

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial and Federal Single Audit**

Report No. 2017-192  
March 2017

**BREVARD COUNTY  
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended  
June 30, 2016



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2015-16 fiscal year, Dr. Desmond Blackburn served as Superintendent of the Brevard County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Misty Belford, Vice Chair from 11-17-15	1
John Craig	2
Amy Kneessy, Chair to 11-16-15	3
Karen Henderson, Vice Chair to 11-16-15	4
Andy Ziegler, Chair from 11-17-15	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 Bevohn Dougall, CPA, and the audit was supervised by Tim L. Tucker, CPA.

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

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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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.

### SUMMARY OF REPORT ON FEDERAL AWARDS

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

### AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2016. 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. The results of our operational audit of the District are included in our report No. 2017-139.

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brevard County District School Board, as of and for the fiscal year ended June 30, 2016, 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 aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports 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.

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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brevard County District School Board, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund and the major special revenue fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2017, 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 28, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management of the Brevard 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, 2016. 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 the notes to the financial statements, found immediately following the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2015-16 fiscal year are as follows:

- The assets of the District exceeded its liabilities for the governmental activities, at June 30, 2016, by \$224.2 million. Of this amount, \$365.1 million represents a net investment in capital assets and \$(140.9) million represents restricted and unrestricted net position of \$50.5 million and \$(191.4) million, respectively.
- The District's total net position for governmental activities increased by \$52.5 million, or 30.6 percent.
- Program revenues for governmental activities accounted for \$48.1 million, or 6.7 percent of total revenues. General revenues and transfers accounted for \$673.4 million, or 93.3 percent.
- The governmental funds reported combined fund balances of \$157.2 million, an increase of \$34.8 million, or 28.5 percent, in comparison to the prior fiscal year. The fund balances are comprised of \$2.5 million of non-spendable, \$107.8 million of restricted, \$6.3 of assigned, and \$40.6 million in unassigned funds.
- At the end of the fiscal year, the fund balance for the General Fund was \$48.2 million, or 9.2 percent, of the General Fund revenues. This fund balance was comprised of \$0.8 million of non-spendable, \$3.7 million of restricted, \$3.1 million assigned, and \$40.6 million of unassigned funds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to 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 and business-type activities of the primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets, deferred outflows, liabilities, and deferred inflows, using an economic resources measurement focus. Net position is a measurement of the financial health of the District. The statement of activities presents information about the change in

the District's financial position, or the results of operations, during the fiscal year. An increase or decrease in net position is potential indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in three categories:

- Governmental activities – These activities represent most of the District's services, including educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program (FEFP) provide most of the resources that support these activities.
- Business-type activities – The District charges fees to cover the cost of the services it provides for its Extended Day Program.
- Component units – The District has identified twelve separate legal entities which meet the criteria to be included as a component unit, including eleven charter schools and the Brevard Schools Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government. The Brevard County School Board Leasing Corporation (Leasing Corporation), although a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

### **Fund Financial Statements**

Fund financial statements are included as a component 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 financial statements. All of the District's funds may be classified within one of the broad categories discussed below.

**Governmental Funds:** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The District has the following governmental funds: general, debt service, special revenue (including the school food services) and capital projects. Within fund types, the District currently maintains eleven (11) major and non-major funds. Of those funds, the General Fund, Special Revenue – Contracted Programs

Fund, Debt Service – Other Fund, Capital Projects – Local Capital Improvement Fund and Capital Projects – Local Sales Surtax Fund are considered to be major funds. Data from the non-major governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been presented for the General and major special revenue funds to demonstrate compliance with the budget.

**Proprietary Funds:** Proprietary funds have been established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise funds to account for its Extended Day Program through enterprise fund reporting.
- Internal service funds are 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 funds to account for its self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Conversely, the internal service funds are combined into a single, aggregated column in the proprietary fund statements.

**Fiduciary Funds:** Fiduciary funds are used to report assets held with a trustee, or in a 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. The District uses agency funds to account for resources held for student activities.

### **Notes to the Financial Statements**

The notes to the financial statements contain additional information, which is intended to supplement and further explain 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.

<b>GOVERNMENT-WIDE FINANCIAL ANALYSIS</b>
-------------------------------------------

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

**Net Position, End of Year (in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>6-30-16</b>	<b>6-30-15</b>	<b>6-30-16</b>	<b>6-30-15</b>	<b>6-30-16</b>	<b>6-30-15</b>
Current and Other Assets	\$ 268,876	\$ 223,084	\$ 1,398	\$ 2,175	\$ 270,274	\$ 225,259
Capital Assets	797,128	813,649	69	83	797,197	813,732
<b>Total Assets</b>	<b>1,066,004</b>	<b>1,036,733</b>	<b>1,467</b>	<b>2,258</b>	<b>1,067,471</b>	<b>1,038,991</b>
Deferred Outflows of Resources	73,708	58,521	551	328	74,259	58,849
Current and Other Liabilities	70,790	66,095	112	120	70,902	66,215
Long-Term Liabilities	810,348	760,000	2,632	1,936	812,980	761,936
<b>Total Liabilities</b>	<b>881,138</b>	<b>826,095</b>	<b>2,744</b>	<b>2,056</b>	<b>883,882</b>	<b>828,151</b>
Deferred Inflows of Resources	34,340	97,412	349	899	34,689	98,311
Net Position:						
Net Investment in Capital Assets	365,072	368,445	69	83	365,141	368,528
Restricted	50,560	55,174	-	-	50,560	55,174
Unrestricted (Deficit)	(191,398)	(251,872)	(1,144)	(452)	(192,542)	(252,324)
<b>Total Net Position</b>	<b>\$ 224,234</b>	<b>\$ 171,747</b>	<b>\$ (1,075)</b>	<b>\$ (369)</b>	<b>\$ 223,159</b>	<b>\$ 171,378</b>

Within the District's governmental activities, the assets exceeded liabilities by \$224.2 million at the end of the fiscal year. The largest portion of the District's net position, \$365.1 million, reflects its investment in capital assets less any related debt used to acquire those assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remainder of net position is comprised of a restricted balance of \$50.5 million, which is externally restricted for specific uses and an unrestricted net position of \$(191.4) million.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015, are as follows:

## Operating Results for the Fiscal Year Ended (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	6-30-16	6-30-15	6-30-16	6-30-15	6-30-16	6-30-15
Program Revenues:						
Charges for Services	\$ 9,332	\$ 9,992	\$ 7,086	\$ 6,441	\$ 16,418	\$ 16,433
Operating Grants and Contributions	34,239	32,084	-	-	34,239	32,084
Capital Grants and Contributions	4,512	3,964	-	-	4,512	3,964
General Revenues:						
Property Taxes, Levied for Operational Purposes	185,146	176,468	-	-	185,146	176,468
Property Taxes, Levied for Capital Projects	48,092	45,333	-	-	48,092	45,333
Local Sales Taxes	41,642	19,540	-	-	41,642	19,540
Grants and Contributions Not Restricted to Specific Programs	387,855	372,198	-	-	387,855	372,198
Miscellaneous	6,838	6,935	6	4	6,844	6,939
Unrestricted Investment Earnings	1,494	774	-	-	1,494	774
<b>Total Revenues</b>	<b>719,150</b>	<b>667,288</b>	<b>7,092</b>	<b>6,445</b>	<b>726,242</b>	<b>673,733</b>
Functions/Program Expenses:						
Instruction	363,326	345,051	-	-	363,326	345,051
Student Support Services	24,344	23,253	-	-	24,344	23,253
Instructional Media Services	7,361	6,873	-	-	7,361	6,873
Instruction and Curriculum Development Services	24,362	22,766	-	-	24,362	22,766
Instructional Staff Training Services	6,327	5,822	-	-	6,327	5,822
Instruction-Related Technology	10,577	12,465	-	-	10,577	12,465
Board	1,006	1,087	-	-	1,006	1,087
General Administration	3,811	4,006	-	-	3,811	4,006
School Administration	36,628	33,992	-	-	36,628	33,992
Facilities Acquisitions & Construction	18,254	7,240	-	-	18,254	7,240
Fiscal Services	2,618	2,419	-	-	2,618	2,419
Food Services	29,315	28,691	-	-	29,315	28,691
Central Services	6,308	5,796	-	-	6,308	5,796
Student Transportation Services	19,498	19,169	-	-	19,498	19,169
Operation of Plant	44,198	42,558	-	-	44,198	42,558
Maintenance of Plant	10,816	10,791	-	-	10,816	10,791
Administrative Technology Services	3,678	4,047	-	-	3,678	4,047
Community Services	1,397	1,462	-	-	1,397	1,462
Unallocated Interest on Long-Term Debt	19,186	19,503	-	-	19,186	19,503
Unallocated Depreciation Expense	35,952	37,382	-	-	35,952	37,382
Extended Day Program	-	-	5,499	4,791	5,499	4,791
<b>Total Functions/Program Expenses</b>	<b>668,962</b>	<b>634,373</b>	<b>5,499</b>	<b>4,791</b>	<b>674,461</b>	<b>639,164</b>
Excess of Revenues Over Expenses	50,188	32,915	1,593	1,654	51,781	34,569
Other Financial Disclosures (uses)						
Transfers	2,299	2,299	(2,299)	(2,299)	-	-
<b>Total Other Financial Sources (uses)</b>	<b>2,299</b>	<b>2,299</b>	<b>(2,299)</b>	<b>(2,299)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>52,487</b>	<b>35,214</b>	<b>(706)</b>	<b>(645)</b>	<b>51,781</b>	<b>34,569</b>
Net Position - Beginning	171,747	367,127	(369)	2,318	171,378	369,445
Adjustment to Beginning Net Position (1)	-	(230,594)	-	(2,042)	-	(232,636)
Net Position - Beginning, as Restated	171,747	136,533	(369)	276	171,378	136,809
<b>Net Position - Ending</b>	<b>\$ 224,234</b>	<b>\$ 171,747</b>	<b>\$ (1,075)</b>	<b>\$ (369)</b>	<b>\$ 223,159</b>	<b>\$ 171,378</b>

