

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-131
March 2016

JACKSON 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, Steve R. Benton, Sr., served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Dr. Terry E. Nichols, Chair to 11-17-14	1
Kenneth R. Griffin	2
Stacey B. Goodson	3
Chris M. Johnson, Vice Chair from 11-18-14	4
Charlotte M. Gardner, Vice Chair to 11-17-14, 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 Tonya S. Williams 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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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: Contrary to State law, the District did not timely and prominently post on its Web site the required budget information for the 2014-15 fiscal year.

Finding 2: 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 better ensure that timely, written parental notifications are provided to parents about all VIP options offered; District records evidence the basis for student-teacher ratios in VIP provider contracts; VIP provider contracts contain all necessary provisions; and evidence of the performance of required background screenings for all VIP provider employees is obtained.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Special Education Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the Jackson 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 a 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 programs; and
- Taken corrective actions for applicable findings included in our report Nos. 2013-094 and 2015-117.

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson 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 20 percent of the assets and 54 percent of the liabilities of the aggregate remaining fund information. Those statements, which were prepared on the cash basis, a special purpose framework, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the school internal funds, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the school internal funds, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the school internal

funds were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 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 and Major Special Revenue Funds, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of District Contributions – Florida Retirement System Pension Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of District Contributions – Health Insurance Subsidy Pension Plan, and Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

March 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jackson County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- In total, net position decreased \$24,510,341.65, which represents a 32 percent decrease from the 2013-14 fiscal year. The decrease is primarily due to the implementation of new accounting standards related to the reporting of pensions. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the District to disclose a liability at June 30, 2015, which represents its proportionate share of the pension plans. This is an estimated amount, and there is currently no available budget to fund the liability.
- General revenues total \$58,550,647.64, or 93 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,470,605.51, or 7 percent of all revenues.
- Expenses total \$62,161,433.80. Only \$4,470,605.51 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$11,842,274.37, which is \$511,513.60 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balance was \$7,848,720.73, or 16 percent of total General Fund revenues.
- Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*, requires the District to disclose a liability at June 30, 2015, which represents its obligation for other postemployment benefits for retirees. This is an estimated amount, and there is currently no available budget to fund the liability.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred

inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Fund Financial Statements

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

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

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

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

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

Proprietary Fund: The internal service fund is used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for the District's Employee Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 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	\$ 16,669,572.72	\$ 15,549,348.37
Capital Assets	72,167,069.77	73,656,823.36
Total Assets	88,836,642.49	89,206,171.73
Deferred Outflows of Resources	4,146,346.00	-
Long-Term Liabilities	28,989,476.19	12,014,271.30
Other Liabilities	1,422,630.92	1,003,410.40
Total Liabilities	30,412,107.11	13,017,681.70
Deferred Inflows of Resources	10,892,733.00	-
Net Position:		
Net Investment in Capital Assets	66,572,420.32	66,661,823.36
Restricted	4,945,526.04	5,222,571.94
Unrestricted (Deficit)	(19,839,797.98)	4,304,094.73
Total Net Position	\$ 51,678,148.38	\$ 76,188,490.03

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

The beginning net position was reduced by \$25,370,161 as a result of the implementation of the GASB Statement No. 68. Statement No. 68 requires the District to recognize its proportionate share of the unfunded pension obligation of the defined benefit plan and the health insurance subsidy plan administered by the Florida Retirement System as explained in the Note II. to the financial statements. This significant adjustment resulted in a deficit unrestricted net position for the District, as of 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	\$ 839,932.49	\$ 929,866.45
Operating Grants and Contributions	3,105,259.75	2,971,220.10
Capital Grants and Contributions	525,413.27	291,227.28
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,988,698.59	9,221,042.44
Property Taxes, Levied for Capital Projects	574,151.58	568,722.87
Local Sales Taxes	2,226,042.00	2,185,059.03
Grants and Contributions Not Restricted to Specific Programs	45,625,788.07	44,837,130.04
Unrestricted Investment Earnings	24,392.02	23,530.36
Miscellaneous	1,111,575.38	1,403,973.53
Total Revenues	63,021,253.15	62,431,772.10
Functions/Program Expenses:		
Instruction	30,711,676.52	32,365,302.78
Student Personnel Services	3,035,303.38	3,144,124.34
Instructional Media Services	733,595.96	762,439.97
Instruction and Curriculum Development Services	1,365,860.09	1,278,185.15
Instructional Staff Training Services	451,765.47	355,858.26
Instructional-Related Technology	537,844.10	881,395.26
Board	436,790.28	523,668.24
General Administration	536,754.03	541,804.24
School Administration	3,250,981.81	3,530,603.69
Facilities Acquisition and Construction	1,652,808.59	324,572.92
Fiscal Services	335,729.45	378,863.11
Food Services	3,489,934.10	3,617,407.64
Central Services	521,365.01	517,759.46
Student Transportation Services	3,440,723.85	3,639,081.40
Operation of Plant	5,622,084.54	5,599,626.11
Maintenance of Plant	1,871,838.29	1,850,479.31
Administrative Technology Services	463,648.05	384,512.64
Community Services	7,371.80	8,546.34
Unallocated Interest on Long-Term Debt	330,995.99	353,032.72
Unallocated Depreciation Expense	3,364,362.49	3,410,258.97
Total Functions/Program Expenses	62,161,433.80	63,467,522.55
Change in Net Position	859,819.35	(1,035,750.45)
Net Position, Beginning of Year	76,188,490.03	77,224,240.48
Adjustment to Beginning Net Position (1)	(25,370,161.00)	-
Net Position - Beginning, as Restated	50,818,329.03	77,224,240.48
Net Position - Ending	\$ 51,678,148.38	\$ 76,188,490.03

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

The largest revenue source is the State of Florida (62 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Miscellaneous revenue decreased by \$292,398.15, or 21 percent, from the previous fiscal year, primarily due to reduction of insurance rebates.

Grants and contributions not restricted to specific programs revenues increased by \$788,658.03, or 2 percent, from the previous fiscal year, primarily due to an increase in FEFP funding allocated for instructional technology.

Facilities acquisition and construction expenses increased \$1,328,235.67, or 409 percent, from the previous fiscal year, primarily due to a lease-purchase agreement for non-capitalized computer equipment.

Classroom instruction and instructional support expenses represent 59 percent of the total governmental expenses in the 2014-15 fiscal year. These expenses decreased \$1,951,260.24, or 5 percent, from the previous fiscal year, due mainly from a decrease in instructional salaries and supplies.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds decreased by \$10,843.26 during the fiscal year to \$13,357,403.70 at June 30, 2015. Approximately 46 percent of this amount is unassigned fund balance (\$6,109,212.44), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is: (1) not in spendable form (\$104,864.80), (2) restricted for particular purposes (\$4,918,093.44), or (3) assigned for particular purposes (\$2,225,233.02).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$6,109,212.44, while the total fund balance is \$11,842,274.37. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 16 percent of the total General Fund revenues, while total fund balance represents approximately 24 percent of total General Fund revenues. Total fund balance increased by \$511,513.60 during the fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of \$6,305,251.60 each and the funding was mainly used for instruction. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund increased due to additional instructional and curriculum development, and instructional staff training.

The Capital Projects – Other Fund accounts for funds generated through the District’s local sales tax levy. At the end of the current fiscal year, the total fund balance is \$575,445.34, which is a decrease of \$277,512.94 from the prior fiscal year. This decrease is due, in part, to the annual sales tax bond payment.

