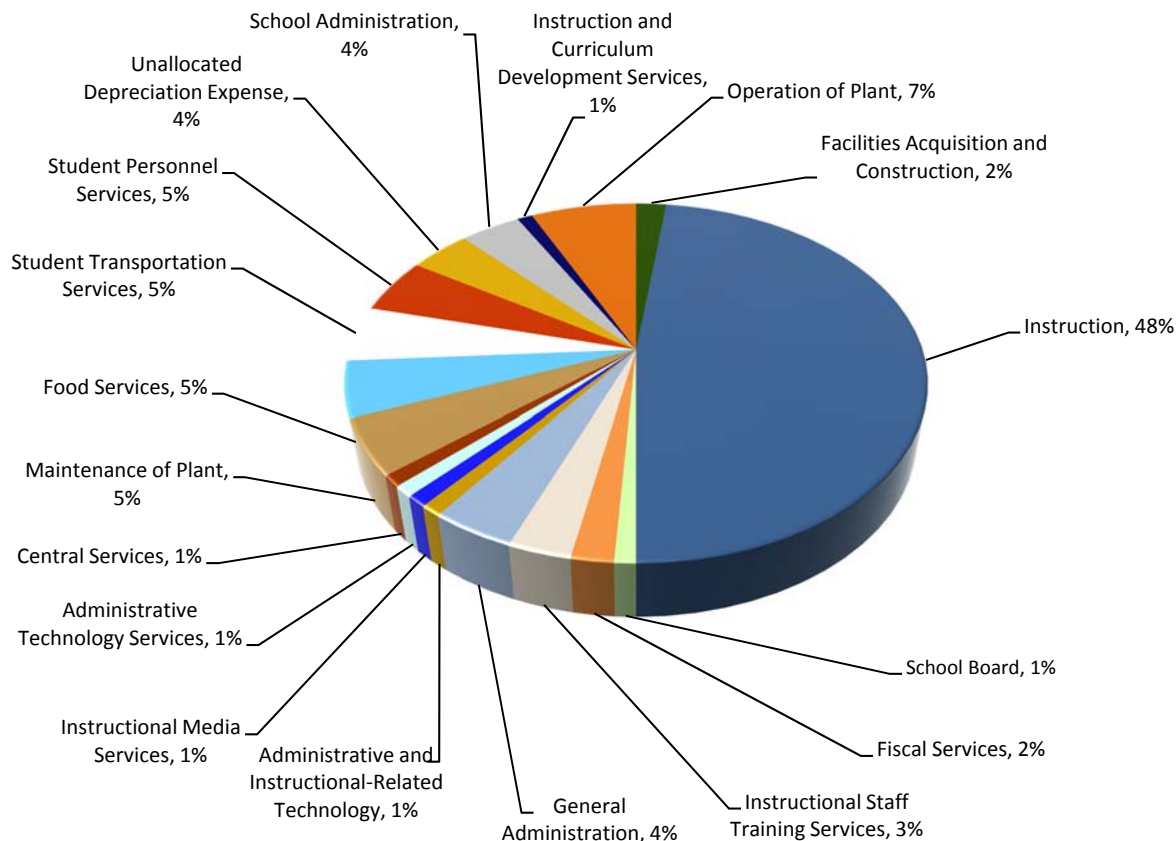
Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	6-30-14
Program Revenues:		
Charges for Services	\$ 346,976.65	\$ 367,236.36
Operating Grants and Contributions	583,719.60	524,206.72
Capital Grants and Contributions	128,863.75	84,944.46
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,865,221.94	8,947,745.45
Property Taxes, Levied for Capital Projects	802,566.93	602,301.23
Grants and Contributions Not Restricted to Specific Programs	7,889,219.69	7,145,986.59
Unrestricted Investment Earnings	6,421.14	3,332.38
Miscellaneous	256,209.62	188,489.08
Total Revenues	18,879,199.32	17,864,242.27
Functions/Program Expenses:		
Instruction	8,966,170.26	9,244,072.09
Student Personnel Services	868,719.18	807,109.45
Instructional Media Services	255,098.33	258,686.87
Instruction and Curriculum Development Service	395,281.46	314,640.00
Instructional Staff Training Services	582,050.89	462,804.35
Instructional-Related Technology	213,418.57	66,138.91
Board	207,184.84	189,397.90
General Administration	640,639.81	660,603.87
School Administration	821,262.58	834,824.86
Facilities Acquisition and Construction	283,098.35	388,661.26
Fiscal Services	313,859.46	308,632.80
Food Services	966,654.76	924,130.91
Central Services	121,592.12	77,773.88
Student Transportation Services	943,472.35	1,026,229.91
Operation of Plant	1,388,363.29	1,398,398.03
Maintenance of Plant	935,310.96	887,410.94
Administrative Technology Services	64,135.82	100,635.72
Community Services	500.04	-
Unallocated Interest on Long-Term Debt	30,795.42	29,516.97
Unallocated Depreciation Expense	808,067.47	890,392.32
Total Functions/Program Expenses	18,805,675.96	18,870,061.04
Change in Net Position	73,523.36	(1,005,818.77)
Net Position, Beginning of Year	14,674,382.56	15,680,201.33
Adjustments to Beginning Net Position (1)	(7,132,879.00)	-
Net Position, Beginning as Restated	7,541,503.56	15,680,201.33
Net Position - Ending	\$ 7,615,026.92	\$ 14,674,382.56

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68.

Revenues from local sources for current operations are primarily received through property taxes. The increase in grants and contributions not restricted to specific programs is related to an increase in FEFP funding in the amount of approximately \$630,000.