### **Governmental Activities**

The District's governmental activities net position increased by \$52.5 million from the 2014-15 fiscal year. Key components of this increase are as follows:

- Property taxes for all governmental activities increased by \$11.4 million, or 5.2 percent over the previous year. This overall change is due to an increase in capital projects tax collections resulting from increases in property values and home ownership, offset by a decrease in required local effort millage.
- In November 2014, the citizens of Brevard County authorized a half-cent sales tax surtax to fund capital needs of the District. The surtax was effective January 2015 and will continue through December 2020. Fiscal year 2015-16 included the first full year of collections from the surtax; as a result, reported revenues were \$41.6 million in fiscal year 2015-16, more than double the fiscal year 2014-15 collections of \$19.5 million.
- Impact fee revenue was \$12.4 million, an increase of \$7.7 million from the prior fiscal year.
- The District's State FEFP allocations increased by \$10.2 million.

### **Business-Type Activities**

The business-type activities net position decreased by \$0.7 million from fiscal year 2014-15, due to an increase in operating costs for the District's daycare operations, and a transfer of \$2.3 million to the General Fund as a repayment of shortfalls previously incurred in the business activities and funded by the General Fund during prior years.

<b>FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS</b>
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The District's governmental funds reported a combined fund balance of \$157.2 million, which is a \$34.8 million increase from last year's combined governmental fund balances of \$122.4 million. The following schedule indicates the fund balances and the total change in fund balances by major fund and other governmental funds (non-major) as reported in the basic financial statements for the fiscal years ended June 30, 2016 and 2015.

<b>Fund Balance (in thousands)</b>	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
General Fund	\$ 48,236	\$ 48,191	\$ 45	0.09%
Debt Service Fund - Other	3,857	3,721	136	3.65%
Capital Projects Funds:				
Local Capital Improvement	28,625	34,860	(6,235)	-17.89%
Local Sales Surtax	40,955	16,783	24,172	144.03%
Other Governmental Funds (nonmajor)	35,516	18,815	16,701	88.76%
<b>Total</b>	<b>\$ 157,189</b>	<b>\$ 122,370</b>	<b>\$ 34,819</b>	<b>28.45%</b>

### **General Fund**

Fund balance for the General Fund was virtually unchanged, compared to a net decrease of \$1.2 million in the prior year. The tables and data that follow illustrate the financial activities and changes in fund balance for the General Fund.

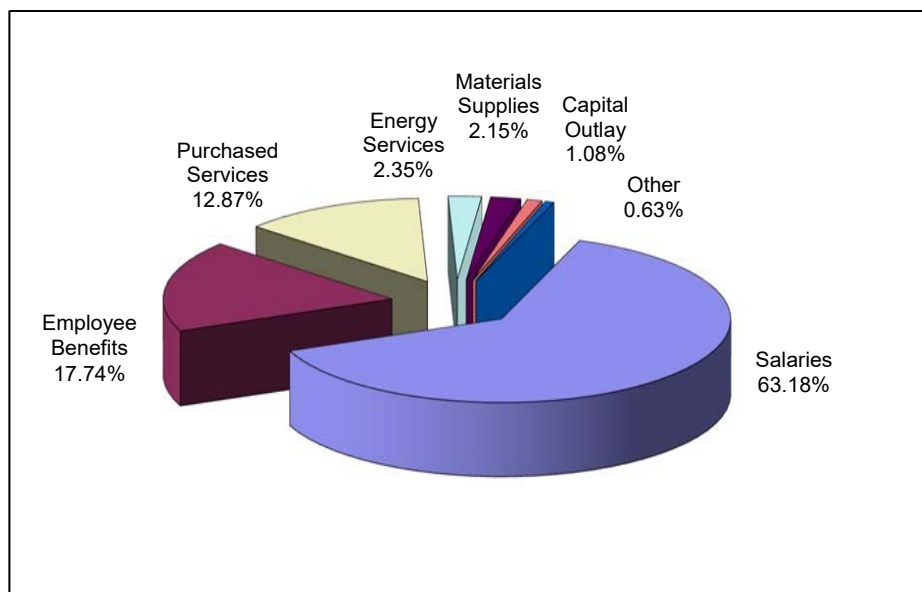
<b>Revenues (in thousands)</b>	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
Taxes	\$ 185,146	\$ 176,468	\$ 8,678	4.92%
Interest Earnings	497	243	254	104.5%
State Revenues	330,147	319,264	10,883	3.41%
Federal Revenues	3,414	3,072	342	11.13%
Other Revenues	7,046	7,752	(706)	-9.11%
<b>Total</b>	<b>\$ 526,250</b>	<b>\$ 506,799</b>	<b>\$ 19,451</b>	<b>3.84%</b>

General Fund property tax revenues increased by \$8.7 million, or 4.9 percent. Other combined revenues increased overall by \$10.8 million. FEFP revenue was the largest contributor with a \$10.2 million increase which included revenue adjustments for state allocations such as: Base Student, Reading, and Virtual Education and Supplemental Academic Instruction, along with a declining enrollment allocation.

As the table below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The District is a service entity and as such is labor intensive.

<b>Expenditures by Object (in thousands)</b>	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
Salaries	\$ 334,333	\$ 317,879	\$ 16,454	5.18%
Employee Benefits	93,867	91,635	2,232	2.44%
Purchased Services	68,106	61,622	6,484	10.52%
Energy Services	12,445	13,432	(987)	-7.35%
Materials and Supplies	11,343	15,792	(4,449)	-28.17%
Capital Outlay	5,738	4,975	763	15.34%
Other	3,342	2,836	506	17.84%
<b>Total</b>	<b>\$ 529,174</b>	<b>\$ 508,171</b>	<b>\$ 21,003</b>	<b>4.13%</b>

**General Fund Expenditures by Object  
Fiscal Year 2015-16**



The net increase in labor and fringe benefits of \$18.7 million is primarily due to increases in salary and health insurance costs. Purchased services increased \$6.5 million, primarily due to an increase in the number of charter schools and the funding amounts distributed to them. Energy costs decreased by \$1 million as the District continued to focus on conservation. Materials and supplies, capital outlay and other expenditures account for the remaining decrease of \$3.2 million.

Total amounts from other financing sources increased by a net amount of \$2.8 million over fiscal year 2014-15, primarily due an increase in operating transfers from other funds.

***Special Revenue – Contracted Programs Fund***

The Special Revenue – Contracted Programs Fund revenues decreased by \$1.9 million compared to fiscal year 2014-15. The change was due to decreases in Magnet Schools Assistance, Title I and Individuals with Disabilities Education Act funding, offset by increases in the Child Nutrition Program.

***American Recovery and Reinvestment Act (ARRA) Economic Stimulus Funds***

The District expended the last of its ARRA allocation in fiscal year 2014-15. As a result, these funds, presented as major funds in prior fiscal years, are considered closed and are not reported in the District's 2015-16 financial statements.

***Debt Service – Other Fund***

The fund balance of the Debt Service Fund - Other was essentially unchanged, increasing only \$0.1 million from the prior year, as transfers in from other funds kept pace with small increases in scheduled principal and interest payments on long-term debt.

***Capital Projects - Local Capital Improvement Fund***

The fund balance of the Capital Projects – Local Capital Improvement Fund decreased by \$6.2 million, or 17.9 percent. Revenues increased by \$2.8 million over fiscal year 2014-15 as property values continue to increase in Brevard County, but were offset by operating transfers of \$41.0 million, an increase of \$13.1 million in the prior year. The transfers were primarily made to the debt service funds to cover a portion of principal and interest payments on long-term debt.

***Capital Projects – Local Sales Surtax Fund***

The Capital Projects – Local Sales Surtax Fund was established in fiscal year 2014-15 to account for revenues generated by the sales surtax approved by voters in November 2014. Collections of the Local Sales Surtax was for approximately 6 months of the 2014-15 fiscal year; whereas, collections of the Surtax was for 12 months of the 2015-16 fiscal year. Surtax collections during fiscal year 2015-16 were \$41.6 million, an increase of \$22.1 million from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with Florida Statutes and is based on the modified accrual basis of accounting, which is the same basis used to account for actual transactions. The most significant budgeted fund is the General Fund.