Proprietary Fund

The District’s proprietary fund statements provide the same type of information reported in the government-wide financial statements, but in more detail. The Internal Service Fund was established in January 2013 to account for the District’s Employee Health Self-Insurance Program and has an unrestricted net position of \$1,880,077.70 at June 30, 2015, which is an increase of \$702,386.69 primarily due to an increase of \$647,627.82 in amounts due from fiscal agent.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$466,971.39, or 1 percent. At the same time, final budgeted appropriations are more than the original budgeted amounts by \$447,331.53. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues and expenditures are in line with the final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$442,045.98.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2015, is \$72,167,069.77 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials; and computer software.

Major capital asset events during the current fiscal year include completion of Cafeteria Renovations at Sneads High School.

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

Long-Term Debt

At June 30, 2015, the District has a lease-purchase payable of \$1,146,917.02, for the purchase of non-capitalized computing equipment, and bonds payable of \$5,594,649.45. The bonds payable total includes the following balances:

- \$4,456,649.45 in District Refunding Revenue Bond, Series 2014, to provide for capital construction projects;
- \$638,000 for debt issued on behalf of the District by the State Board of Education and administered by the State Board of Administration; and
- \$500,000 in Sales Tax Revenue Bonds, Series 2010 (Build America Bonds). Under the Federal Build America Bonds program, a portion of the amount of each interest payment (35 percent) is credited to the issuer from the United States Treasury upon proper application. These bonds were issued to provide for the heating, ventilation, and air-conditioning replacement/lighting retrofit projects at various District locations.

Additional information on the District's long-term debt can be found in Note III.I. to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Jackson County District School Board, P.O. Box 5958, Marianna, Florida, 32447.

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BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 12,375,405.46
Cash with Fiscal Agent	4.80
Investments	1,535,142.30
Accounts Receivable	101,560.10
Due from Fiscal Agent	2,056,663.22
Due from Other Agencies	495,932.04
Inventories	104,864.80
Capital Assets:	
Nondepreciable Capital Assets	1,688,195.28
Depreciable Capital Assets, Net	70,478,874.49
TOTAL ASSETS	88,836,642.49
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	4,146,346.00
LIABILITIES	
Accrued Salaries and Benefits	239,150.40
Payroll Deductions and Withholdings	188,154.21
Accounts Payable	696,452.88
Deposits Payable	731.15
Advanced Revenues	39,291.28
Estimated Insurance Claims Payable	258,851.00
Long-Term Liabilities:	
Portion Due Within One Year	2,194,109.59
Portion Due After One Year	26,795,366.60
TOTAL LIABILITIES	30,412,107.11
DEFERRED INFLOWS OF RESOURCES	
Pensions	10,892,733.00
NET POSITION	
Net Investment in Capital Assets	66,572,420.32
Restricted for:	
State Required Carryover Programs	3,916,121.44
Debt Service	18,142.32
Capital Projects	575,820.86
Food Service	435,441.42
Unrestricted	(19,839,797.98)
TOTAL NET POSITION	\$ 51,678,148.38

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

**Jackson 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	\$ 30,711,676.52	\$ 187,860.29	\$ -
Student Personnel Services	3,035,303.38	-	-
Instructional Media Services	733,595.96	-	-
Instruction and Curriculum Development Services	1,365,860.09	-	-
Instructional Staff Training Services	451,765.47	-	-
Instructional-Related Technology Board	537,844.10	-	-
General Administration	436,790.28	-	-
School Administration	536,754.03	-	-
Facilities Acquisition and Construction	3,250,981.81	-	-
Fiscal Services	1,652,808.59	-	-
Food Services	335,729.45	-	-
Central Services	3,489,934.10	652,072.20	3,105,259.75
Student Transportation Services	521,365.01	-	-
Operation of Plant	3,440,723.85	-	-
Maintenance of Plant	5,622,084.54	-	-
Administrative Technology Services	1,871,838.29	-	-
Community Services	463,648.05	-	-
Unallocated Interest on Long-Term Debt	7,371.80	-	-
Unallocated Depreciation Expense*	330,995.99	-	-
	3,364,362.49	-	-
Total Governmental Activities	\$ 62,161,433.80	\$ 839,932.49	\$ 3,105,259.75

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

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 (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions		Governmental Activities
\$	-	\$ (30,523,816.23)
	-	(3,035,303.38)
	-	(733,595.96)
	-	(1,365,860.09)
	-	(451,765.47)
	-	(537,844.10)
	-	(436,790.28)
	-	(536,754.03)
	-	(3,250,981.81)
	207,086.21	(1,445,722.38)
	-	(335,729.45)
	-	267,397.85
	-	(521,365.01)
	-	(3,440,723.85)
	-	(5,622,084.54)
	-	(1,871,838.29)
	-	(463,648.05)
	-	(7,371.80)
	318,327.06	(12,668.93)
	-	(3,364,362.49)
\$	525,413.27	(57,690,828.29)
		8,988,698.59
		574,151.58
		2,226,042.00
		45,625,788.07
		24,392.02
		<u>1,111,575.38</u>
		<u>58,550,647.64</u>
		<u>859,819.35</u>
		76,188,490.03
		<u>(25,370,161.00)</u>
		<u>50,818,329.03</u>
		<u>\$ 51,678,148.38</u>

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

	General Fund	Special Revenue - Other Fund	Capital Projects - Other Fund
ASSETS			
Cash and Cash Equivalents	\$ 10,794,472.56	\$ 13,236.61	\$ 629,239.71
Cash with Fiscal Agent	4.80	-	-
Investments	1,516,999.98	-	-
Accounts Receivable	72,189.70	18,040.81	6,207.71
Due from Other Funds	147,297.59	-	47,988.96
Due from Other Agencies	413,011.10	290.77	-
Inventories	77,432.20	-	-
TOTAL ASSETS	\$ 13,021,407.93	\$ 31,568.19	\$ 683,436.38
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 239,150.40	\$ -	\$ -
Payroll Deductions and Withholdings	188,154.21	-	-
Accounts Payable	315,002.88	-	-
Due to Other Funds	434,475.48	20,331.58	107,991.04
Deposits Payable	731.15	-	-
Advanced Revenues	1,619.44	11,236.61	-
Total Liabilities	1,179,133.56	31,568.19	107,991.04
Deferred Inflows of Resources:			
Unavailable Revenues - Capital Outlay and Debt Service	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	77,432.20	-	-
Restricted for:			
State Required Carryover Programs	3,916,121.44	-	-
Debt Service	-	-	-
Capital Projects	-	-	575,445.34
Food Service	-	-	-
Total Restricted Fund Balance	3,916,121.44	-	575,445.34
Assigned for:			
Debt Service	-	-	-
DROP Program	1,292,279.42	-	-
School Budgets	447,228.87	-	-
Total Assigned Fund Balance	1,739,508.29	-	-
Unassigned Fund Balance	6,109,212.44	-	-
Total Fund Balances	11,842,274.37	-	575,445.34
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 13,021,407.93	\$ 31,568.19	\$ 683,436.38