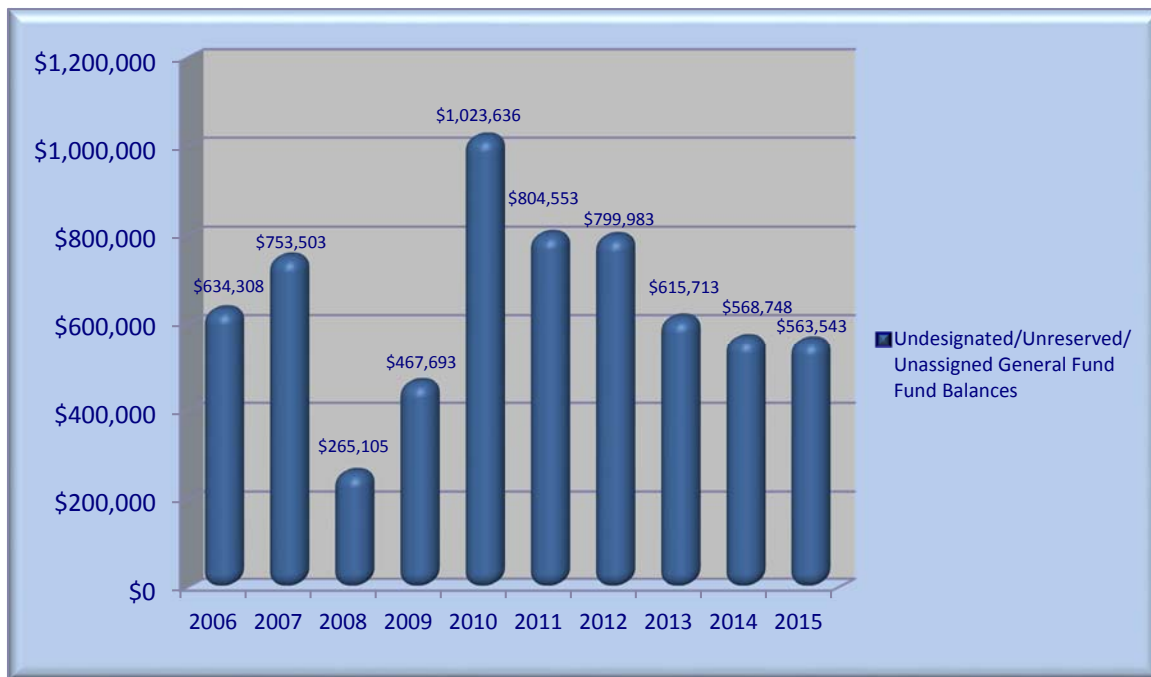
Instruction expenses represent 48 percent of total governmental expenses in the 2014-15 fiscal year. The following graph depicts the distribution of expenses of the District as a whole.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

This section provides an analysis of the fund balances of the District's major fund.

- Governmental Funds.** The Board has established a provision, in its strategic plan, to provide for an undesignated fund balance at fiscal year-end of 5 percent of FEFP funding. For comparison purposes, unassigned fund balance, implemented by GASB Statement No. 54, is essentially equivalent to the unreserved, undesignated fund balance classification required before GASB Statement No. 54. The following graph shows the undesignated, unreserved/unassigned fund balance of the General Fund from the 2005-06 through 2014-15 fiscal years. The increase from the 2008-09 fiscal year to the 2009-10 fiscal year was due to the District levying a voted school tax for operating purposes of 1 mill, which was extended through the 2016-17 fiscal year. The decrease in the 2010-11 to 2013-14 fiscal years occurred from lower tax revenues due to lower assessed property values.



The General Fund total fund balance increased \$98,669.68 to \$1,275,014.64 at June 30, 2015. General Fund revenues totaled \$15,533,930.51, which was a 4 percent increase from the prior fiscal year. The increase in revenue is mainly due to the increase in State revenues. General Fund expenditures totaled \$15,586,487.76.

GENERAL FUND BUDGETARY HIGHLIGHTS

All budget variances for the General Fund were considered normal budget fluctuations.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

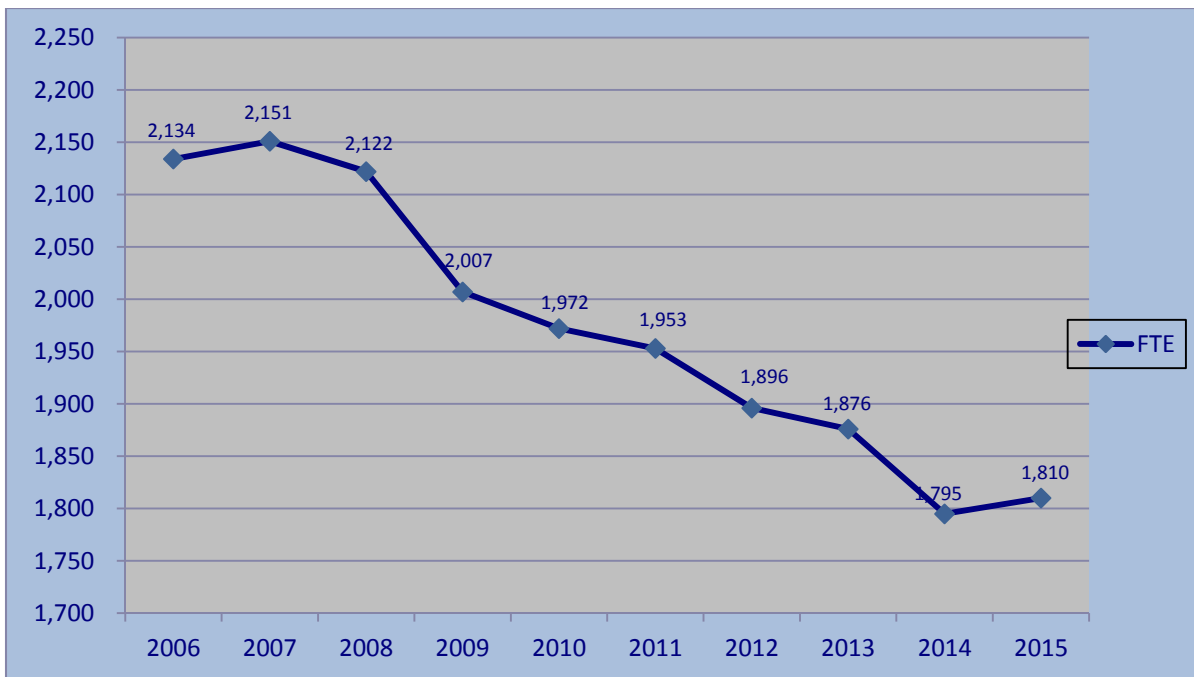
There were no major capital asset projects during the year. Additional information on the District's capital assets can be found in Note III.C. to the financial statements.

Long-Term Debt

The State Board of Education (SBE), on behalf of the District, issued refunding bonds SBE Capital Outlay Bonds, Series 2014B during the 2014-15 fiscal year. Additional information on the District's long-term debt can be found in Note III.H. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Student Enrollment and Funding. Revenues from State sources comprise a significant sources of total available resources of the District. Revenues from State sources for current operations are primarily from the FEFP administered by the Florida Department of Education (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. As shown in the following chart, the District experienced an increase in FTE during the 2014-15 fiscal year.



REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Gulf County District School Board's finances and to demonstrate compliance and accountability for its resources. 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 Finance, Gulf County District School Board, 150 Middle School Road, Port St. Joe, Florida, 32456.

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BASIC FINANCIAL STATEMENTS

Gulf County District School Board Statement of Net Position June 30, 2015

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,463,249.72
Investments	8,333.63
Due from Other Agencies	53,680.71
Inventories	61,450.79
Capital Assets:	
Nondepreciable Capital Assets	634,228.47
Depreciable Capital Assets, Net	15,244,340.55
TOTAL ASSETS	17,465,283.87
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	1,492,677.00
LIABILITIES	
Accrued Salaries and Benefits	80,396.00
Payroll Deductions and Withholdings	65,597.92
Accounts Payable	8,414.87
Due to Other Agencies	1,000.00
Long-Term Liabilities:	
Portion Due Within One Year	464,587.45
Portion Due After One Year	7,482,977.71
TOTAL LIABILITIES	8,102,973.95
DEFERRED INFLOWS OF RESOURCES	
Pensions	3,239,960.00
NET POSITION	
Net Investment in Capital Assets	15,586,569.02
Restricted for:	
State Required Carryover Programs	88,828.44
Debt Service	8,333.63
Capital Projects	100,640.37
Food Service	44,480.79
Unrestricted	(8,213,825.33)
TOTAL NET POSITION	\$ 7,615,026.92

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

**Gulf County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 8,966,170.26	\$ 34,624.05	\$ -
Student Personnel Services	868,719.18	-	-
Instructional Media Services	255,098.33	-	-
Instruction and Curriculum Development Services	395,281.46	-	-
Instructional Staff Training Services	582,050.89	-	-
Instructional-Related Technology	213,418.57	-	-
Board	207,184.84	-	-
General Administration	640,639.81	-	-
School Administration	821,262.58	-	-
Facilities Acquisition and Construction	283,098.35	-	-
Fiscal Services	313,859.46	-	-
Food Services	966,654.76	291,864.99	583,719.60
Central Services	121,592.12	-	-
Student Transportation Services	943,472.35	20,487.61	-
Operation of Plant	1,388,363.29	-	-
Maintenance of Plant	935,310.96	-	-
Administrative Technology Services	64,135.82	-	-
Community Services	500.04	-	-
Unallocated Interest on Long-Term Debt	30,795.42	-	-
Unallocated Depreciation Expense*	808,067.47	-	-
Total Governmental Activities	\$ 18,805,675.96	\$ 346,976.65	\$ 583,719.60

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

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

		Net (Expenses) Revenue and Changes in Net Position	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(8,931,546.21)
	-		(868,719.18)
	-		(255,098.33)
	-		(395,281.46)
	-		(582,050.89)
	-		(213,418.57)
	-		(207,184.84)
	-		(640,639.81)
	-		(821,262.58)
57,869.54			(225,228.81)
	-		(313,859.46)
	-		(91,070.17)
	-		(121,592.12)
	-		(922,984.74)
	-		(1,388,363.29)
	-		(935,310.96)
	-		(64,135.82)
	-		(500.04)
70,994.21			40,198.79
	-		(808,067.47)
<u>\$</u>	<u>128,863.75</u>		<u>(17,746,115.96)</u>

8,865,221.94
802,566.93
7,889,219.69
6,421.14
256,209.62
<u>17,819,639.32</u>
73,523.36
<u>14,674,382.56</u>
<u>(7,132,879.00)</u>
<u>7,541,503.56</u>
<u>\$ 7,615,026.92</u>

**Gulf County District School Board
Balance Sheet – Governmental Funds
June 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,368,201.52	\$ 95,048.20	\$ 1,463,249.72
Investments	-	8,333.63	8,333.63
Due from Other Agencies	31,878.98	21,801.73	53,680.71
Inventories	29,336.43	32,114.36	61,450.79
TOTAL ASSETS	\$ 1,429,416.93	\$ 157,297.92	\$ 1,586,714.85
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 80,396.00	\$ -	\$ 80,396.00
Payroll Deductions and Withholdings	65,597.92	-	65,597.92
Accounts Payable	8,408.37	6.50	8,414.87
Due to Other Agencies	-	1,000.00	1,000.00
Total Liabilities	154,402.29	1,006.50	155,408.79
Deferred Inflows of Resources:			
Unavailable Revenues - Capital Outlay and Debt Service	-	2,836.63	2,836.63
Fund Balances:			
Nonspendable:			
Inventories	29,336.43	32,114.36	61,450.79
Restricted for:			
State Required Carryover Programs	88,828.44	-	88,828.44
Debt Service	-	8,333.63	8,333.63
Capital Projects	-	100,640.37	100,640.37
Food Service	-	12,366.43	12,366.43
Total Restricted Fund Balance	88,828.44	121,340.43	210,168.87
Assigned for Budget Shortfall	593,306.37	-	593,306.37
Unassigned Fund Balance	563,543.40	-	563,543.40
Total Fund Balances	1,275,014.64	153,454.79	1,428,469.43
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,429,416.93	\$ 157,297.92	\$ 1,586,714.85

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

**Gulf County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total Fund Balances - Governmental Funds	\$ 1,428,469.43
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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.	15,878,569.02
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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:

Bonds Payable	\$ 292,000.00	
Compensated Absences Payable	1,706,114.16	
Net Pension Liability	4,977,350.00	
Other Postemployment Benefits Payable	972,101.00	(7,947,565.16)

A portion of Capital Outlay and Debt Service revenue is not available to pay for current period expenditures, and therefore, is reported as unavailable revenue on the governmental fund statements.	2,836.63
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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

Deferred outflows related to pensions	1,492,677.00	
Deferred inflows related to pensions	(3,239,960.00)	(1,747,283.00)

Net Position - Governmental Activities	\$ 7,615,026.92
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The accompanying notes to financial statements are an integral part of this statement.