General Fund expenditures were originally budgeted at \$530.1 million and actual expenditures were lower than the original budget by \$1 million. The District amends its budget throughout the fiscal year to reflect changes in available revenues and anticipated expenditures.

## CAPITAL ASSETS AND LONG-TERM DEBT

### **Capital Assets**

The District has \$797.1 million invested in capital assets net of depreciation, with virtually all of it attributed to governmental activities. This investment in capital assets includes: land; construction in progress; software in process; improvements; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio-visual materials and computer software.

Acquisitions for governmental activities totaled \$13.7 million in new depreciable capital assets placed into service during fiscal year 2015-16. The majority of the acquisitions were capital improvements, motor vehicles, furniture, and computer equipment throughout the District. The District also charged \$13.0 million on construction and renovation projects that it expects to complete in the next fiscal year. Depreciation of existing assets totaled \$38.1 million, with \$2.2 million directly charged to the Transportation function. The District also retired \$6 million of unusable or obsolete furniture, fixtures, and equipment, motor vehicles, and audio-visual materials and computer software. Current year information relative to changes in capital assets is described in a subsequent note.

### **Long-Term Debt**

At June 30, 2016, the District had a total of \$491.4 million in outstanding long-term debt, comprised of \$3.6 million of State Board of Education bonds issued on behalf of the District, and \$487.8 million in outstanding certificates of participation. Changes in long-term liabilities for the current year are reported in a subsequent note.

## OTHER MATTERS OF SIGNIFICANCE

The District has proposed a millage rate for required local effort for the 2016-17 fiscal year of 4.668 mills, a decrease of 0.359 mills from the 2015-16 fiscal year. The proposed local levy of 0.748 mills and the capital outlay millage of 1.500 mills are unchanged from the 2015-16 fiscal year. The District's proposed budget for fiscal year 2016-17 also projects General Fund revenues to be \$539.4 million and expenditures of \$543.4 million.

The State of Florida and the District experienced gradual improvement in the economy over the past year. Sales of traditional homes in Brevard County increased 12 percent compared to the 2015 calendar year, and the median home price rose approximately 6 percent. Nonetheless, the District has a long-standing practice of conservative spending and diligent monitoring of actual vs. budgeted expenditures. The District's new strategic plan, approved in July 2016, reinforces this practice with objectives related to review of cost-saving measures and operational efficiency districtwide.

## REQUESTS FOR INFORMATION

This comprehensive annual financial report is designed to provide a general financial overview of the School Board of Brevard County, Florida. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Board of Brevard County, Florida, Attn: Chief Financial Officer, or Director of Accounting Services at 2700 Judge Fran Jamieson Way, Viera, FL 32940.

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# BASIC FINANCIAL STATEMENTS

## Brevard County District School Board Statement of Net Position June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 62,709,650	\$ 1,385,932	\$ 64,095,582	\$ 6,338,473
Cash with Fiscal/Service Agents	38,485,755	-	38,485,755	1,657,796
Investments	150,048,733	-	150,048,733	2,069,233
Accounts Receivable	125,913	2,481	128,394	261,179
Interest Receivable	307,869	-	307,869	-
Due from Other Agencies	14,202,058	9,672	14,211,730	736,328
Deposits Receivable	-	-	-	166,021
Prepaid Items	-	-	-	2,317,383
Inventories	2,520,358	-	2,520,358	151,669
Prepaid Insurance Costs	475,774	-	475,774	-
Restricted Cash	-	-	-	60,286
Capital Assets:				
Nondepreciable Capital Assets	62,245,504	-	62,245,504	3,419,789
Depreciable Capital Assets, Net	734,882,353	68,824	734,951,177	18,808,267
Other Assets	-	-	-	21,221
<b>TOTAL ASSETS</b>	<b>1,066,003,967</b>	<b>1,466,909</b>	<b>1,067,470,876</b>	<b>36,007,645</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	54,879,460	550,696	55,430,156	-
Net Carrying Amount of Debt Refunding	18,828,351	-	18,828,351	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>73,707,811</b>	<b>550,696</b>	<b>74,258,507</b>	<b>-</b>
<b>LIABILITIES</b>				
Accrued Salaries and Benefits	21,891,503	108,272	21,999,775	1,436,668
Payroll Deductions and Withholdings	5,483,237	25	5,483,262	-
Accounts Payable	7,340,120	4,062	7,344,182	440,365
Construction Contracts Payable	7,774,559	-	7,774,559	-
Construction Contracts Payable - Retained Percentage	674,441	-	674,441	-
Due to Other Agencies	602,454	-	602,454	272,333
Matured Bonds Payable	15,735,000	-	15,735,000	-
Matured Interest Payable	10,285,575	-	10,285,575	-
Accrued Interest Payable	-	-	-	15,614
Unearned Revenues	1,002,382	-	1,002,382	73,377
Other Current Liabilities	-	-	-	4,798
Long-Term Liabilities:				
Portion Due Within One Year	31,828,922	14,503	31,843,425	678,371
Portion Due After One Year	778,518,839	2,616,798	781,135,637	22,385,749
<b>TOTAL LIABILITIES</b>	<b>881,137,032</b>	<b>2,743,660</b>	<b>883,880,692</b>	<b>25,307,275</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	34,340,224	349,058	34,689,282	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	365,072,402	68,824	365,141,226	2,373,714
Restricted for:				
State Required Carryover Programs	3,682,097	-	3,682,097	-
Debt Service	3,929,920	-	3,929,920	1,008,966
Capital Projects	28,351,958	-	28,351,958	38,553
Food Service	13,761,357	-	13,761,357	60,286
Other Purposes	834,571	-	834,571	3,859,162
Unrestricted	(191,397,783)	(1,143,937)	(192,541,720)	3,359,689
<b>TOTAL NET POSITION</b>	<b>\$ 224,234,522</b>	<b>\$ (1,075,113)</b>	<b>\$ 223,159,409</b>	<b>\$ 10,700,370</b>

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

**Brevard County District School Board  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 363,325,533	\$ 263,766	\$ -	\$ -
Student Support Services	24,344,514	-	-	-
Instructional Media Services	7,360,706	-	-	-
Instruction and Curriculum Development Services	24,362,417	-	-	-
Instructional Staff Training Services	6,327,209	-	-	-
Instruction-Related Technology	10,576,742	-	-	-
Board	1,006,496	-	-	-
General Administration	3,810,739	-	-	-
School Administration	36,628,315	-	-	-
Facilities Acquisition and Construction	18,254,047	815	-	2,042,578
Fiscal Services	2,617,691	-	-	-
Food Services	29,314,776	9,067,185	23,245,543	-
Central Services	6,307,794	-	-	-
Student Transportation Services	19,497,569	-	10,993,240	-
Operation of Plant	44,198,270	-	-	-
Maintenance of Plant	10,816,362	-	-	1,734,190
Administrative Technology Services	3,677,859	-	-	-
Community Services	1,396,694	-	-	-
Unallocated Interest on Long-Term Debt	19,186,203	-	-	735,628
Unallocated Depreciation Expense*	35,952,044	-	-	-
<b>Total Governmental Activities</b>	<b>668,961,980</b>	<b>9,331,766</b>	<b>34,238,783</b>	<b>4,512,396</b>
<b>Business-Type Activities:</b>				
Extended Day Program	5,498,676	7,085,627	-	-
<b>Total Primary Government</b>	<b>\$ 674,460,656</b>	<b>\$ 16,417,393</b>	<b>\$ 34,238,783</b>	<b>\$ 4,512,396</b>
<b>Component Units</b>				
Total Nonmajor Component Units	\$ 44,333,536	\$ 1,247,138	\$ 3,542,702	\$ 528,583

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

Transfers

**Total General Revenues and Transfers**

**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**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (363,061,767)	\$ -	\$ (363,061,767)	\$ -
(24,344,514)	-	(24,344,514)	-
(7,360,706)	-	(7,360,706)	-
(24,362,417)	-	(24,362,417)	-
(6,327,209)	-	(6,327,209)	-
(10,576,742)	-	(10,576,742)	-
(1,006,496)	-	(1,006,496)	-
(3,810,739)	-	(3,810,739)	-
(36,628,315)	-	(36,628,315)	-
(16,210,654)	-	(16,210,654)	-
(2,617,691)	-	(2,617,691)	-
2,997,952	-	2,997,952	-
(6,307,794)	-	(6,307,794)	-
(8,504,329)	-	(8,504,329)	-
(44,198,270)	-	(44,198,270)	-
(9,082,172)	-	(9,082,172)	-
(3,677,859)	-	(3,677,859)	-
(1,396,694)	-	(1,396,694)	-
(18,450,575)	-	(18,450,575)	-
(35,952,044)	-	(35,952,044)	-
<u>(620,879,035)</u>	<u>-</u>	<u>(620,879,035)</u>	<u>-</u>
-	1,586,951	1,586,951	-
<u>(620,879,035)</u>	<u>1,586,951</u>	<u>(619,292,084)</u>	<u>-</u>
-	-	-	(39,015,113)
185,145,850	-	185,145,850	-
48,092,404	-	48,092,404	-
41,641,525	-	41,641,525	-
387,855,610	-	387,855,610	39,904,843
1,494,221	-	1,494,221	128,186
6,837,644	6,084	6,843,728	721,793
2,299,035	(2,299,035)	-	-
<u>673,366,289</u>	<u>(2,292,951)</u>	<u>671,073,338</u>	<u>40,754,822</u>
52,487,254	(706,000)	51,781,254	1,739,709
171,747,268	(369,113)	171,378,155	9,002,398
-	-	-	(41,737)
<u>171,747,268</u>	<u>(369,113)</u>	<u>171,378,155</u>	<u>8,960,661</u>
<u>\$ 224,234,522</u>	<u>\$ (1,075,113)</u>	<u>\$ 223,159,409</u>	<u>\$ 10,700,370</u>