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 938,456.58	\$ 12,375,405.46
-	4.80
18,142.32	1,535,142.30
1,172.30	97,610.52
571.45	195,858.00
82,630.17	495,932.04
27,432.60	104,864.80
<u>\$ 1,068,405.42</u>	<u>\$ 14,804,817.92</u>
\$ -	\$ 239,150.40
-	188,154.21
29,822.60	344,825.48
63,003.20	625,801.30
-	731.15
26,435.23	39,291.28
<u>119,261.03</u>	<u>1,437,953.82</u>
<u>9,460.40</u>	<u>9,460.40</u>
<u>27,432.60</u>	<u>104,864.80</u>
-	3,916,121.44
18,142.32	18,142.32
375.52	575,820.86
408,008.82	408,008.82
<u>426,526.66</u>	<u>4,918,093.44</u>
485,724.73	485,724.73
-	1,292,279.42
-	447,228.87
<u>485,724.73</u>	<u>2,225,233.02</u>
-	6,109,212.44
<u>939,683.99</u>	<u>13,357,403.70</u>
<u>\$ 1,068,405.42</u>	<u>\$ 14,804,817.92</u>

**Jackson 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 \$ 13,357,403.70

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. 72,167,069.77

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 1,880,077.70

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	\$ 5,594,649.45	
Other Lease-Purchase Agreements Payable	1,146,917.02	
Compensated Absences Payable	3,602,726.72	
Net Pension Liability	17,113,517.00	
Other Postemployment Benefits Payable	<u>1,531,666.00</u>	(28,989,476.19)

A portion of capital outlay and debt service revenue is not available to pay for current period expenditures and, therefore, is reported as unavailable revenues on the governmental fund statements. 9,460.40

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions	\$ 4,146,346.00	
Deferred inflows related to pensions	<u>(10,892,733.00)</u>	<u>(6,746,387.00)</u>

Net Position - Governmental Activities \$ 51,678,148.38

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

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Jackson 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	Special Revenue - Other Fund	Capital Projects - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ -	\$ 1,829,014.00	\$ -
Federal Through State and Local	243,643.04	4,476,237.60	-
State	38,470,913.00	-	-
Local:			
Property Taxes	8,988,698.59	-	-
Local Sales Taxes	-	-	2,226,042.00
Charges for Services - Food Service	-	-	-
Miscellaneous	1,167,389.46	-	169,758.97
Total Local Revenues	<u>10,156,088.05</u>	<u>-</u>	<u>2,395,800.97</u>
Total Revenues	<u>48,870,644.09</u>	<u>6,305,251.60</u>	<u>2,395,800.97</u>
Expenditures			
Current - Education:			
Instruction	27,647,021.39	4,356,391.73	-
Student Personnel Services	2,938,894.60	202,648.58	-
Instructional Media Services	775,865.64	-	-
Instruction and Curriculum Development Services	477,537.20	957,798.13	-
Instructional Staff Training Services	126,586.91	253,234.41	-
Instructional - Related Technology	389,024.52	152,863.41	-
Board	445,025.78	-	-
General Administration	284,999.74	259,381.90	-
School Administration	3,376,078.16	4,133.19	-
Facilities Acquisition and Construction	224,599.82	829.50	1,474,821.34
Fiscal Services	352,714.42	-	-
Food Services	5,657.59	21,099.22	-
Central Services	535,337.78	16,125.67	-
Student Transportation Services	2,905,546.59	1,512.46	-
Operation of Plant	5,619,361.86	74,884.29	-
Maintenance of Plant	1,944,387.15	-	-
Administrative Technology Services	484,829.04	-	-
Community Services	6,481.25	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	260,355.60	-	958,686.09
Other Capital Outlay	591,683.45	4,349.11	-
Debt Service:			
Principal	321,547.98	-	-
Interest and Fiscal Charges	11,155.22	-	-
Total Expenditures	<u>49,724,691.69</u>	<u>6,305,251.60</u>	<u>2,433,507.43</u>
Deficiency of Revenues Over Expenditures	<u>(854,047.60)</u>	<u>-</u>	<u>(37,706.46)</u>
Other Financing Sources (Uses)			
Transfers In	1,356,592.44	-	-
Refunding Bonds Issued	-	-	-
Premium on Refunding Bonds	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Payments to Paying Agent	-	-	-
Inception of Lease-Purchase Agreement	-	-	1,468,465.00
Loss Recoveries	8,968.76	-	-
Transfers Out	-	-	(1,708,271.48)
Total Other Financing Sources (Uses)	<u>1,365,561.20</u>	<u>-</u>	<u>(239,806.48)</u>
Net Change in Fund Balances	511,513.60	-	(277,512.94)
Fund Balances, Beginning	11,330,760.77	-	852,958.28
Fund Balances, Ending	<u>\$ 11,842,274.37</u>	<u>\$ 0.00</u>	<u>\$ 575,445.34</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,829,014.00
3,288,292.60	8,008,173.24
852,120.59	39,323,033.59
574,151.58	9,562,850.17
-	2,226,042.00
652,072.20	652,072.20
31,782.62	1,368,931.05
<u>1,258,006.40</u>	<u>13,809,895.42</u>
<u>5,398,419.59</u>	<u>62,970,116.25</u>
125,197.94	32,128,611.06
-	3,141,543.18
-	775,865.64
-	1,435,335.33
84,734.14	464,555.46
-	541,887.93
-	445,025.78
3,520.92	547,902.56
-	3,380,211.35
13,475.00	1,713,725.66
-	352,714.42
3,473,525.48	3,500,282.29
-	551,463.45
-	2,907,059.05
-	5,694,246.15
-	1,944,387.15
5,174.00	490,003.04
-	6,481.25
533,351.51	1,752,393.20
72,152.04	668,184.60
1,408,850.55	1,730,398.53
319,840.77	330,995.99
<u>6,039,822.35</u>	<u>64,503,273.07</u>
<u>(641,402.76)</u>	<u>(1,533,156.82)</u>
1,010,838.11	2,367,430.55
5,128,500.00	5,128,500.00
57,476.56	57,476.56
(656,096.76)	(656,096.76)
(4,485,000.00)	(4,485,000.00)
-	1,468,465.00
-	8,968.76
<u>(659,159.07)</u>	<u>(2,367,430.55)</u>
<u>396,558.84</u>	<u>1,522,313.56</u>
(244,843.92)	(10,843.26)
1,184,527.91	13,368,246.96
<u>\$ 939,683.99</u>	<u>\$ 13,357,403.70</u>

**Jackson 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 \$ (10,843.26)

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. (1,486,081.53)

The undepreciated cost of capital assets which are sold or otherwise disposed of is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (3,672.06)

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	\$	(5,128,500.00)	
Inception of Other Lease-Purchase Agreement		(1,468,465.00)	
Refunding Bonds Retired		5,120,000.00	
Bond Payments		1,408,850.55	
Other Lease-Purchase Agreement Payments		321,547.98	253,433.53

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 used in the current fiscal year. (16,087.42)

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. (99,034.00)

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. 9,460.40

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	\$	2,274,805.00	
HIS Pension Contribution		446,858.00	
FRS Pension Expense		(481,074.00)	
HIS Pension Expense		(730,332.00)	1,510,257.00

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 702,386.69

Change in Net Position - Governmental Activities **\$ 859,819.35**

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

**Jackson County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2015**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Due from Other Funds	\$ 433,892.88
Due from Fiscal Agent	2,056,663.22
	2,490,556.10
TOTAL ASSETS	2,490,556.10
LIABILITIES	
Current Liabilities:	
Accounts Payable	351,627.40
Estimated Insurance Claims Payable	258,851.00
	610,478.40
Total Current Liabilities	610,478.40
NET POSITION	
Unrestricted	\$ 1,880,077.70