**Gulf County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Direct	\$ 60,118.18	\$ -	\$ 60,118.18
Federal Through State and Local	98,178.98	2,069,779.30	2,167,958.28
State	6,235,354.83	135,535.12	6,370,889.95
Local:			
Property Taxes	8,865,221.94	802,566.93	9,667,788.87
Charges for Services - Food Service	-	291,864.99	291,864.99
Miscellaneous	275,056.58	14,979.43	290,036.01
Total Local Revenues	<u>9,140,278.52</u>	<u>1,109,411.35</u>	<u>10,249,689.87</u>
Total Revenues	<u>15,533,930.51</u>	<u>3,314,725.77</u>	<u>18,848,656.28</u>
Expenditures			
Current - Education:			
Instruction	8,552,693.67	521,468.40	9,074,162.07
Student Personnel Services	675,516.13	223,481.48	898,997.61
Instructional Media Services	258,536.95	-	258,536.95
Instruction and Curriculum Development Services	162,807.77	248,426.39	411,234.16
Instructional Staff Training Services	370,181.42	216,648.86	586,830.28
Instructional - Related Technology	39,359.81	174,616.70	213,976.51
Board	203,036.72	4,148.12	207,184.84
General Administration	645,515.55	-	645,515.55
School Administration	815,221.54	15,855.09	831,076.63
Facilities Acquisition and Construction	-	283,098.35	283,098.35
Fiscal Services	318,098.57	-	318,098.57
Food Services	-	966,654.76	966,654.76
Central Services	122,840.62	-	122,840.62
Student Transportation Services	890,139.97	11,776.55	901,916.52
Operation of Plant	1,388,363.29	-	1,388,363.29
Maintenance of Plant	943,328.18	-	943,328.18
Administrative Technology Services	65,016.75	-	65,016.75
Community Services	500.00	-	500.00
Fixed Capital Outlay:			
Other Capital Outlay	126,461.18	466,095.32	592,556.50
Debt Service:			
Principal	-	55,000.00	55,000.00
Interest and Fiscal Charges	8,869.64	11,157.95	20,027.59
Total Expenditures	<u>15,586,487.76</u>	<u>3,198,427.97</u>	<u>18,784,915.73</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(52,557.25)</u>	<u>116,297.80</u>	<u>63,740.55</u>
Other Financing Sources (Uses)			
Transfers In	261,226.93	110,000.00	371,226.93
Refunding Bonds Issued	-	292,000.00	292,000.00
Premium on Refunding Bonds	-	27,706.41	27,706.41
Payments to Refunding Escrow Agent	-	(325,767.83)	(325,767.83)
Transfers Out	(110,000.00)	(261,226.93)	(371,226.93)
Total Other Financing Sources (Uses)	<u>151,226.93</u>	<u>(157,288.35)</u>	<u>(6,061.42)</u>
Net Change in Fund Balances	98,669.68	(40,990.55)	57,679.13
Fund Balances, Beginning	1,176,344.96	194,445.34	1,370,790.30
Fund Balances, Ending	<u>\$ 1,275,014.64</u>	<u>\$ 153,454.79</u>	<u>\$ 1,428,469.43</u>

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

Gulf 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, 2015

Net Change in Fund Balances - Governmental Funds **\$ 57,679.13**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (264,078.90)

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

Refunding Bonds Issued	\$ (292,000.00)	
Refunding Bonds Retired	315,000.00	
Bond Payments	55,000.00	78,000.00

The governmental funds reported deferred inflows of resources related to unavailable Capital Outlay and Debt Service revenue. This amount is accrued and reported as revenue on the statement of activities. 2,836.63

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. (134,769.50)

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 increase in the other postemployment benefits liability for the current fiscal year. (74,390.00)

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	\$ 701,746.00	
HIS Pension Contribution	125,868.00	
FRS Pension Expense	(216,110.00)	
HIS Pension Expense	(203,258.00)	408,246.00

Change in Net Position - Governmental Activities **\$ 73,523.36**

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

**Gulf County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 88,505.20</u>	<u>\$ 215,447.05</u>
LIABILITIES		
Internal Accounts Payable	<u>\$ -</u>	<u>\$ 215,447.05</u>
NET POSITION		
Held in Trust for Scholarships and Other Purposes	<u>\$ 88,505.20</u>	

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

**Gulf County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Gifts	\$ 1,100.00
Investment Income:	
Interest	<u>181.78</u>
Total Additions	<u>1,281.78</u>
DEDUCTIONS	
Scholarship Payments	<u>4,000.00</u>
Change in Net Position	(2,718.22)
Net Position - Beginning	<u>91,223.42</u>
Net Position - Ending	<u><u>\$ 88,505.20</u></u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Gulf County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally 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 department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Gulf 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 Gulf 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

- 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.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Funds – to account for resources of the George G. Tapper Scholarship Fund, Herman R. Dean Scholarship Fund, Marilyn Witten Scholarship Fund, James Lamar Faison Scholarship Fund, Marion “Coach” Craig Memorial Scholarship Fund, Margaret K. Biggs Scholarship Fund, and the Paul and Marlene Sewell Scholarship Fund.
- 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 the funds included in governmental activities are eliminated, in the preparation of the government-wide financial statements.

E. Basis of Accounting

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

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

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

revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, 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 private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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, highly liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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 cost on the 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 used rather than purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Land and some buildings acquired or constructed prior to July 1, 1984, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, all of the stated land values and \$1,584,793 of stated building values are based on these estimates.

Buildings and fixed equipment are depreciated using the straight line method; with all other assets being depreciated using the composite method, over the following estimated useful lives:

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

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

5. Pensions

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

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

6. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and the related debt premiums are 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 reports deferred outflows of resources related to pensions which are discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report 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 a future periods and so will not be recognized as an inflow of resources (revenue) until that time. On the statement of net position, the District reports deferred inflows of resources related to pensions which are discussed in a subsequent note. For the governmental funds balance sheet, the District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from the State of Florida for Capital Outlay and Debt Service. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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, 2015.

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 also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

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 Gulf County Property Appraiser, and property taxes are collected by the Gulf County Tax Collector.

The Board adopted the 2014 tax levy on September 9, 2014. 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 Gulf 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. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 68.

The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$7,132,879 due to the adoption of this Statement.

III. 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

As of June 30, 2015, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	34 Day Average	\$ 1,213,519.40
Debt Service Accounts	6 Months	8,333.63
Total Investments		<u>\$ 1,221,853.03</u>

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

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.

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 (SEC) 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's investment policy limits investments to bids from qualified public depositories, as defined in Section 280.02, Florida Statutes; time deposits; securities of the United States Government; State managed cooperative investment plans; and other forms of investments as authorized by Section 218.415, Florida Statutes.