**Brevard County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2016**

	General Fund	Special Revenue - Contracted Programs Fund	Debt Service - Other Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 21,655,422	\$ -	\$ 6,465
Cash with Fiscal/Service Agents	-	-	26,020,575
Investments	53,938,861	-	3,821,194
Accounts Receivable	64,585	-	-
Interest Receivable	130,532	-	35,648
Due from Budgetary Funds	2,256,917	-	-
Due from Other Agencies	865,605	4,619,028	-
Inventories	834,571	-	-
<b>TOTAL ASSETS</b>	<b>\$ 79,746,493</b>	<b>\$ 4,619,028</b>	<b>\$ 29,883,882</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accrued Salaries and Benefits	\$ 20,434,056	\$ 1,428,741	\$ -
Payroll Deductions and Withholdings	5,475,912	7,325	-
Accounts Payable	4,800,870	402,359	6,464
Construction Contracts Payable	13,110	-	-
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Agencies	77,356	523,686	-
Due to Budgetary Funds	-	2,256,917	-
Matured Bonds Payable	-	-	15,735,000
Matured Interest Payable	-	-	10,285,575
Unearned Revenues	709,304	-	-
<b>Total Liabilities</b>	<b>31,510,608</b>	<b>4,619,028</b>	<b>26,027,039</b>
Deferred Inflows of Resources:			
Unavailable Revenue	-	-	-
Fund Balances:			
Nonspendable	834,571	-	-
Restricted	3,682,097	-	3,856,843
Assigned Fund Balance	3,078,912	-	-
Unassigned Fund Balance	40,640,305	-	-
<b>Total Fund Balances</b>	<b>48,235,885</b>	<b>-</b>	<b>3,856,843</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 79,746,493</b>	<b>\$ 4,619,028</b>	<b>\$ 29,883,882</b>

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

<b>Capital Projects - Local Capital Improvement Fund</b>	<b>Capital Projects - Local Sales Surtax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,871,157	\$ 2,786,466	\$ 14,204,028	\$ 47,523,538
-	-	12,465,180	38,485,755
21,641,124	38,170,385	6,900,407	124,471,971
-	-	15,659	80,244
15,829	46,051	-	228,060
128,623	-	-	2,385,540
20,959	7,424,790	1,271,676	14,202,058
-	-	1,685,787	2,520,358
<u>\$ 30,677,692</u>	<u>\$ 48,427,692</u>	<u>\$ 36,542,737</u>	<u>\$ 229,897,524</u>

\$ -	\$ -	\$ 28,706	\$ 21,891,503
-	-	-	5,483,237
1,583,949	-	61,638	6,855,280
436,073	6,852,131	473,245	7,774,559
32,613	620,522	21,306	674,441
-	-	1,412	602,454
-	-	128,623	2,385,540
-	-	-	15,735,000
-	-	-	10,285,575
-	-	293,078	1,002,382
<u>2,052,635</u>	<u>7,472,653</u>	<u>1,008,008</u>	<u>72,689,971</u>

-	-	17,949	17,949
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-	-	1,685,787	2,520,358
28,625,057	40,955,039	30,647,234	107,766,270
-	-	3,183,759	6,262,671
-	-	-	40,640,305
<u>28,625,057</u>	<u>40,955,039</u>	<u>35,516,780</u>	<u>157,189,604</u>

<u>\$ 30,677,692</u>	<u>\$ 48,427,692</u>	<u>\$ 36,542,737</u>	<u>\$ 229,897,524</u>
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**Brevard County District School Board  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2016**

**Total Fund Balances - Governmental Funds** \$ 157,189,604

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.

Total capital assets not being depreciated	\$	62,245,504	
Total capital assets being depreciated		1,628,439,255	
Total accumulated depreciation		<u>(893,556,902)</u>	797,127,857

Prepaid insurance costs on outstanding debt issues are not expensed in the government-wide financial statements but are amortized over the life of the debt. The unamortized portion is included in governmental activities on the statement of net position. 475,774

In refundings of debt, the difference between the amount required to repay previously issued debt, less the amount due at maturity of the previous issue, is not expensed in the government-wide financial statements, but is reported as deferred outflows and amortized over the life of the debt. 18,828,351

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. 24,427,591

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. 17,949

Deferred inflows and outflows of resources related to pensions are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Deferred Outflows Related to Pensions	\$	54,879,460	
Deferred Inflows Related to Pensions		<u>(34,340,224)</u>	20,539,236

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$	(3,596,946)	
Certificates of Participation Payable		(487,815,981)	
Compensated Absences Payable		(39,364,745)	
Other Postemployment Benefits Payable		(37,684,482)	
Net Pension Liability		<u>(225,909,686)</u>	<u>(794,371,840)</u>

**Total Net Position - Governmental Activities** \$ 224,234,522

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

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**Brevard County District School Board  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2016**

	General Fund	Special Revenue - Contracted Programs Fund	Debt Service - Other Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 537,093	\$ 9,159,515	\$ -
Federal Through State and Local	2,876,836	42,572,491	-
State	330,147,493	43,520	-
Local:	-	-	-
Property Taxes	185,145,850	-	-
Local Sales Taxes	-	-	-
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	7,542,484	910	135,628
Total Local Revenues	<u>192,688,334</u>	<u>910</u>	<u>135,628</u>
<b>Total Revenues</b>	<u>526,249,756</u>	<u>51,776,436</u>	<u>135,628</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	347,905,152	23,602,064	-
Student Support Services	19,224,806	5,702,741	-
Instructional Media Services	7,533,276	28,134	-
Instruction and Curriculum Development Services	12,905,027	12,149,055	-
Instructional Staff Training Services	2,409,770	4,007,778	-
Instruction-Related Technology	8,776,586	2,065,188	-
Board	1,077,124	2,049	-
General Administration	1,995,754	1,937,713	-
School Administration	38,244,887	322,531	-
Facilities Acquisition and Construction	732,969	83,268	-
Fiscal Services	2,670,957	38,177	-
Food Services	239,133	22,648	-
Central Services	6,507,537	30,259	-
Student Transportation Services	17,414,194	221,123	-
Operation of Plant	44,719,657	54,120	-
Maintenance of Plant	11,031,576	11,851	-
Administrative Technology Services	3,731,168	64,161	-
Community Services	383,024	1,042,003	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	42,549	22,510	-
Other Capital Outlay	1,628,988	369,063	-
Debt Service:			
Principal	-	-	15,735,000
Interest and Fiscal Charges	-	-	20,627,011
<b>Total Expenditures</b>	<u>529,174,134</u>	<u>51,776,436</u>	<u>36,362,011</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,924,378)</u>	<u>-</u>	<u>(36,226,383)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	6,964,722	-	36,361,975
Sale of Capital Assets	-	-	-
Loss Recoveries	19,553	-	-
Transfers Out	<u>(4,014,995)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>2,969,280</u>	<u>-</u>	<u>36,361,975</u>
<b>Net Change in Fund Balances</b>	44,902	-	135,592
Fund Balances, Beginning	48,190,983	-	3,721,251
<b>Fund Balances, Ending</b>	<u>\$ 48,235,885</u>	<u>\$ 0</u>	<u>\$ 3,856,843</u>

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

<b>Capital Projects - Local Capital Improvement Fund</b>	<b>Capital Projects - Local Sales Surtax Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 9,696,608
-	-	22,908,105	68,357,432
-	-	4,907,169	335,098,182
-	-	-	-
48,092,404	-	-	233,238,254
-	41,641,525	-	41,641,525
-	-	12,392,103	12,392,103
-	-	9,067,726	9,067,726
238,975	235,378	402,617	8,555,992
<u>48,331,379</u>	<u>41,876,903</u>	<u>21,862,446</u>	<u>304,895,600</u>
<u>48,331,379</u>	<u>41,876,903</u>	<u>49,677,720</u>	<u>718,047,822</u>
-	-	-	371,507,216
-	-	-	24,927,547
-	-	-	7,561,410
-	-	-	25,054,082
-	-	-	6,417,548
-	-	-	10,841,774
-	-	-	1,079,173
-	-	-	3,933,467
-	-	-	38,567,418
7,244,765	5,815,185	2,151,298	16,027,485
-	-	-	2,709,134
-	-	29,394,899	29,656,680
-	-	-	6,537,796
-	-	-	17,635,317
-	-	-	44,773,777
-	-	-	11,043,427
-	-	-	3,795,329
-	-	-	1,425,027
2,012,594	11,741,012	1,574,919	15,393,584
4,281,177	148,272	1,247,439	7,674,939
-	-	578,000	16,313,000
-	-	179,288	20,806,299
<u>13,538,536</u>	<u>17,704,469</u>	<u>35,125,843</u>	<u>683,681,429</u>
<u>34,792,843</u>	<u>24,172,434</u>	<u>14,551,877</u>	<u>34,366,393</u>
-	-	2,995,717	46,322,414
-	-	134,385	134,385
-	-	-	19,553
<u>(41,027,662)</u>	<u>-</u>	<u>(980,722)</u>	<u>(46,023,379)</u>
<u>(41,027,662)</u>	<u>-</u>	<u>2,149,380</u>	<u>452,973</u>
(6,234,819)	24,172,434	16,701,257	34,819,366
<u>34,859,876</u>	<u>16,782,605</u>	<u>18,815,523</u>	<u>122,370,238</u>
\$ 28,625,057	\$ 40,955,039	\$ 35,516,780	\$ 157,189,604

**Brevard 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, 2016**

**Net Change in Fund Balances - Total Governmental Funds** \$ 34,819,366

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

Governmental funds report capital outlays 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 by which depreciation expense exceeded capital outlay expenditures in the current period.