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

**Jackson County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 5,395,830.99
OPERATING EXPENSES	
Purchased Services	54,727.42
Excess Insurance Premiums	697,652.75
Insurance Claims	3,640,414.70
Service Agent Fees	304,074.74
Total Operating Expenses	4,696,869.61
Operating Income	698,961.38
NONOPERATING REVENUES	
Investment Income	3,425.31
Change in Net Position	702,386.69
Total Net Position - Beginning	1,177,691.01
Total Net Position - Ending	\$ 1,880,077.70

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

**Jackson County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2015**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 5,416,362.35
Cash Payments to Suppliers for Goods and Services	(1,206,556.76)
Cash Payments for Insurance Claims	(3,634,631.70)
Cash Payments for Other Operating Activities	(578,599.20)
Net Cash Used by Operating Activities	(3,425.31)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	3,425.31
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning	-
Cash and Cash Equivalents, Ending	\$ 0.00

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

Operating Income	\$ 698,961.38
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	25,245.62
Increase in Due from Fiscal Agent	(647,627.82)
Decrease in Due from Excess Insurer	43,783.00
Decrease in Due from Other Funds	20,531.36
Decrease in Accounts Payable	(150,101.85)
Increase in Estimated Insurance Claims Payable	5,783.00
Total Adjustments	(702,386.69)
Net Cash Used by Operating Activities	\$ (3,425.31)

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

**Jackson County District School Board
Statement of Fiduciary Assets and Liabilities– Fiduciary Funds
June 30, 2015**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 869,409.55
LIABILITIES	
Accounts Payable	\$ 14,596.76
Due to Other Funds	3,949.58
Internal Accounts Payable	850,863.21
Total Liabilities	\$ 869,409.55

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 Jackson 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 Jackson 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 Jackson 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 and the internal service fund. Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

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, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Other Fund – to account for the financial resources generated by the local sales tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects and computer hardware and software purchases.

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

- Internal Service Fund – to account for the District's Employee Health Self-Insurance Program.
- 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. Balances between the funds included in governmental activities (i.e., the governmental and internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between funds are eliminated in the preparation of the government-wide financial statements.

E. 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 45 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 45 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 proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, 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.

Investments made locally consist of amounts placed with an intergovernmental investment pool and are reported at fair value. 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 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, except for transportation materials and supplies. Transportation materials and supplies are recorded as expenditures when purchased. However, expenditures are adjusted at June 30 to properly reflect the cost of the inventory in the General Fund for those transportation items on hand as of June 30.

4. Capital Assets

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

As of June 30, 2015, the reported value of capital assets includes amounts capitalized for improvements to the property acquired under a 50-year operating lease with the Florida Department of Education as follows: buildings, \$926,941.82, and improvements other than buildings, \$64,169.07.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials	3 - 5 years
Computer Software	3 - 5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and 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 only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position 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

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. On 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

The Board adopted the 2014 tax levy on September 16, 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 Jackson 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. Capital Outlay Surtax

In November 2005, the voters of Jackson County (County) approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2006, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

5. 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.

6. 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.

7. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims, excess insurance premiums, service agent fees, and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 pension 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 \$25,370,161 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	\$ 700,932.71
Debt Service Accounts	6 Months	18,142.32
Florida Fixed Income Trust (FIT) - Florida FIT 90	210.5 Day Average	<u>1,516,999.98</u>
Total Investments		<u>\$ 2,236,075.01</u>

Note: (1) This investment is 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's investment policy limits the length of investments as follows: (1) investments of current operating funds shall have maturities of no longer than 2 years, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for the funds and in accordance with debt covenants, but in no event shall exceed 5 years.

Florida PRIME and Florida FIT use 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.

As of June 30, 2015, the District has the following interest rate risk by fund:

<u>Investment by Fund</u>	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>6 Months or Less</u>
Major Governmental Fund:		
General	\$ 2,116,257.95	\$ 2,116,257.95
Capital Projects:		
Other	82,555.00	82,555.00
Nonmajor Governmental Funds	<u>37,262.06</u>	<u>37,262.06</u>
Total Investments	<u>\$ 2,236,075.01</u>	<u>\$ 2,236,075.01</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the SBA's Florida PRIME; direct obligations of United States Government agencies; certain Federal Instrumentalities, interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; repurchase agreements secured by the collateral composed of negotiable direct obligations of the United States Government, United States Government agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper of the highest credit rating; certain banker's acceptances; certain highly rated state and local government taxable or tax-exempt debt; shares of open-end, no-load mutual funds registered under the Investment Company Act of 1940, provided that the portfolio invests primarily in short-term government bonds and money market funds operated in accordance with Title 17, Section 270.2a-7, Code of Federal Regulations, and provided the mutual fund is rated AA and the money market is rated AAm or AAm-G or better by Standard & Poor's, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; provided that said funds contain no derivatives. Investment in any derivative products or the use of reverse repurchase agreements requires specific Board approval.

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. Florida FIT is unrated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that securities shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District, should be properly designated as an asset of the District. As of June 30, 2015, all investments are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the District.

All District investments are in compliance with District policy in relation to interest rate risk, credit risk, and custodial credit risk.

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	\$ 817,412.42	\$ 40,027.06	\$ -	\$ 857,439.48
Construction in Progress	364,940.89	530,000.00	64,185.09	830,755.80
Total Capital Assets Not Being Depreciated	<u>1,182,353.31</u>	<u>570,027.06</u>	<u>64,185.09</u>	<u>1,688,195.28</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,642,861.06	102,589.69	-	3,745,450.75
Buildings and Fixed Equipment	104,509,326.22	1,142,280.72	-	105,651,606.94
Furniture, Fixtures, and Equipment	6,808,498.97	293,264.46	311,477.24	6,790,286.19
Motor Vehicles	9,017,972.63	437,753.04	244,851.97	9,210,873.70
Audio Visual Materials	66,882.36	-	4,651.28	62,231.08
Computer Software	853,423.62	-	110,280.41	743,143.21
Total Capital Assets Being Depreciated	<u>124,898,964.86</u>	<u>1,975,887.91</u>	<u>671,260.90</u>	<u>126,203,591.87</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,841,067.11	92,188.49	-	2,933,255.60
Buildings and Fixed Equipment	36,780,312.94	2,854,253.77	-	39,634,566.71
Furniture, Fixtures, and Equipment	5,659,267.40	368,260.38	307,805.18	5,719,722.60
Motor Vehicles	6,251,464.12	644,072.47	244,851.97	6,650,684.62
Audio Visual Materials	52,245.75	4,050.37	4,651.28	51,644.84
Computer Software	840,137.49	4,985.93	110,280.41	734,843.01
Total Accumulated Depreciation	<u>52,424,494.81</u>	<u>3,967,811.41</u>	<u>667,588.84</u>	<u>55,724,717.38</u>
Total Capital Assets Being Depreciated, Net	<u>72,474,470.05</u>	<u>(1,991,923.50)</u>	<u>3,672.06</u>	<u>70,478,874.49</u>
Governmental Activities Capital Assets, Net	<u>\$ 73,656,823.36</u>	<u>\$ (1,421,896.44)</u>	<u>\$ 67,857.15</u>	<u>\$ 72,167,069.77</u>