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

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	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 510,006.47	\$ -	\$ -	\$ 510,006.47
Land Improvements	124,222.00	-	-	124,222.00
Total Capital Assets Not Being Depreciated	634,228.47	-	-	634,228.47
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,231,032.87	-	-	1,231,032.87
Buildings and Fixed Equipment	22,929,502.28	-	-	22,929,502.28
Furniture, Fixtures, and Equipment	3,982,968.95	178,343.55	511,079.80	3,650,232.70
Motor Vehicles	2,034,134.25	368,973.00	127,863.70	2,275,243.55
Audio Visual Materials and Computer Software	468,559.40	45,239.95	191,323.60	322,475.75
Total Capital Assets Being Depreciated	30,646,197.75	592,556.50	830,267.10	30,408,487.15
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	568,806.99	28,475.71	-	597,282.70
Buildings and Fixed Equipment	11,297,964.55	466,752.30	-	11,764,716.85
Furniture, Fixtures, and Equipment	1,168,297.66	304,265.97	511,079.80	961,483.83
Motor Vehicles	1,677,017.14	48,567.93	127,863.70	1,597,721.37
Audio Visual Materials and Computer Software	425,691.96	8,573.49	191,323.60	242,941.85
Total Accumulated Depreciation	15,137,778.30	856,635.40	830,267.10	15,164,146.60
Total Capital Assets Being Depreciated, Net	15,508,419.45	(264,078.90)	-	15,244,340.55
Governmental Activities Capital Assets, Net	<u>\$16,142,647.92</u>	<u>\$ (264,078.90)</u>	<u>\$ 0.00</u>	<u>\$15,878,569.02</u>

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 48,567.93
Unallocated	808,067.47
Total Depreciation Expense - Governmental Activities	<u>\$ 856,635.40</u>

D. Retirement Plans

1. Florida Retirement System (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 pension expense totaled \$419,368 for the fiscal year ended June 30, 2015.

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 as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – 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 chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 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 is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service 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 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
DROP - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 \$701,746 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$1,813,944 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.029729613 percent, which was an increase of 0.001635349 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of \$216,110. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 112,252
Change of assumptions	314,146	-
Net difference between projected and actual earnings on FRS pension plan investments	-	3,025,959
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	236,831	-
District FRS contributions subsequent to the measurement date	701,746	-
Total	\$ 1,252,723	\$ 3,138,211

The deferred outflows of resources related to pensions, totaling \$701,746, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (673,712)
2017	(673,712)
2018	(673,712)
2019	(673,712)
2020	82,778
Thereafter	24,836
Total	\$ (2,587,234)

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	7.65 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, 2014, 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 real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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.

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 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 7,758,478	\$ 1,813,944	\$ (3,130,774)

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, 2015, 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 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, 2015, the contribution rate was 1.26 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 \$125,868 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$3,163,406 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 pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.033832342 percent, which was a decrease of 0.001357161 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of \$203,258. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 112,567	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	1,519	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	101,749
District contributions subsequent to the measurement date	125,868	-
Total	\$ 239,954	\$ 101,749

The deferred outflows of resources, totaling \$125,868, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 2,125
2017	2,125
2018	2,125
2019	2,125
2020	1,745
Thereafter	2,092
Total	\$ 12,337

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	4.29 percent

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

While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 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 (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	\$ 3,598,119	\$ 3,163,406	\$ 2,800,546

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. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
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. 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, 2015, 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; 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 \$65,652.76 for the fiscal year ended June 30, 2015.

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, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 118 retirees received other postemployment benefits. The District provided required contributions of \$128,182 toward the annual OPEB cost, net of retiree contributions totaling \$235,727, which represents 2.78 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 20 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 68,064
Amortization of Unfunded Actuarial Accrued Liability	160,093
Annual Required Contribution	228,157
Interest on Net OPEB Obligation	30,522
Adjustment to Annual Required Contribution	(56,107)
Annual OPEB Cost (Expense)	202,572
Contribution Toward the OPEB Cost	(128,182)
Increase in Net OPEB Obligation	74,390
Net OPEB Obligation, Beginning of Year	897,711
Net OPEB Obligation, End of Year	\$ 972,101

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, 2015, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 223,599	63.87%	\$ 819,872
2013-14	232,231	66.48%	897,711
2014-15	202,572	63.28%	972,101

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$2,519,015, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,519,015 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$8,472,234, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 29.73 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 and termination, mortality, and healthcare cost trends. 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 required schedule of funding progress immediately following the notes to financial statements 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 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, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of October 1, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.4 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 3.4 percent per year, projected salary increases of 3.7 to 7.8 percent, and an annual healthcare cost trend rate of 7 percent beginning January 2015 plan year, reduced to an ultimate rate of 4.64 percent beginning January 2040. The investment rate of return and projected salary increase rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of

projected payroll on a closed basis over a 20-year period. The remaining amortization period at June 30, 2015, was 15 years.

F. 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 Gulf County District School Board is a member of the Panhandle Area Educational Consortium – Risk Management 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, employee dishonesty, equipment breakdown, 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 Washington County District School Board serves as fiscal agent for the Consortium.

Health and hospitalization coverage for District employees is being provided through purchased commercial insurance.

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

G. Changes in Short-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 0	\$ 2,400,000	\$ 2,400,000	\$ 0

Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds: Series 2014B, Refunding	\$ 292,000	2.0 - 5.0	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, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	\$ 99,387.72	\$ 84,000.00	\$ 15,387.72
2017	100,040.00	90,000.00	10,040.00
2018	100,540.00	95,000.00	5,540.00
2019	11,790.00	11,000.00	790.00
2020	12,240.00	12,000.00	240.00
Total State School Bonds	\$ 323,997.72	\$ 292,000.00	\$ 31,997.72

2. Defeased Debt

On December 2, 2014, the FDOE issued SBE Capital Outlay Bonds, Series 2014B. The refunding bonds are being issued to refund SBE Capital Outlay Bonds, Series 2005B. The District's portion of the refunding SBE Capital Outlay Bonds, Series 2014B, was \$292,000. The refunding bonds were issued to refund the \$315,000 principal amount of the District's SBE Capital Outlay Bonds, Series 2005B, which mature in the years 2016 through 2020. The net proceeds of \$325,767.83 (after payment of \$501.08 in other issuance costs less premium received of \$27,706.41) plus an additional \$6,562.50 of accrued interest were used to call and redeem Series 2005B bonds. As a result, \$315,000 of the 2005B bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2005B bonds were refunded to reduce total debt service payments over the next 5 years by \$40,002.

3. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 370,000.00	\$ 292,000.00	\$ 370,000.00	\$ 292,000.00	\$ 84,000.00
Compensated Absences Payable	1,571,344.66	173,523.43	38,753.93	1,706,114.16	274,391.45
Net Pension Liability (1)	7,899,982.00	1,084,429.00	4,007,061.00	4,977,350.00	106,196.00
Other Postemployment Benefits Payable	897,711.00	202,572.00	128,182.00	972,101.00	-
Total Governmental Activities	\$ 10,739,037.66	\$ 1,752,524.43	\$ 4,543,996.93	\$ 7,947,565.16	\$ 464,587.45

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund.

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, 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.

J. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 3,658,820.00
Categorical Educational Program - Class Size Reduction	1,941,030.00
Workforce Development Program	155,209.00
Voluntary Prekindergarten Program	112,087.77
Motor Vehicle License Tax (Capital Outlay and Debt Service)	70,994.21
Adults with Disabilities	42,500.00
Gross Receipts Tax (Public Education Capital Outlay)	37,069.00
School Recognition	34,566.00
Food Service Supplement	9,508.00
Miscellaneous	309,105.97
Total	<u>\$ 6,370,889.95</u>

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 2014 tax roll for the 2014-15 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	4.605	\$ 6,621,695.45
Prior Period Funding Adjustment	0.009	12,941.42
Basic Discretionary Local Effort	0.748	1,075,576.16
Voted School Tax:		
Additional Operating	1.000	1,437,936.04
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	0.576	828,251.16
Total	<u>6.938</u>	<u>\$ 9,976,400.23</u>

K. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 261,226.93	\$ 110,000.00
Nonmajor Governmental	110,000.00	261,226.93
Total	<u>\$ 371,226.93</u>	<u>\$ 371,226.93</u>

Transfers to the General Fund were to purchase school equipment, refund maintenance expenditures, and to pay for property casualty insurance. Transfers to the nonmajor governmental funds were provided to supplement food service operations.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 60,000.00	\$ 65,000.00	\$ 60,118.18	\$ (4,881.82)
Federal Through State and Local	50,000.00	30,000.00	98,178.98	68,178.98
State	6,277,705.00	6,259,484.00	6,235,354.83	(24,129.17)
Local:				
Property Taxes	8,798,453.00	8,798,453.00	8,865,221.94	66,768.94
Miscellaneous	226,000.00	222,367.52	275,056.58	52,689.06
Total Local Revenues	<u>9,024,453.00</u>	<u>9,020,820.52</u>	<u>9,140,278.52</u>	<u>119,458.00</u>
Total Revenues	<u>15,412,158.00</u>	<u>15,375,304.52</u>	<u>15,533,930.51</u>	<u>158,625.99</u>
Expenditures				
Current - Education:				
Instruction	8,956,600.46	8,862,207.46	8,552,693.67	309,513.79
Student Personnel Services	660,840.00	687,307.00	675,516.13	11,790.87
Instructional Media Services	262,291.00	262,149.00	258,536.95	3,612.05
Instruction and Curriculum Development Services	166,763.78	167,911.78	162,807.77	5,104.01
Instructional Staff Training Services	348,589.00	382,210.09	370,181.42	12,028.67
Instructional - Related Technology	40,254.00	40,134.00	39,359.81	774.19
Board	198,447.00	204,407.00	203,036.72	1,370.28
General Administration	663,023.00	659,942.00	645,515.55	14,426.45
School Administration	830,667.00	832,699.00	815,221.54	17,477.46
Fiscal Services	313,471.00	320,171.00	318,098.57	2,072.43
Central Services	128,185.00	124,190.00	122,840.62	1,349.38
Student Transportation Services	982,091.00	933,875.43	890,139.97	43,735.46
Operation of Plant	1,512,352.00	1,501,330.00	1,388,363.29	112,966.71
Maintenance of Plant	960,792.18	970,992.18	943,328.18	27,664.00
Administrative Technology Services	82,716.00	82,617.00	65,016.75	17,600.25
Community Services	-	500.00	500.00	-
Fixed Capital Outlay:				
Other Capital Outlay	126,461.18	126,461.18	126,461.18	-
Debt Service:				
Interest and Fiscal Charges	6,500.00	9,086.00	8,869.64	216.36
Total Expenditures	<u>16,240,043.60</u>	<u>16,168,190.12</u>	<u>15,586,487.76</u>	<u>581,702.36</u>
Deficiency of Revenues Over Expenditures	<u>(827,885.60)</u>	<u>(792,885.60)</u>	<u>(52,557.25)</u>	<u>740,328.35</u>
Other Financing Sources (Uses)				
Transfers In	265,203.10	265,203.10	261,226.93	(3,976.17)
Transfers Out	(75,000.00)	(110,000.00)	(110,000.00)	-
Total Other Financing Uses	<u>190,203.10</u>	<u>155,203.10</u>	<u>151,226.93</u>	<u>(3,976.17)</u>
Net Change in Fund Balances	<u>(637,682.50)</u>	<u>(637,682.50)</u>	<u>98,669.68</u>	<u>736,352.18</u>
Fund Balances, Beginning	1,176,344.96	1,176,344.96	1,176,344.96	-
Fund Balances, Ending	<u>\$ 538,662.46</u>	<u>\$ 538,662.46</u>	<u>\$ 1,275,014.64</u>	<u>\$ 736,352.18</u>

**Schedule of–
Schedule of Funding Progress –
Other Postemployment Benefits Plan**

Actuarial Valuation Date	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]
10/01/10	\$ -	\$ 2,761,798	\$ 2,761,798	0%	\$ 7,994,744	34.55%
10/01/12	-	2,671,884	2,671,884	0%	7,549,515	35.39%
10/01/14	-	2,519,015	2,519,015	0%	8,472,234	29.73%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

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

	2014	2013
District's proportion of the FRS net pension liability	0.029729613%	0.028094264%
District's proportionate share of the FRS net pension liability	\$ 1,813,944	\$ 4,836,273
District's covered-employee payroll	\$ 8,996,033	\$ 9,178,152
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	20.16%	52.69%
FRS Plan fiduciary net position as a percentage of the total pension liability	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)**

	2015	2014
Contractually required FRS contribution	\$ 701,746	\$ 651,205
FRS contributions in relation to the contractually required contribution	(701,746)	(651,205)
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 9,112,924	\$ 8,996,033
FRS contributions as a percentage of covered-employee payroll	7.70%	7.24%

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)**

	2014	2013
District's proportion of the HIS net pension liability	0.033832342%	0.035189503%
District's proportionate share of the HIS net pension liability	\$ 3,163,408	\$ 3,063,709
District's covered-employee payroll	\$ 10,044,409	\$ 10,222,857
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.49%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	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)**