Capital Outlay - Facilities, Acquisition and Construction	\$	15,393,584	
Capital Outlay - Other		7,674,939	
Donated Land		531,494	
Donations Capitalized		415,583	
Adjustment - CIP PY Reclassed as Non-Capitalized		(2,392,354)	
Less, Depreciation Expense		<u>(38,144,735)</u>	(16,521,489)

Certain issuance costs and premiums for debt issues are reported when issued as expenditures and other financing sources in the governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.

Prepaid Insurance:			
Current Year	\$	475,774	
Prior Year		<u>588,481</u>	
Net Decrease in Expenditures from Prepaid Insurance Premiums on Existing Debt Issues			(112,707)

Deferred Outflow - Net Carrying Amount of Debt Refunding:			
Current Year	\$	18,828,351	
Prior Year		<u>20,200,985</u>	
Net Decrease in Sources from Unamortized Carrying Amounts on Debt Refundings			(1,372,634)

Unamortized Premiums			
Current year - Certificates of Participation	\$	(41,127,981)	
Prior year - Certificates of Participation		44,158,630	
Current year - Bonds		(465,946)	
Prior year - Bonds		<u>540,731</u>	
Net Decrease in Sources from Unamortized Premiums			3,105,434

Repayment of long-term debt is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt principal in the current fiscal year.

Payment of Principal - Certificates of Participation	\$	15,735,000	
Payment of Principal - Bonds		<u>578,000</u>	16,313,000

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 (\$22,435,694) in excess of the amount paid/used (\$19,482,707) in the current year. (2,952,987)

In the statement of activities, some revenues do not provide current financial resources and, therefore, are not reported as revenues in governmental funds. Change in deferred inflow from CO&DS. 17,949

(continued)

**Brevard County District School Board  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities (continued)  
 For the Fiscal Year Ended June 30, 2016**

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	\$	20,705,154	
HIS Pension Contribution		5,954,611	
FRS Pension Expense		(7,654,447)	
HIS Pension Expense		(7,981,072)	
		11,024,246	\$ 11,024,246

In the statement of activities, the cost of other postemployment benefits is a measurement of the amortized unfunded actuarial accrued liability based on accrual basis of accounting, while in the governmental funds expenditures are recognized only when amounts are actually paid for other postemployment benefits. This is the net amount of other postemployment benefits expensed (\$2,849,600) in excess of the amount paid (\$51,604) in the current year. 2,797,996

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net gain of internal service funds is reported with governmental activities. 5,369,080

**Change in Net Position of Governmental Activities** \$ 52,487,254

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

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual - General Fund**  
**June 30, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 694,794	\$ 537,093	\$ 537,093	\$ -
Federal Through State and Local	1,889,592	2,876,836	2,876,836	-
State	342,846,685	330,147,493	330,147,493	-
Local:				
Property Taxes	183,977,099	185,145,850	185,145,850	-
Miscellaneous	6,156,359	7,542,484	7,542,484	-
Total Local Revenues	<u>190,133,458</u>	<u>192,688,334</u>	<u>192,688,334</u>	<u>-</u>
<b>Total Revenues</b>	<u>535,564,529</u>	<u>526,249,756</u>	<u>526,249,756</u>	<u>-</u>
<b>Expenditures</b>				
Current - Education:				
Instruction				
Salaries	231,372,059	229,264,794	226,606,216	2,658,578
Employee Benefits	62,514,458	61,651,862	60,554,822	1,097,040
Purchased Services	47,009,677	49,650,141	48,300,132	1,350,009
Energy Services	4,475	4,475	-	4,475
Materials and Supplies	11,364,908	13,329,706	7,073,323	6,256,383
Capital Outlay	1,810,678	3,558,541	2,689,135	869,406
Other Expenditures	1,098,840	3,432,187	2,681,523	750,664
Total Instruction	<u>355,175,095</u>	<u>360,891,706</u>	<u>347,905,152</u>	<u>12,986,554</u>
Student Support Services				
Salaries	11,520,680	12,623,168	12,513,337	109,831
Employee Benefits	3,083,700	3,278,908	3,264,126	14,782
Purchased Services	3,293,068	3,283,288	3,221,327	61,961
Materials and Supplies	165,044	325,960	209,303	116,657
Capital Outlay	3,332	35,403	8,020	27,383
Other Expenditures	1,695	7,085	8,692.00	(1,607)
Total Student Support Services	<u>18,067,519</u>	<u>19,553,812</u>	<u>19,224,806</u>	<u>329,007</u>
Instructional Media Services				
Salaries	5,031,433	5,393,149	5,437,855	(44,706)
Employee Benefits	1,451,473	1,554,591	1,575,399	(20,808)
Purchased Services	3,780	128,759	100,208	28,551
Materials and Supplies	51,202	133,206	79,973	53,233
Capital Outlay	374,607	397,252	338,377	58,875
Other Expenditures	450	2,107	1,463	644
Total Instructional Media Services	<u>6,912,945</u>	<u>7,609,064</u>	<u>7,533,276</u>	<u>75,788</u>
Instruction and Curriculum Development Services				
Salaries	9,098,196	10,454,777	10,186,529	268,248
Employee Benefits	2,354,595	2,388,615	2,487,758	(99,142)
Purchased Services	89,724	148,173	126,350	21,823
Materials and Supplies	44,379	57,084	37,021	20,063
Capital Outlay	9,156	49,320	44,300	5,020
Other Expenditures	6,035	21,939	23,069	(1,130)
Total Instruction and Curriculum Development Services	<u>11,602,085</u>	<u>13,119,909</u>	<u>12,905,027</u>	<u>214,882</u>

(continued)

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**– Budget and Actual – General Fund (continued)**  
**June 30, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Instructional Staff Training Services				
Salaries	\$ 1,238,602	\$ 1,994,535	\$ 1,381,449	\$ 613,086
Employee Benefits	275,609	292,446	265,731	26,715
Purchased Services	61,307	799,041	489,603	309,438
Materials and Supplies	33,283	327,714	75,452	252,262
Capital Outlay	4,143	108,774	90,768	18,006
Other Expenditures	405	139,912	106,766	33,146
Total Instructional Staff Training Services	1,613,349	3,662,423	2,409,770	1,252,653
Instruction-Related Technology				
Salaries	5,504,868	5,951,732	5,871,294	80,438
Employee Benefits	1,419,030	1,519,938	1,541,138	(21,200)
Purchased Services	1,349,525	1,744,244	1,313,245	430,999
Materials and Supplies	-	290,935	782	290,152
Capital Outlay	284	127,717	50,127	77,590
Total Instruction-Related Technology	8,273,707	9,634,565	8,776,586	857,979
Board				
Salaries	239,004.00	248,522	249,159	(636)
Employee Benefits	411,345.00	415,200	266,249	148,951
Purchased Services	512,405.00	663,007	530,379	132,628
Materials and Supplies	3,000.00	2,995	298	2,698
Capital Outlay	250.00	4,640	4,390	250
Other Expenditures	25,536.00	26,620	26,650	(30)
Total Board	1,191,540	1,360,984	1,077,124	283,860
General Administration				
Salaries	1,164,827	1,219,496	1,229,476	(9,980)
Employee Benefits	332,612	352,550	359,792	(7,242)
Purchased Services	365,153	367,589	327,315	40,273
Materials and Supplies	18,763	28,137	19,237	8,901
Capital Outlay	6,925	17,360	11,135	6,225
Other Expenditures	27,850	51,794	48,798	2,996
Total General Administration	1,916,130	2,036,926	1,995,754	41,173
School Administration				
Salaries	27,831,577	29,228,519	29,284,055	(55,536)
Employee Benefits	8,347,520	8,456,728	8,616,036	(159,308)
Purchased Services	164,469	474,109	164,777	309,332
Materials and Supplies	90,171	238,657	88,092	150,564
Capital Outlay	6,800	91,973	69,131	22,842
Other Expenditures	46,518	25,779	22,795	2,984
Total School Administration	36,487,055	38,515,765	38,244,887	270,878
Facilities Acquisition and Construction				
Salaries	617,174	796,277	294,639	501,637
Employee Benefits	149,286	210,341	69,525	140,816
Purchased Services	21,700	36,900	24,988	11,913
Materials and Supplies	10,007	13,435	13,242	193
Capital Outlay	21,064	253,507	323,704	(70,197)
Other Expenditures	2,700	6,652	6,871	(219)
Total Facilities Acquisition and Construction	821,931	1,317,112	732,969	584,143