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 603,448.92
Unallocated	<u>3,364,362.49</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,967,811.41</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 FRS and HIS pension expense totaled \$1,211,406 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.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

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
Senior Management Service Class	2.00

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
FRS, Senior Management Service	3.00	21.14
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 \$2,274,805 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 \$5,889,037 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 0.096518314 percent, which was a decrease of 0.002761777 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 \$481,074. 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	\$ -	\$ 364,431
Change of assumptions	1,019,883	-
Net difference between projected and actual earnings on FRS pension plan investments	-	9,823,890
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	399,960
District FRS contributions subsequent to the measurement date	2,274,805	-
Total	\$ 3,294,688	\$ 10,588,281

The deferred outflows of resources related to pensions, totaling \$2,274,805, 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	\$ (2,407,766)
2017	(2,407,766)
2018	(2,407,766)
2019	(2,407,766)
2020	48,206
Thereafter	14,460
Total	\$ (9,568,398)

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 and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	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	\$ 25,188,191	\$ 5,889,037	\$ (10,164,178)

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 \$446,858 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 \$11,224,480 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 0.120044774 percent, which was a decrease of 0.004060932 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 \$730,332. 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	\$ 399,412	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	5,388	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	304,452
District contributions subsequent to the measurement date	446,858	-
Total	\$ 851,658	\$ 304,452

The deferred outflows of resources, totaling \$446,858, 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	\$ 16,663
2017	16,663
2018	16,663
2019	16,663
2020	15,316
Thereafter	18,380
Total	\$ 100,348

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	\$ 12,766,936	\$ 11,224,480	\$ 9,936,969

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
FRS, Senior Management Service	7.67

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 \$268,345.02 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 and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, 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, 74 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$365,760. The

OPEB Plan members receiving benefits contributed \$657,959, through their required contributions ranging from \$417 to \$616 per month for retiree-only coverage and from \$765 to \$1,131 for retiree and spouse coverage, depending on the health plan selected.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 210,561
Amortization of Unfunded Actuarial Accrued Liability	<u>263,211</u>
Annual Required Contribution	473,772
Interest on Net OPEB Obligation	50,715
Adjustment to Annual Required Contribution	<u>(59,693)</u>
Annual OPEB Cost (Expense)	464,794
Contribution Toward the OPEB Cost	<u>(365,760)</u>
Increase in Net OPEB Obligation	99,034
Net OPEB Obligation, Beginning of Year	<u>1,432,632</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,531,666</u></u>

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	\$ 576,596	75.67%	\$ 1,258,560
2013-14	604,076	71.18%	1,432,632
2014-15	464,794	78.69%	1,531,666

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$6,208,136, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,208,136 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$19,996,155, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.05 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 3.54 percent rate of return on invested assets, which is the District's long-term expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 3.54 percent per year, projected salary increases of 4 percent to 7.8 percent, and an annual healthcare cost trend rate of 7.5 percent beginning January 1, 2015, decreasing to 6.5 percent on January 1, 2017, and reduced to an ultimate rate of 4.53 percent, which includes an additional 0.29 percent trend representing the estimate of the ultimate effect of the Federal Excise Tax, after 26 years. The investment rate of return and projected salaries increases include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percent of payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2015, was 24 years.

F. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2015:

General Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,255.42	\$ 111,663.81	\$ 116,919.23

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Jackson 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.

The District also participates in an employee group health insurance program administered through the Consortium. Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

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

A liability in the amount of \$258,851 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2015. The actuarial basis used for estimating the liability for unpaid claims of the District's health plan was a combination of the development method and the claim projection method. Under the development method, the historical claim data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was used to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2015. The claim projection method used historical claim experience to estimate the ultimate level of incurred claims in a specific incurral month. This incurred claim estimate was utilized to estimate a claims reserve. The claims development method was used to estimate the incurred but unpaid claims liability for all incurral months prior to May 2015. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2015 and June 2015. However to be conservative, a 10 percent increase to the incurred but not paid (IBNP) reserve amount was added to provide a margin for experience less favorable than expected. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNP reserves. In this instance, the effect is not significant and adds a slight amount of conservatism.

Because of the relatively short payment pattern of the claims, there was no discounting for present value other than that inherent in the claims data.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

<u>Fiscal Year</u>	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2013-14	\$ 448,949.00	\$ 3,631,957.12	\$ (3,827,838.12)	\$ 253,068.00
2014-15	253,068.00	3,640,414.70	(3,634,631.70)	258,851.00

H. Other Lease-Purchase Agreement Payable

The District purchased non-capitalized devices to be used to meet the one-to-one computing initiative under a lease-purchase agreement, totaling \$1,468,465, with SunTrust Bank – Equipment Finance and Leasing Corporation. This agreement was entered into on October 21, 2014, and has a duration period of 36 months. The annual interest rate is fixed at 1.26 percent. The final payment under this agreement is due in October 2017.

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 499,054.80	\$ 487,412.11	\$ 11,642.69
2017	499,054.80	493,589.07	5,465.73
2018	166,351.60	165,915.84	435.76
Total Minimum Lease Payments	<u>\$ 1,164,461.20</u>	<u>\$ 1,146,917.02</u>	<u>\$ 17,544.18</u>

I. 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 2009A, Refunding	\$ 50,000.00	5.0	2019
Series 2014B, Refunding	588,000.00	2.0 - 5.0	2020
District Revenue and Refunding Bonds:			
Series 2014, Refunding	4,456,649.45	3.65	2033
Sales Tax Bonds:			
Series 2010 (1)	<u>500,000.00</u>	3.69	2015
Total Bonds Payable	<u>\$ 5,594,649.45</u>		

Note: (1) Build America Bonds – Stated interest rate is 3.69 percent. The effective interest rate is 2.398 percent, which is net of the direct subsidy payments.

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

State School Bonds

These bonds are issued by the 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.

District Refunding Revenue Bonds

These bonds are generally referred to as Capital Improvement Refunding Revenue Bond, Series 2014, and are authorized by Chapter 73-498, Special Acts of 1973, as amended by Chapter 74-501, Special Acts of 1974, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Jackson County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The District has pledged as sole security for the bonds, the entire annual distribution of pari-mutuel tax proceeds of \$371,500, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2033. Approximately 98 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The Series 2014 bonds, totaling \$4,540,500, were issued to provide funds, together with other available funds of the Board, sufficient to refund the District's outstanding Refunding Revenue Bonds, Series 2003 and pay costs associated with the issuance of the bonds.

Sales Tax Revenue Bonds (Build America Bonds)

These bonds are issued pursuant to and under the authority of the Constitution and the laws of the State of Florida, Chapters 1000 through 1013, Florida Statutes, Section 212.055, Florida Statutes, and other applicable provisions of law, and Resolution No. 02-16-10-01 passed and adopted by the Board as the governing body of the District on February 16, 2010. The District issued the bonds in the amount of \$5,050,000, to provide for the deposit of moneys to various funds and accounts established pursuant to the resolution to pay for the acquisition, construction, and improvements to various heating, ventilation, and air-conditioning and lighting upgrades throughout the District and to pay the costs of issuing the bonds. The District has pledged, as sole security for the bonds, all amounts collected from the half-cent local option sales tax which became effective January 1, 2006, and will expire on December 31, 2015. The pledged revenue is committed until final maturity of the debt on September 1, 2015. Pursuant to the bond resolution, no reserve account is required. Instead, the District will transfer pledged funds to a debt service fund to provide payment of debt service on the bonds.