	2015	2014
Contractually required HIS contribution	\$ 125,868	\$ 115,898
HIS contributions in relation to the contractually required contribution	(125,868)	(115,898)
HIS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 9,989,487	\$ 10,044,409
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

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

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gulf County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	14002	\$ 129,109.68
National School Lunch Program	10.555 (2)	14001, 14003	445,101.92
Total United States Department of Agriculture			<u>574,211.60</u>
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	389,124.73
Special Education - Preschool Grants	84.173	267	16,881.27
Total Special Education Cluster			<u>406,006.00</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	57,415.63
Title I Grants to Local Educational Agencies	84.010	212, 226	437,579.16
Career and Technical Education - Basic Grants to States	84.048	161	55,648.26
Twenty-First Century Community Learning Centers	84.287	244	1,500.00
Rural Education	84.358	110	27,478.42
Improving Teacher Quality State Grants	84.367	224	122,158.20
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	RA111, RA211	387,782.03
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	None	2,888.43
Total United States Department of Education			<u>1,498,456.13</u>
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	60,118.18
Total Expenditures of Federal Awards			<u><u>\$ 2,132,785.91</u></u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - National School Lunch Program. Includes \$33,808.84 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (3) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395: \$390,670.46.



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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, the major fund, and the aggregate remaining fund information of the Gulf County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 29, 2016, 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less

severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain additional matters that are discussed in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **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** 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 report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 29, 2016



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for the Major Federal Program

We have audited the Gulf 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 the District's major Federal program for the fiscal year ended June 30 2015. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major Federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 its major Federal program for the fiscal year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-001. Our opinion on the major Federal program is not modified with respect to this matter.

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 the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying

SCHEDULE OF FINDINGS AND QUESTIONED COSTS as Federal Awards Finding No. 2015-001 that we consider to be a significant deficiency.

District's response to the internal control over compliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major program:	
CFDA Numbers: 10.553 and 10.555	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Adult General Education Classes

State law¹ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and General Appropriations Act² proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.³

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2014-15 fiscal year, the District reported 16,667 instructional contact hours for 85 adult general education classes provided to 78 students. As part of our audit, we initially reviewed District records for 1,836 instructional contact hours reported for 27 students enrolled in 28 adult general education classes. We found that instructional contact hours were over reported by a total of 94 hours (ranging from 3 to 12 over-reported hours) for 16 of the 27 students. District personnel indicated that the over-reported hours occurred mainly because the District input the wrong course calendar dates in the student records system and a programming design flaw caused students who withdrew from a course and reenrolled in another course the same day to be over reported for those days. We expanded our tests to focus on the calendar dates in the student records system and the applicable withdrawal dates for all 78 adult general education students and found an additional 765 over-reported instructional contact hours.

Given the number of errors and that our expanded tests did not encompass a review of all hours reported, the full extent of the over-reported contact hours was not readily available. Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. A similar finding was noted in our report No. 2015-078.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution of the over-reported instructional contact hours.

¹ Section 1004.02(3), Florida Statutes.

² Chapter 2014-051, Laws of Florida, Specific Appropriation 122.

³ FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

Finding 2: Food Service Collections

During the 2014-15 fiscal year, the District reported local food service collections totaling \$291,865, of which \$109,315 was collected at Port St. Joe High School. According to District personnel, District procedures require personnel to use point-of-sale (POS) system registers to document food service collections from students and adults for breakfast, lunch, and a la carte meals. The registers provided for the identification of cashiers by use of identification (ID) numbers and generated a report of voided transactions.

Our discussions with District personnel and review of District records supporting food service collections indicated that controls over these collections were generally adequate; however, at Port St. Joe High School for the 2014-15 fiscal year, our procedures disclosed that:

- The School's two cashiers used the same ID number to operate two registers and collections were transferred between employees without written acknowledgement to establish responsibility for the transfers. Without use of separate ID numbers by each cashier and transfer documentation, the District may be limited in its ability to effectively fix responsibility should a loss of collections occur.
- While a voided transaction report was maintained, no one independently reviewed the report or documented the review and approval of voided transactions. Absent such procedures, there is an increased risk that voided transactions could be recorded to conceal the theft of collections without timely detection.

In response to our inquiry, District personnel indicated that the deficiencies existed because the District had not established Districtwide food service monitoring procedures. A similar finding was noted in our report No. 2015-078.

Recommendation: The District should ensure that responsibility for food service collections is effectively established by requiring each cashier to use a different ID number and that transfer documents be used when collections are transferred between employees. In addition, we recommend that the District perform an independent review of voided transaction reports and document the approval of all voided transactions.

Finding 3: Virtual Instruction Program

State law⁴ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law⁵ establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and

⁴ Section 1001.41(3), Florida Statutes.

⁵ Section 1002.45, Florida Statutes.

instructional materials to eligible students. The District contracted with the Panhandle Area Educational Consortium (PAEC) to administer certain aspects of the VIP.

During the 2014-15 fiscal year, the District did not enroll any full-time students but enrolled 50 part-time students in 64 VIP courses. While the District generally administered the VIP in accordance with applicable State requirements, for the 2014-15 fiscal year, the District had not established comprehensive, written policies and procedures for administering the VIP. On July 20, 2015, the Board approved written policies and procedures addressing student eligibility, student progression requirements, and other procedures related to the VIP; however, the procedures could be further enhanced to guide District personnel in administering the VIP. For example, enhanced procedures could provide guidance for providing all students the option to participate in part-time or full-time VIPs and timely written parental notification of VIP options and enrollment periods. The lack of such guidance may have contributed to the following instances of noncompliance and control deficiencies:

- State law⁶ requires that the District, because it is located in a sparsely-populated county eligible for special funding according to State law,⁷ provide students the option of participating in part-time or full-time virtual instruction within the District's VIP. District records evidenced that the District provided all students the opportunity to participate in full-time virtual instruction and students in grades 6 through 12 the opportunity to participate in part-time virtual instruction; however, the District did not provide students in kindergarten through grade 5 the opportunity to participate in part-time virtual instruction. District personnel indicated that they assumed the District offered a part-time option to all students because the District's contract with the PAEC did not specify the grades covered for VIP. However, subsequent to our inquiry, the District determined in July 2015 that the contract did not provide part-time courses for students in kindergarten through grade 5. Without providing the required part-time option to all students in kindergarten through grade 12, the District limited student access to the part-time virtual instruction type.
- State law⁸ requires each school district to provide information to parents and students about a student's right and choice to participate in a VIP. In addition, State law⁹ requires school districts to provide parents with timely, written notification of open enrollment for its VIP. District personnel indicated that various communication methods were used to provide information about the District's VIP to parents and students. Such communication methods included the District's Web site, brochures distributed by the school guidance office and sent home with students who requested the information, and an April 2015 virtual school telephone call to notify all parents about the District's VIP. While these methods demonstrate District efforts to inform parents and students about the VIP, District records did not evidence that the District provided written notifications directly to parents of students regarding the VIP and the VIP open enrollment dates. Without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail.