(continued)

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**– Budget and Actual – General Fund (continued)**  
**June 30, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Fiscal Services</b>				
Salaries	\$ 1,756,630	\$ 1,839,915	\$ 1,797,113	\$ 42,803
Employee Benefits	470,251	506,045	515,918	(9,873)
Purchased Services	200,706	214,574	282,205	(67,630)
Materials and Supplies	82,507	1,166,517	5,402	1,161,115
Capital Outlay	4,500	29,616	13,016	16,600
Other Expenditures	71,175	99,395	57,303	42,092
<b>Total Fiscal Services</b>	<b>2,585,769</b>	<b>3,856,063</b>	<b>2,670,957</b>	<b>1,185,107</b>
<b>Food Services</b>				
Salaries	149,241	219,567	219,567	-
Employee Benefits	11,853	19,176	19,176	-
Purchased Services	-	312	312	-
Materials and Supplies	-	-	-	-
Energy Services	-	78	78	-
<b>Total Food Services</b>	<b>161,094</b>	<b>239,133</b>	<b>239,133</b>	<b>-</b>
<b>Central Services</b>				
Salaries	3,942,708	4,355,875	4,151,876	203,999
Employee Benefits	1,115,838	1,230,978	1,190,363	40,615
Purchased Services	133,376	932,164	587,192	344,971
Materials and Supplies	481,833	405,431	290,755	114,677
Capital Outlay	22,150	61,574	39,325	22,249
Other Expenditures	302,825	542,448	248,026	294,422
<b>Total Central Services</b>	<b>5,998,730</b>	<b>7,528,471</b>	<b>6,507,537</b>	<b>1,020,934</b>
<b>Student Transportation Services</b>				
Salaries	9,277,247	10,111,868	10,168,194	(56,326)
Employee Benefits	4,095,935	4,154,994	4,095,558	59,437
Purchased Services	871,772	1,040,157	1,001,754	38,403
Energy Services	2,611,748	2,663,273	1,045,566	1,617,707
Materials and Supplies	1,027,790	1,140,453	999,385	141,068
Capital Outlay	56,367	117,080	91,335	25,745
Other Expenditures	7,200	11,498	12,401	(903)
<b>Total Student Transportation Services</b>	<b>17,948,059</b>	<b>19,239,323</b>	<b>17,414,194</b>	<b>1,825,129</b>
<b>Operation of Plant</b>				
Salaries	15,446,832	16,736,426	16,476,545	259,881
Employee Benefits	6,208,561	6,495,113	6,473,430	21,683
Purchased Services	9,889,503	10,132,607	9,565,168	567,439
Energy Services	12,225,108	13,605,862	10,978,599	2,627,262
Materials and Supplies	1,188,861	1,206,222	1,116,556	89,666
Capital Outlay	11,250	125,008	102,756	22,251
Other Expenditures	2,900	5,700	6,601	(901)
<b>Total Operation of Plant</b>	<b>44,973,015</b>	<b>48,306,938</b>	<b>44,719,657</b>	<b>3,587,281</b>
<b>Maintenance of Plant</b>				
Salaries	5,780,438	6,045,946	5,849,946	196,000
Employee Benefits	1,829,455	1,997,177	1,912,636	84,541
Purchased Services	1,485,221	1,837,562	1,400,176	437,386
Energy Services	912,873	658,600	420,793	237,807
Materials and Supplies	1,417,605	1,466,127	1,251,603	214,524
Capital Outlay	119,916	179,335	171,379	7,956
Other Expenditures	1,900	24,467	25,042	(575)
<b>Total Maintenance of Plant</b>	<b>11,547,408</b>	<b>12,209,214</b>	<b>11,031,576</b>	<b>1,177,639</b>

(continued)

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**– Budget and Actual – General Fund (continued)**  
**June 30, 2016**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Administrative Technology Services				
Salaries	\$ 2,334,769	\$ 2,507,410	\$ 2,476,176	\$ 31,234
Employee Benefits	592,103	648,327	632,867	15,461
Purchased Services	659,354	687,149	569,595	117,554
Energy Services	46	-	-	-
Materials and Supplies	46,614	22,179	21,126	1,052
Capital Outlay	192,488	38,225	19,439	18,786
Other Expenditures	2,495	12,468	11,964	504
Total Administrative Technology Services	<u>3,827,869</u>	<u>3,915,759</u>	<u>3,731,168</u>	<u>184,591</u>
Community Services				
Salaries	43,018	60,593	139,921	(79,328)
Employee Benefits	3,237	-	25,954	(25,954)
Purchased Services	50,000	116,580	100,741	15,840
Materials and Supplies	-	125,279	61,789	63,490
Capital Outlay	-	1,608	517	1,091
Other Expenditures	50,000	155,578	54,102	101,475
Total Community Services	<u>146,255</u>	<u>459,638</u>	<u>383,024</u>	<u>76,614</u>
Fixed Capital Outlay:				
Facilities Acquisition and Construction	37,692	617,379	42,549	574,830
Other Capital Outlay	908,993	2,560,584	1,628,988	931,596
Total Fixed Capital Outlay	<u>946,685</u>	<u>3,177,963</u>	<u>1,671,537</u>	<u>1,506,426</u>
<b>Total Expenditures</b>	<u>530,196,240</u>	<u>556,634,769</u>	<u>529,174,134</u>	<u>27,460,638</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>5,368,289</u>	<u>(30,385,013)</u>	<u>(2,924,378)</u>	<u>27,460,638</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	6,962,658	6,964,722	6,964,722	-
Loss Recoveries	-	19,553	19,553	-
Transfers Out	<u>(2,014,995)</u>	<u>(4,014,995)</u>	<u>(4,014,995)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>4,947,663</u>	<u>2,969,280</u>	<u>2,969,280</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	10,315,952	(27,415,733)	44,902	27,460,635
Fund Balances, Beginning	<u>48,191,140</u>	<u>48,190,983</u>	<u>48,190,983</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 58,507,092</u>	<u>\$ 20,775,249</u>	<u>\$ 48,235,885</u>	<u>\$ 27,460,635</u>

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

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**– Budget and Actual – Special Revenue – Contracted Programs Fund**  
**June 30, 2016**

	Special Revenue - Contracted Programs Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 12,573,909	\$ 9,159,515	\$ 9,159,515	\$ -
Federal Through State and Local	49,826,527	42,572,491	42,572,491	-
State	63,020	43,520	43,520	-
Local:				
Miscellaneous	910	910	910	-
<b>Total Revenues</b>	<b>62,464,366</b>	<b>51,776,436</b>	<b>51,776,436</b>	<b>-</b>
<b>Expenditures</b>				
Current - Education:				
Instruction				
Salaries	14,531,163	14,680,256	14,680,256	-
Employee Benefits	5,282,879	4,522,977	4,522,977	-
Purchased Services	1,589,658	1,399,230	1,399,230	-
Energy Services	1,000	782	782	-
Materials and Supplies	1,640,004	1,567,217	1,567,217	-
Capital Outlay	1,738,344	1,384,317	1,384,317	-
Other Expenditures	80,250	47,285	47,285	-
<b>Total Instruction</b>	<b>24,863,298</b>	<b>23,602,064</b>	<b>23,602,064</b>	<b>-</b>
Student Support Services				
Salaries	3,399,135	3,283,243	3,283,243	-
Employee Benefits	966,454	888,384	888,384	-
Purchased Services	1,428,028	1,232,298	1,232,298	-
Materials and Supplies	307,414	277,262	277,262	-
Capital Outlay	10,552	9,381	9,381	-
Other Expenditures	19,451	12,172	12,172	-
<b>Total Student Support Services</b>	<b>6,131,034</b>	<b>5,702,741</b>	<b>5,702,741</b>	<b>-</b>
Instructional Media Services				
Salaries	-	5,699	5,699	-
Purchased Services	1,000	-	-	-
Materials and Supplies	420	1,914	1,914	-
Capital Outlay	5,500	20,521	20,521	-
<b>Total Instructional Media Services</b>	<b>6,920</b>	<b>28,134</b>	<b>28,134</b>	<b>-</b>
Instruction and Curriculum Development Services				
Salaries	7,654,152	8,740,835	8,740,835	-
Employee Benefits	2,122,890	2,158,077	2,158,077	-
Purchased Services	755,792	793,315	793,315	-
Materials and Supplies	380,547	278,635	278,635	-
Capital Outlay	107,173	162,865	162,865	-
Other Expenditures	21,782	15,328	15,328	-
<b>Total Instruction and Curriculum Development Services</b>	<b>11,042,336</b>	<b>12,149,055</b>	<b>12,149,055</b>	<b>-</b>
Instructional Staff Training Services				
Salaries	1,904,955	1,992,294	1,992,294	-
Employee Benefits	436,891	431,355	431,355	-
Purchased Services	976,555	967,031	967,031	-
Materials and Supplies	273,539	340,360	340,360	-
Capital Outlay	24,744	22,178	22,178	-
Other Expenditures	214,480	254,561	254,561	-
<b>Total Instructional Staff Training Services</b>	<b>3,831,164</b>	<b>4,007,778</b>	<b>4,007,778</b>	<b>-</b>