The District has elected to treat the bonds as Build America Bonds within the meaning of Section 54AA(d) of the Internal Revenue Code of 1986, as amended. Consequently, the District is eligible to receive refundable tax credits (interest subsidy payments) from the United States

Treasury pursuant to the provisions of Section 6431 of the Internal Revenue Code. The interest subsidy payments are equal to 35 percent of each semiannual interest payment made according to the debt service schedule.

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	\$ 212,523.98	\$ 179,000.00	\$ 33,523.98
2017	219,260.00	197,000.00	22,260.00
2018	214,410.00	202,000.00	12,410.00
2019	39,310.00	37,000.00	2,310.00
2020	23,460.00	23,000.00	460.00
Total State School Bonds	<u>708,963.98</u>	<u>638,000.00</u>	<u>70,963.98</u>
District Refunding Revenue Bonds:			
2016	333,429.34	172,319.86	161,109.48
2017	333,429.35	178,666.92	154,762.43
2018	333,429.34	185,247.78	148,181.56
2019	333,429.34	192,071.02	141,358.32
2020	333,429.36	199,145.58	134,283.78
2021-2025	1,667,146.77	1,111,310.00	555,836.77
2026-2030	1,667,146.75	1,331,617.27	335,529.48
2031-2034	1,167,002.73	1,086,271.02	80,731.71
Total District Refunding Revenue Bonds	<u>6,168,442.98</u>	<u>4,456,649.45</u>	<u>1,711,793.53</u>
Sales Tax Revenue Bonds:			
2016	509,225.00	500,000.00	9,225.00
Total	<u><u>\$ 7,386,631.96</u></u>	<u><u>\$ 5,594,649.45</u></u>	<u><u>\$ 1,791,982.51</u></u>

2. Defeased Debt

On December 2, 2014, the FDOE issued SBE Capital Outlay Refunding Bonds, Series 2014B. The refunding bonds were issued, in part, to refund SBE Capital Outlay Bonds, Series 2005B, including \$635,000 of the District's bonds. The District's portion of the refunding SBE Capital Outlay Bonds, Series 2014B, was \$588,000. The net proceeds of \$656,096.76 (after payment of \$1,009.03 in other issuance costs less premium received of \$55,876.62) plus an additional \$13,229.17 of accrued interest were used to call and redeem Series 2005B bonds on January 1, 2015. The Series 2005B bonds were refunded to reduce total debt service payments over the next 5 years by approximately \$47,286.02 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$36,260.10.

On December 1, 2014, the Board issued \$4,540,500 in a Capital Improvement Refunding Revenue Bond, Series 2014, with an interest rate of 3.65 percent. The net proceeds of \$4,485,000 (after payment of \$55,500 in issuance costs) plus an additional \$256,410.63 for principal and accrued interest due on December 1, 2014, were used to call and redeem the

District's Capital Improvement Revenue and Refunding Bonds, Series 2003, that mature on or after December 2, 2014. As a result, all of the District's Capital Improvement Revenue and Refunding Bonds, Series 2003, are considered to be defeased and the liability for these bonds has been removed from the government-wide financial statements. The District's Capital Improvement Revenue and Refunding Bonds, Series 2003, were refunded to reduce total debt service payments over the next 19 years by approximately \$546,231.10 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$363,982.08.

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 6,995,000.00	\$ 5,128,500.00	\$ 6,528,850.55	\$ 5,594,649.45	\$ 851,319.86
Other Lease-Purchase Agreements Payable	-	1,468,465.00	321,547.98	1,146,917.02	487,412.11
Compensated Absences Payable	3,586,639.30	172,774.54	156,687.12	3,602,726.72	478,568.59
Net Pension Liability (1)	27,895,555.00	2,636,089.00	13,418,127.00	17,113,517.00	376,809.03
Other Postemployment Benefits Payable	1,432,632.00	464,794.00	365,760.00	1,531,666.00	-
Total Governmental Activities	\$ 39,909,826.30	\$ 9,870,622.54	\$ 20,790,972.65	\$ 28,989,476.19	\$ 2,194,109.59

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.

J. 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.

K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 147,297.59	\$ 434,475.48
Special Revenue:		
Other	-	20,331.58
Capital Projects:		
Other	47,988.96	107,991.04
Nonmajor Governmental	571.45	63,003.20
Internal Service	433,892.88	-
Fiduciary	-	3,949.58
Total	\$ 629,750.88	\$ 629,750.88

The above interfund receivables and payables represent amounts due to the General Fund for expenditures paid on behalf of other funds and amounts due to the internal service fund from the General Fund for payment of health insurance premiums. These amounts are expected to be repaid within 1 year.

L. 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	\$ 29,663,860.00
Categorical Educational Program - Class Size Reduction	6,816,567.00
Adults with Disabilities	1,019,247.00
Voluntary Prekindergarten Program	445,490.18
Workforce Development Program	303,038.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	295,772.91
Gross Receipts Tax (Public Education Capital Outlay)	133,207.00
School Recognition	127,004.00
Food Service Supplement	55,795.00
Discretionary Lottery	21,915.00
Miscellaneous	441,137.50
Total	\$ 39,323,033.59

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:

General Fund	Millages	Taxes Levied
Nonvoted School Tax:		
Required Local Effort	5.042	\$ 8,065,211.00
Basic Discretionary Local Effort	0.748	1,196,504.88
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	0.370	591,854.02
Total	6.160	\$ 9,853,569.90

M. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,356,592.44	\$ -
Capital Projects:		
Other	-	1,708,271.48
Nonmajor Governmental	1,010,838.11	659,159.07
Total	\$ 2,367,430.55	\$ 2,367,430.55