A similar finding was noted in our report No. 2015-078.

Recommendation: To enhance the effectiveness of VIP operations and related activities, the District should continue its efforts to develop and maintain comprehensive, written VIP policies and procedures. Such policies and procedures should ensure that part-time virtual instruction is

⁶ Section 1002.45(1)(b), Florida Statutes.

⁷ Section 1011.62(7), Florida Statutes.

⁸ Section 1002.45(10), Florida Statutes.

⁹ Section 1002.45(1)(b), Florida Statutes.

offered to all students and that timely, written notifications are provided to parents about all VIP options.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 2015-001

Federal Agency:	United States Department of Agriculture
Pass-Through Entity:	Florida Department of Agriculture and Consumer Services (FDACS)
CFDA Numbers:	10.553 and 10.555
Program Title:	Child Nutrition Cluster (CNC)
Compliance Requirements:	Allowable Costs/Cost Principles and Procurement
Finding Type:	Noncompliance and Significant Deficiency
Questioned Costs:	\$3,644

Federal regulations¹⁰ require costs to be adequately documented to be allowable under Federal awards. State Board of Education (SBE) rules¹¹ provide that bids are to be requested from three or more sources for any authorized purchase or contract exceeding \$50,000.

For the 2014-15 fiscal year, the District reported total Child Nutrition Cluster (CNC) expenditures of \$966,655, including \$530,437 for purchased food and supplies. In July 2014, the District solicited bids for certain purchased foods, materials, and supplies, and the Board awarded contracts to seven vendors based on the lowest or best bids received. From the population of seven vendors paid \$525,959 from the CNC during the 2014-15 fiscal year, we examined District records supporting two payments to one vendor. The two payments were supported by 38 invoices totaling \$63,972 for food, materials, and supplies a lunchroom manager approved for use in the CNC. However, we noted that the invoice prices, totaling \$27,082, for 62 items exceeded the Board-approved bid and contract prices by \$0.01 to \$45.36 per item, or a total of \$3,644, which constitutes questioned costs.

District personnel indicated that they did not always reconcile the purchased items and related prices in vendor billings to the bid and contract provisions, instead they relied on the vendor to comply with those provisions. District personnel further indicated that they would not seek reimbursement for items purchased with prices that exceeded the bid and contract prices mainly because several other items were purchased below the bid and contract prices.

Without District procedures that require verification that purchased items and related prices in vendor billings agree with the applicable Board-approved bid and contract provisions, there is an increased risk that the District may not obtain goods at the lowest and best price consistent with acceptable quality and Board expectations.

¹⁰ United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1.

¹¹ SBE Rule 6A-1.012(7), Florida Administrative Code.

Recommendation: The District should enhance procedures to ensure that food service purchases are made consistent with applicable Board-approved bids and contracts and that, before payments are made for purchases pursuant to such bids and contracts, District personnel verify that the vendor billings agree with the applicable bid and contract provisions. In addition, the District should provide documentation to the grantor (FDACS) supporting the allowability of the questioned costs totaling \$3,644 or restore this amount to the CNC.

District Contact Person: Bill Carr, Assistant Superintendent of Business Services

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2015-078, except as discussed in Findings 1, 2, and 3 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year Audit Report No. 2015-078, Finding	2012-13 Fiscal Year Audit Report No. 2014-055, Finding
1	6	8
2	1	Not Applicable
3	5	Not Applicable

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

Listed below is the District's summary of the status of prior audit findings on Federal programs:

<u>Audit Report No. and Federal Awards Finding No.</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
2015-078		There were no prior Federal audit findings.		

MANAGEMENT'S RESPONSE

JIM NORTON
SUPERINTENDENT



150 Middle School Road
Port St. Joe, FL 32456
850-229-8256 • 850-639-2871
Fax: 850-229-6089

February 23, 2016

Ms. Sherrill F. Norman, CPA
Auditor General State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Please find below responses to the Preliminary and Tentative Audit Findings and Recommendations for the Fiscal Year Ended June 30, 2015, for the Gulf County District School Board.

Finding #1

Response: *The District will continue to strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to FDOE. The District will determine the extent of adult general hours misreported and contact the FDOE for proper resolution.*

Finding #2

Response: *The District has enhanced controls over food service collections by issuing each cashier a separate sign-in identification number. Also, a transfer form is being created to ensure proper transfer of funds between employees. District office personnel will review voided transactions for accuracy.*

Finding #3

Response: *Written VIP policies and procedures have been revised and will be featured in the Board-approved Student Progression Plan (SPP). These policies and procedures address that both full-time and part-time options will be offered to students and that timely, written notifications will be provided directly to parents regarding these VIP options. The SPP is made available to parents and students online and in hard copy format. Students and parents are made aware of these Virtual Instruction Program Policy & Procedures in writing during the school enrollment*

www.gulf.k12.fl.us

Danny Little
District 1

Brooke Wooten
District 2

Linda Roberts Wood
District 3

Billy C. Quinn, Jr.
District 4

John W. Wright
District 5

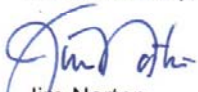
process, at Open Houses, Parent Meetings, Kindergarten Round-Up/Registration, and when registering for classes each semester. As a part of the SPP, these policies and procedures may also be found online at the District website. The written policies and procedures detail the models available (full-time, part-time, and blended), enrollment information including parental consent requirements, online class graduation requirement, grading scale, etc.

Federal Awards Finding #2015-001

Response: *The District will enhance procedures over food purchases by randomly checking invoices from vendors to ensure that the charged prices match the bid prices. The District office will also ensure that our food service managers are retrained in food ordering and that items are ordered from the suppliers that have the winning bids. The District will contact and work with FDACS on the resolution of questioned costs. Corrective action is expected to be completed by the end of the 2015-16 fiscal year.*

Please contact my office if I may provide further information or assistance.

Most Sincerely,


Jim Norton
Superintendent