(continued)

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**– Budget and Actual – Special Revenue – Contracted Programs Fund (continued)**  
**June 30, 2016**

	Special Revenue - Contracted Programs Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Instruction-Related Technology				
Salaries	\$ 118,101	\$ 90,630	\$ 90,630	\$ -
Employee Benefits	28,373	26,089	26,089	-
Purchased Services	126,044	305,224	305,224	-
Materials and Supplies	19,500	-	-	-
Capital Outlay	780,715	1,643,246	1,643,246	-
Total Instruction-Related Technology	1,072,733	2,065,188	2,065,188	-
Board				
Purchased Services	-	369	369	-
Other Expenditures	2,200	1,680	1,680	-
Total Board	2,200	2,049	2,049	-
General Administration				
Purchased Services	2,200	2,058	2,058	-
Materials and Supplies	2,275	-	-	-
Other Expenditures	1,963,488	1,935,655	1,935,655	-
Total General Administration	1,967,963	1,937,713	1,937,713	-
School Administration				
Salaries	185,107	238,391	238,391	-
Employee Benefits	67,069	69,285	69,285	-
Purchased Services	7,494	3,920	3,920	-
Materials and Supplies	7,500	9,313	9,313	-
Capital Outlay	2,000	1,323	1,323	-
Other Expenditures	-	299	299	-
Total School Administration	269,170	322,531	322,531	-
Facilities Acquisition and Construction				
Capital Outlay	211,200	83,268	83,268	-
Fiscal Services				
Salaries	31,278	33,033	33,033	-
Employee Benefits	4,925	5,144	5,144	-
Total Fiscal Services	36,203	38,177	38,177	-
Food Services				
Salaries	22,151	17,151	17,151	-
Employee Benefits	7,164	4,586	4,586	-
Materials and Supplies	-	911	911	-
Total Food Services	29,315	22,648	22,648	-
Central Services				
Salaries	500	-	-	-
Purchased Services	23,300	22,172	22,172	-
Capital Outlay	1,900	1,823	1,823	-
Other Expenditures	6,600	6,264	6,264	-
Total Central Services	32,300	30,259	30,259	-
Student Transportation Services				
Purchased Services	99,943	116,602	116,602	-
Energy Services	240,000	21,257	21,257	-
Capital Outlay	-	14,587	14,587	-
Other Expenditures	101,061	68,678	68,678	-
Total Student Transportation Services	441,004	221,123	221,123	-

(continued)

**Brevard County District School Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**– Budget and Actual – Special Revenue – Contracted Programs Fund (continued)**  
**June 30, 2016**

	Special Revenue - Contracted Programs Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Operation of Plant				
Salaries	\$ 23,010	\$ 20,226	\$ 20,226	\$ -
Employee Benefits	11,847	9,314	9,314	-
Purchased Services	26,735	18,554	18,554	-
Energy Services	4,565	5,804	5,804	-
Materials and Supplies	-	222	222	-
Total Operation of Plant	<u>66,157</u>	<u>54,120</u>	<u>54,120</u>	<u>-</u>
Maintenance of Plant				
Purchased Services	-	80	80	-
Energy Services	4,500	755	755	-
Materials and Supplies	2,900	11,015	11,015	-
Total Maintenance of Plant	<u>7,400</u>	<u>11,851</u>	<u>11,851</u>	<u>-</u>
Administrative Technology Services				
Salaries	46,696	49,080	49,080	-
Employee Benefits	14,730	14,901	14,901	-
Purchased Services	3,000	180	180	-
Total Administrative Technology Services	<u>64,426</u>	<u>64,161</u>	<u>64,161</u>	<u>-</u>
Community Services				
Facilities Acquisition and Construction	857,991	773,783	773,783	-
Employee Benefits	225,945	211,288	211,288	-
Purchased Services	57,200	56,933	56,933	-
Total Community Services	<u>1,141,136</u>	<u>1,042,003</u>	<u>1,042,003</u>	<u>-</u>
Fixed Capital Outlay:				
Facilities Acquisition and Construction	211,200	22,510	22,510	-
Other Capital Outlay	685,832	369,063	369,063	-
Total Fixed Capital Outlay	<u>897,032</u>	<u>391,573</u>	<u>391,573</u>	<u>-</u>
<b>Total Expenditures</b>	<u>52,112,991</u>	<u>51,776,436</u>	<u>51,776,436</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>10,351,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>10,351,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning	-	-	-	-
<b>Fund Balances, Ending</b>	<u>\$ 10,351,375</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Brevard County District School Board  
Statement of Net Position – Proprietary Funds  
June 30, 2016**

	<u>Enterprise Fund Extended Day Program</u>	<u>Internal Service Funds Self-Insurance</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,385,932	\$ 15,186,112
Investments	-	25,576,762
Accounts Receivable	2,481	45,669
Due from Other Agencies	9,672	-
Interest Receivable	-	79,809
<b>Total Current Assets</b>	<u>1,398,085</u>	<u>40,888,352</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	68,824	-
<b>TOTAL ASSETS</b>	<u>1,466,909</u>	<u>40,888,352</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	550,696	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accrued Salaries and Benefits	108,272	-
Payroll Deductions and Withholdings	25	-
Accounts Payable	4,062	484,840
Compensated Absences Payable	14,503	-
Estimated Liability for Self-Insurance Program	-	7,217,547
<b>Total Current Liabilities</b>	<u>126,862</u>	<u>7,702,387</u>
Noncurrent Liabilities:		
Compensated Absences Payable	194,590	-
Estimated Liability for Self-Insurance Program	-	8,758,374
Net Pension Liability	2,017,673	-
Other Postemployment Benefits Payable	404,535	-
<b>Total Noncurrent Liabilities</b>	<u>2,616,798</u>	<u>8,758,374</u>
<b>TOTAL LIABILITIES</b>	<u>2,743,660</u>	<u>16,460,761</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	349,058	-
<b>NET POSITION</b>		
Investment in Capital Assets	68,824	-
Unrestricted	(1,143,937)	24,427,591
<b>TOTAL NET POSITION</b>	<u>\$ (1,075,113)</u>	<u>\$ 24,427,591</u>

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

**Brevard County District School Board  
Statement of Revenues, Expenses, and Changes in Fund  
Net Position – Proprietary Funds  
For the Fiscal Year Ended June 30, 2016**

	<u>Enterprise Fund Extended Day Program</u>	<u>Internal Service Funds Self-Insurance</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 7,085,627	\$ -
Premiums	-	70,576,788
<b>Total Operating Revenues</b>	<u>7,085,627</u>	<u>70,576,788</u>
<b>OPERATING EXPENSES</b>		
Salaries	3,800,504	719,339
Employee Benefits	784,253	203,260
Purchased Services	378,783	247,285
Energy Services	739	-
Materials and Supplies	332,061	4,272
Capital Outlay	108,110	4,174
Insurance Claims	-	66,428,378
Other	79,184	-
Depreciation	15,042	-
<b>Total Operating Expenses</b>	<u>5,498,676</u>	<u>67,606,708</u>
<b>Operating Income</b>	<u>1,586,951</u>	<u>2,970,080</u>
<b>NONOPERATING REVENUES</b>		
Interest	6,084	399,000
<b>Income Before Transfers</b>		
Transfers In	-	3,565,195
Transfers Out	(2,299,035)	(1,565,195)
<b>Change in Net Position</b>	(706,000)	5,369,080
Total Net Position - Beginning	(369,113)	19,058,511
<b>Total Net Position - Ending</b>	<u>\$ (1,075,113)</u>	<u>\$ 24,427,591</u>

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

**Brevard County District School Board  
Statement of Cash Flows – Proprietary Funds  
For the Fiscal Year Ended June 30, 2016**

	<b>Enterprise Fund</b>	<b>Internal Service</b>
	<b>Extended Day</b>	<b>Funds</b>
	<b>Program</b>	<b>Self-Insurance</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Services	\$ 7,098,331	\$ -
Cash Received from Premiums	-	70,577,581
Cash Payments to Suppliers for Goods and Services	(811,719)	(8,445)
Cash Payments to Employees for Services	(4,648,556)	(728,674)
Cash Payments for Purchased Services	-	(247,285)
Cash Payments for Insurance Claims	-	(65,424,762)
Cash Payments for Premiums and Other Fees	(108,110)	(139,967)
<b>Net Cash Provided by Operating Activities</b>	<b>1,529,946</b>	<b>4,028,448</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Received - Other Miscellaneous Revenue	6,084	10,400
Transfer from Other Funds	-	3,565,195
Transfer to Other Funds	(2,299,035)	(1,565,195)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(2,292,951)</b>	<b>2,010,400</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(1,449)	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(1,449)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	-	(1,853,870)
Interest Income	-	388,600
<b>Net Cash Used by Investing Activities</b>	<b>-</b>	<b>(1,465,270)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(764,454)</b>	<b>4,573,578</b>
Cash and Cash Equivalents, Beginning	2,150,386	10,612,534
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 1,385,932</b>	<b>\$ 15,186,112</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 1,586,951	\$ 2,970,080
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	15,042	-
Changes in Assets and Liabilities:		
Accounts Receivable	(2,481)	(441)
Due from Other Agencies	15,185	793
Interest Receivable	-	(8,024)
Accrued Salaries and Benefits	13,662	(9,335)
Payroll Deductions and Withholdings	8	-
Accounts Payable	(20,953)	71,759
Deferred Outflows	(222,083)	-
Deferred Inflows	(550,418)	-
Compensated Absences Payable	63,029	-
Estimated Liability for Self-Insurance Program	-	1,003,616
Net Pension Liability	660,444	-
Other Postemployment Benefits Payable	(28,440)	-
<b>Total Adjustments</b>	<b>(57,005)</b>	<b>1,058,368</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,529,946</b>	<b>\$ 4,028,448</b>