Transfers from the Capital Projects – Other Fund and nonmajor governmental funds were to reimburse the General Fund for maintenance projects and bus purchases. Transfers to the nonmajor governmental funds were for sales tax revenue bond payments from the Capital Projects – Other Fund.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds 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	\$ -	\$ -	\$ -	\$ -
Federal Through State and Local	280,000.00	243,643.04	243,643.04	-
State	37,891,328.00	38,470,912.58	38,470,913.00	0.42
Local:				
Property Taxes	8,889,350.00	8,988,698.59	8,988,698.59	-
Miscellaneous	1,343,000.00	1,167,395.18	1,167,389.46	(5.72)
Total Local Revenues	<u>10,232,350.00</u>	<u>10,156,093.77</u>	<u>10,156,088.05</u>	<u>(5.72)</u>
Total Revenues	<u>48,403,678.00</u>	<u>48,870,649.39</u>	<u>48,870,644.09</u>	<u>(5.30)</u>
Expenditures				
Current - Education:				
Instruction	28,732,228.00	27,707,081.63	27,647,021.39	60,060.24
Student Personnel Services	2,855,620.00	2,941,503.12	2,938,894.60	2,608.52
Instructional Media Services	780,147.00	777,830.13	775,865.64	1,964.49
Instruction and Curriculum Development Services	523,651.00	478,751.00	477,537.20	1,213.80
Instructional Staff Training Services	66,789.00	127,828.49	126,586.91	1,241.58
Instructional - Related Technology	559,878.00	395,190.74	389,024.52	6,166.22
Board	409,743.00	485,743.00	445,025.78	40,717.22
General Administration	297,324.00	295,565.50	284,999.74	10,565.76
School Administration	3,537,896.00	3,556,715.94	3,376,078.16	180,637.78
Facilities Acquisition and Construction	432,851.00	240,995.35	224,599.82	16,395.53
Fiscal Services	400,920.00	395,395.00	352,714.42	42,680.58
Food Services	6,860.00	5,682.59	5,657.59	25.00
Central Services	517,628.00	537,628.00	535,337.78	2,290.22
Student Transportation Services	3,315,508.00	2,942,392.02	2,905,546.59	36,845.43
Operation of Plant	4,927,754.00	5,626,027.92	5,619,361.86	6,666.06
Maintenance of Plant	1,928,110.00	1,954,700.81	1,944,387.15	10,313.66
Administrative Technology Services	420,744.00	505,862.24	484,829.04	21,033.20
Community Services	6,168.00	7,218.00	6,481.25	736.75
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	260,355.60	260,355.60	-
Other Capital Outlay	-	591,683.45	591,683.45	-
Debt Service:				
Principal	-	321,844.78	321,547.98	296.80
Interest and Fiscal Charges	-	11,155.22	11,155.22	-
Total Expenditures	<u>49,719,819.00</u>	<u>50,167,150.53</u>	<u>49,724,691.69</u>	<u>442,458.84</u>
Deficiency of Revenues Over Expenditures	<u>(1,316,141.00)</u>	<u>(1,296,501.14)</u>	<u>(854,047.60)</u>	<u>442,453.54</u>
Other Financing Sources				
Transfers In	1,350,000.00	1,357,000.00	1,356,592.44	(407.56)
Loss Recoveries	-	8,968.76	8,968.76	-
Total Other Financing Sources	<u>1,350,000.00</u>	<u>1,365,968.76</u>	<u>1,365,561.20</u>	<u>(407.56)</u>
Net Change in Fund Balances	33,859.00	69,467.62	511,513.60	442,045.98
Fund Balances, Beginning	11,330,760.77	11,330,760.77	11,330,760.77	-
Fund Balances, Ending	<u>\$ 11,364,619.77</u>	<u>\$ 11,400,228.39</u>	<u>\$ 11,842,274.37</u>	<u>\$ 442,045.98</u>

Special Revenue - Other Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ 1,805,927.00	\$ 1,829,014.00	\$ 1,829,014.00	\$ -
4,174,401.03	4,747,966.50	4,476,237.60	(271,728.90)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>5,980,328.03</u>	<u>6,576,980.50</u>	<u>6,305,251.60</u>	<u>(271,728.90)</u>
4,279,872.80	4,496,664.70	4,356,391.73	140,272.97
164,747.00	209,142.76	202,648.58	6,494.18
-	-	-	-
933,150.05	1,057,680.16	957,798.13	99,882.03
158,092.95	263,831.25	253,234.41	10,596.84
68,300.00	166,051.37	152,863.41	13,187.96
-	-	-	-
244,560.23	260,523.83	259,381.90	1,141.93
10,321.00	4,133.19	4,133.19	-
-	829.50	829.50	-
-	-	-	-
21,525.00	21,099.22	21,099.22	-
10,260.00	16,278.66	16,125.67	152.99
13,074.00	1,512.46	1,512.46	-
76,425.00	74,884.29	74,884.29	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	4,349.11	4,349.11	-
-	-	-	-
-	-	-	-
<u>5,980,328.03</u>	<u>6,576,980.50</u>	<u>6,305,251.60</u>	<u>271,728.90</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	\$ 0	\$ 8,882,488	\$ 8,882,488	0.0%	\$ 22,718,613	39.10%
10/01/12	0	7,368,309	7,368,309	0.0%	23,047,280	31.97%
10/01/14	0	6,208,136	6,208,136	0.0%	19,996,155	31.05%

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	0.096518314%	0.099280091%
District's proportionate share of the FRS net pension liability	\$ 5,889,037	\$ 17,090,522
District's covered-employee payroll	\$ 33,164,272	\$ 33,393,514
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	17.76%	51.18%
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	\$ 2,274,805	\$ 2,114,161
FRS contributions in relation to the contractually required contribution	(2,274,805)	(2,114,161)
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 33,074,688	\$ 33,164,272
FRS contributions as a percentage of covered-employee payroll	6.88%	6.37%

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)**

	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.120044774%	0.124105706%
District's proportionate share of the HIS net pension liability	\$ 11,224,480	\$ 10,805,033
District's covered-employee payroll	\$ 35,680,387	\$ 36,053,531
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.46%	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)**

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 446,858	\$ 411,233
HIS contributions in relation to the contractually required contribution	(446,858)	(411,233)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 35,464,920	\$ 35,680,387
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 Funding Progress – Other Postemployment Benefits Plan

The October 1, 2014, unfunded actuarial accrued liability of \$6,208,136 was significantly lower than the October 1, 2012, liability of \$7,368,309 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently receiving postemployment health benefits through the District core plan decreased from 100 to 74 and the number of active employees eligible for future postemployment benefits decreased from 609 to 573, decreasing the cost and liability.
- The total cost of coverage decreased from \$624 per employee per month to \$617 per employee per month. This is lower than the projected \$708 per employee per month, decreasing the cost and liability.
- Revisions were made in the assumed trend of Medical/Rx cost increases. The assumed trends costs and premiums were changed from 7.5 percent for the year beginning January 1, 2015, reduced to 7 percent in the following year with subsequent trend rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent to a decline over a 25-year period from 7.5 percent assumed for the year beginning January 1, 2015, to the ultimate level of 4.24 percent. Assumed trend rates for premiums is 2 percent for the year beginning January 1, 2015, (to reflect actual premium increases), then follows the mentioned forecasting model declining over a 24-year period from 7 percent to the ultimate level of 4.24 percent. This change had an increasing effect on the costs and liabilities.
- Revisions were made in the assumed increase in the cost of coverage due to the Excise Tax on High-Cost Employer Health Plans from a 0.14 percent increase in the cost of coverage for the plan year 2023, followed by a 0.43 percent increase for the plan year 2024 and all subsequent years to a 0.29 percent increase in the cost of coverage for the plan year 2025 (and all subsequent years), in addition to the 5.08 percent medical inflation assumed for that year for a total increase of 5.37 percent over the 2024 plan. This change had a decreasing effect on the costs and liabilities.

- Revisions were made to lower the discount rate used in valuing future cash flows from 3.64 percent to 3.54 percent. This change increased the cost and liability.
- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for its July 1, 2014, actuarial valuation, increasing the cost and liability.

3. 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.

4. 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

Jackson 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:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14002	\$ 740,639.32
National School Lunch Program	10.555 (2)	14001, 14003	2,285,053.30
Summer Food Service Program for Children	10.559	13006, 13007, 14006, 14007	20,128.91
Total United States Department of Agriculture			3,045,821.53
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	1,676,391.54
Special Education - Preschool Grants	84.173	267	82,658.46
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	89,814.76
Total Special Education Cluster			1,848,864.76
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	104,072.18
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	1,702,432.04
Career and Technical Education - Basic Grants to States	84.048	161	131,572.29
Rural Education	84.358	110	197,395.17
Improving Teacher Quality State Grants	84.367	224	407,381.24
ARRA - State Fiscal Stabilization Fund (SFSF) -			
Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RG311, RG411, RA111	224,002.70
Washington County District School Board:			
Mathematics and Science Partnerships	84.366	None	5,658.58
ARRA - State Fiscal Stabilization Fund (SFSF) -			
Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	57,557.50
Total United States Department of Education			4,678,936.46
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (5)	N/A	1,829,014.00
Total Expenditures of Federal Awards			\$ 9,553,771.99

- 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 \$269,369.90 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (3) Special Education – Grants to States. Expenditures total \$1,766,206.30 for CFDA No. 84.027.
- (4) ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants, Recovery Act. Expenditures total \$281,560.20 for CFDA No. 84.395.
- (5) Head Start. Expenditures total \$1,829,014 for grant number/program year 04CH0382/24.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson 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 March 14, 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
March 14, 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 EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the Jackson County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2015. The District's major Federal programs are 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 each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major

Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 14, 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 programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education 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: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to State law,¹ the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

At the time of our review in February 2015, the District had not prominently posted on its Web site the Board-adopted proposed, tentative, and official budgets for the 2014-15 fiscal year. District personnel indicated that the budgets were not posted due to an oversight and in February 2015, subsequent to our inquiry, the District posted a link to the proposed, tentative, and official budgets for the 2014-15 fiscal year. Providing the required budgetary transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should continue its efforts to ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding 2: Virtual Instruction Program – Policies and Procedures

State law² 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 law³ 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 VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 1 part-time and 33 full-time VIP students. While the District generally administered the VIP in accordance with applicable State requirements, the District did not have comprehensive, written VIP policies and procedures to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations. In response to our inquiry, District personnel indicated that written VIP procedures addressing student eligibility, attendance, and mandated testing are included in the District's pupil progression plan and that the District's departmental policies and procedures were sufficient without comprehensive, written VIP policies and procedures. Notwithstanding

¹ Section 1011.035(2), Florida Statutes.

² Section 1001.41(3), Florida Statutes.

³ Section 1002.45, Florida Statutes.

this response, as similarly noted in our report No. 2013-094, the absence of comprehensive, written VIP policies and procedures may have contributed to the following noncompliance and control deficiencies:

- State law⁴ 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 law⁵ requires school districts to provide parents with timely, written notification of open enrollment periods for its VIP. For the 2014-15 school year, District personnel indicated that the District's Web site provided parents and students information about the District's VIP and open enrollment periods. While this method demonstrates the District's effort to communicate with 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 periods. District personnel indicated that they believed the District's communication method satisfied State law. However, 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.
- As part of our audit, we reviewed the contract between the District and a Florida Department of Education (FDOE) approved VIP provider, along with other related records, and found that:
 - Although the contract with the FDOE-approved provider established student-teacher ratios, the ratios appeared disproportionate as the ratios ranged from 65:1 (for kindergarten through grade 8) to 250:1 (for grades 9 through 12 elective courses). District personnel indicated that they reviewed the ratios in the contract; however, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios. Without records documenting the reasonableness of the established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.
 - The contract did not include data quality requirements. The provider is to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.⁶ Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
 - The contract did not include requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures to the full extent required by Federal law⁷ to maintain the confidentiality of education records. Without specified minimum required security controls, there is an increased risk that provider information security and other information technology controls may not be sufficient to protect the education data.
 - The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

⁴ Section 1002.45(10), Florida Statutes.

⁵ Section 1002.45(1)(b), Florida Statutes.

⁶ Section 1008.31, Florida Statutes.

⁷ The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

- State law⁸ requires VIP providers to conduct background screenings for all employees as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees have obtained the required background screenings and the required assurances indicate that lists of the background-screened employees are to be provided to each applicable school district. However, the District's contracted FDOE-approved VIP provider did not initially provide the District the list and, due to an oversight, the District did not request the list of the provider's employees that obtained the required background screenings. In response to our inquiry in June 2015, the District verified that all of the provider's current employees assigned to District students had obtained the required background screenings.

Absent effective controls to ensure that background screenings of VIP provider employees are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be interacting with students. In addition, individuals with unsuitable backgrounds may be granted access to confidential or sensitive District data and information technology resources.

Recommendation: To enhance compliance and the effectiveness of its VIP operations and related activities, the District should develop and maintain comprehensive, written VIP policies and procedures. Such policies and procedures should ensure that:

- **Timely, written notifications are provided directly to parents about all VIP options offered and the open enrollment periods;**
- **District records evidence the basis for student-teacher ratios in VIP provider contracts and the contracts contain all necessary provisions; and**
- **Evidence of the performance of required background screenings for all VIP provider employees is obtained.**

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report Nos. 2013-094 and 2015-117, except as noted in Finding 2.

⁸ Section 1002.45(2)(a)3., Florida Statutes.

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:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2014-081 (1) 2015-117 (2014-001)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) - Eligibility and Special Tests and Provisions - Verification	Improvements were needed in procedures used to perform free and reduced price meal application verifications, resulting in \$12,182 of questioned costs for the 2013-14 fiscal year.	Partially Corrected.	District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2015-117 (2014-002)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) - Reporting and Activities Allowed/Unallowed	District procedures did not properly identify students claimed for free and reduced price meals, resulting in \$37,471 of questioned costs and \$11,405 of overpayments to a food service management company.	Partially Corrected.	District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.

MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF JACKSON COUNTY



Steve R. Benton Sr.
Superintendent of Schools

2903 Jefferson Street
P. O. Box 5958
Marianna, Florida 32447
Telephone 850-482-1200
Fax 850-482-1299

February 29, 2016

Subject: District Response to Preliminary and Tentative Audit Findings for the
Year Ended 6/30/15.

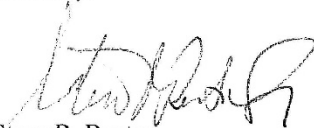
Sherrill F. Norman, CPA
Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

In regard to your letter dated February 12, 2016, please find the enclosed response to the "Preliminary and Tentative Audit Findings" for the Jackson County School District for the fiscal year ended June 30, 2015.

We would like to thank your staff for their usual courtesy and professionalism during the course of the audit. Please call me if you have questions or comments.

Sincerely,



Steve R. Benton
Superintendent

Attachment: Jackson County DSB Response

Terry E. Nichols
District 1

Kenneth R. Griffin
District 2

Stacey B. Goodson
District 3

Chris M. Johnson
District 4

Charlotte M. Gardner
District 5

An Equal Opportunity Employer

JACKSON COUNTY SCHOOL BOARD
RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ADDITIONAL MATTERS:

Finding No. 1: Budget Transparency

The District will continue to improve its efforts in ensuring that the proposed, tentative, and official budgets are timely and prominently posted on our Web-site. The District encourages and promotes responsible spending, improved accountability, and citizen involvement with the use of the Web-site.

Finding No. 2: Virtual Instruction Program – Policies and Procedures

The District will establish procedures for providing information to parents and students about the student's right and choice to participate in a virtual instruction program. The District will continue to enhance the verification of required background screenings of all VIP provider employees. The District will continue to review the student-teacher ratios in the VIP contract for reasonableness and ensure that the basis for our determination is documented. The VIP contract will also be enhanced to include all necessary provisions, in order to ensure the effectiveness of the VIP operations.