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

**Brevard County District School Board  
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds  
June 30, 2016**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>6,709,490</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ <u>6,709,490</u>

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

The District School Board (Board) has direct responsibility for the operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Brevard County School District (District) is a part of the Florida system of public education under the general direction of the State Board of Education. The governing body of the District is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the District. The general operating authority of the Board and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Geographic boundaries of the District correspond with those of Brevard County.

Criteria for determining if other entities are potential component units which 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 entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

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

**Blended Component Unit** - The Brevard County School Board Leasing Corporation ("the Leasing Corporation") was formed to facilitate the financing and refinancing of the acquisition of facilities and equipment and is described in a subsequent note. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

**Discretely Presented Component Units** - The component units' columns in the basic financial statements include the financial data of the Brevard Schools Foundation, Inc. (Foundation) and the District's charter schools for the fiscal year ending June 30, 2016.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes. Its purpose is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of students in public kindergarten through twelfth grade at Brevard Public Schools. The Foundation is considered a component unit due to its significant relationship with the School Board. The Foundation's Board of Directors are approved by the School Board.

The District's charter schools are separate not-for-profit corporations, organized and operating as charter schools pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. Charter schools operate under a charter which is approved

by the School Board as sponsor. The Florida Department of Education has determined that charter schools should be reported as component units of the District, as they are dependent on the School Board for their tax levy, which is a major source of their revenue. There is also a potential for charter schools to provide specific financial benefits or impose specific financial burdens on the District.

The financial data reported on the accompanying statements was derived from the audited financial statements of the Foundation and the charter schools, for the fiscal year ended June 30, 2016. The audit reports are filed in the District's administrative offices at 2700 Judge Fran Jamieson Way, Viera, Florida 32940.

During the fiscal year ended June 30, 2016, there were 11 charter schools under the sponsorship of the School Board and reported as component units of the District. The schools are listed below:

- Brevard Innovative Charter Schools, Inc., d/b/a/ Sculptor Charter School
- Educational Horizons, Inc., d/b/a Educational Horizons Charter School
- Emma Jewel Charter School, Inc., d/b/a Emma Jewel Academy
- Milestones Community School, Inc., d/b/a/ Imagine Schools at West Melbourne
- Odyssey Charter School, Inc., d/b/a Odyssey Charter School
- Odyssey Charter School, Inc. d/b/a Odyssey Preparatory Academy
- Palm Bay Academy, Inc.
- Pineapple Cove Classical Academy, Inc.
- Primary Charter Schools, Inc., d/b/a Campus Charter School
- Royal Palm Charter School, Inc., d/b/a Royal Palm Charter School
- Viera Charter School, Inc.

## **B. Measurement Focus, Basis of Presentation, and Financial Statement Presentation**

**Government-wide Financial Statements** - Government-wide financial statements include the statement of net position and the statement of activities, and present information about the District as a whole. These statements include the financial activity of the primary government, except for the fiduciary funds. The statements distinguish between governmental activities and business-type activities of the District.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for the business-type 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 associated with a particular function and is reported as unallocated.

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. 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 and the business-type activity is self-financing or draws from the general revenues of the District.

The District eliminates, from the statement of net position and the statement of activities, most interfund receivables and payables and transfers between funds to minimize the effect of duplication. The effect of interfund activities has been eliminated from the government-wide statements, except for interfund services provided and used and net residual amounts before governmental and business-type activities.

**Fund Financial Statements** - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary funds financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

All proprietary funds are based on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary funds' operating statements present increases (revenues) and decreases (expenses) in net position and use the accrual basis of accounting.

Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes. The General Fund is the primary operating fund.
- **Special Revenue – Contracted Programs Fund** – to account for programs funded by Federal and State sources that are segregated due to legal or regulatory restrictions.
- **Debt Service – Other Fund** – to account for the accumulation of resources for, and the payment of, principal, interest, and related costs for the District's certificates of participation.
- **Capital Projects – Local Capital Improvement Fund** – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, debt service payments for certificates of participation, equipment purchases, costs of leasing portable educational facilities, maintenance of existing District schools, and renovation and remodeling projects.

- Capital Projects – Local Sales Surtax Fund – to account for the financial resources generated by the local sales surtax levied by the District School Board for critical educational capital outlay needs, such as security, technology, and existing facilities renovation and remodeling projects.

The District reports the following non-major governmental funds:

- Special Revenue – Food Services Fund – to account for the financial resources of the school food services program.
- Debt Service – SBE/COBI Bonds Fund – to account for payment of debt service for State school bonds issued by the State Board of Education on behalf of the District.
- Capital Projects – Section 1011.14/1011.15 Notes Fund – to account for the financial resources generated by the District’s revenue anticipation notes, the proceeds of which are used for roofing repairs and heating and air conditioning improvements at District schools.
- Capital Projects – Public Education Capital Outlay (PECO) Fund – to account for capital projects financed through the District’s allocation of the State Public Education Capital Outlay program.
- Capital Projects – Capital Outlay and Debt Service Fund – to account for capital projects financed through the District’s allocation of the State Capital Outlay and Debt Service program.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources generated by miscellaneous capital outlay funding sources, such as certificates of participation, impact fees, fuel tax receipts, and other miscellaneous local sources. Funds are used for capital outlay needs such as new construction, remodeling, renovation, and debt service.

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

- Internal Service Funds – to account for the District’s individual self-insurance programs, including medical, worker’s compensation and general liability.
- Enterprise Fund – Extended Day Program – to account for business-type activities for extended day care services which are provided by all of the District’s elementary schools. This fund is intended to be self-supporting through customer charges.
- Agency Funds – to account for resources of the school internal funds collected at district schools in connection with school, student athletic, class, and club activities. Agency funds are custodial in nature (assets equal liabilities) and do not include the measurement of the results of operations.

### **C. Basis of Accounting**

Basis of accounting refers to a method by which revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. 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.

Governmental fund financial statements are prepared using 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are prepared under the economic resource measurement focus and accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing goods and services as a part of normal ongoing operations. The principal operating revenues for the District's internal service funds for self-insurance are health and workers compensation benefits. The principal operational expenses are insurance claims, personnel, and other administrative costs attributed to the fund.

The principal operating revenues of the District's enterprise fund are charges for extended daycare services. Operating expenses include costs associated with providing daycare services, including salaries, employee benefits, and supplies. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Charter schools are reported as discretely presented component units, and follow the same accounting model as the District's governmental activities.

The Foundation is accounted for as a not-for-profit corporation, organized exclusively for educational and charitable purposes as described in Section 501(c)(3) of the Internal Revenue Code and follows the standards issued by the Financial Accounting Standards Board. The Foundation follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

#### **D. Accounting Pronouncements**

The GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72), effective for fiscal years beginning after June 15, 2015. The Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures and determining a fair value measurement for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District implemented GASB 72 during the current fiscal year.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), effective for fiscal years beginning after June 15, 2016. The Statement establishes requirements for defined benefit and defined contribution pensions that are not within the scope of GASB Statement No. 68 (GASB 68), as well as the assets accumulated for the purposes of providing those pensions. The requirements of GASB 73 extend

the approach to accounting and financial reporting established in GASB 68 to all pensions with modifications as necessary. GASB 73 has no impact on the District's financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (GASB 74), effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve usefulness of information about postemployment benefits included in the general purpose external financial reports of state and local governmental OPEB plans. The District has not yet implemented GASB 74.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75), effective for fiscal years beginning after June 15, 2017. The Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, and for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to employees of other entities. The District has not yet implemented GASB 75.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76), effective for fiscal years beginning after June 15, 2015. The Statement addresses improvements in financial reporting by (1) raising the category of GASB implementation guides in the GAAP hierarchy for broader input guidance; (2) emphasizing the importance of authoritative literature when accounting treatment is not specified in GAAP; and (3) requiring consistency with GASB concepts when evaluating accounting treatment. The District has implemented GASB 76 during the current fiscal year.

The GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77), effective for fiscal years beginning after December 15, 2015. The Statement requires governments who enter into tax abatement agreements to disclose a brief description about the tax being abated and the authority under which the abatement is provided, as well as the commitments made by parties and the dollar amounts affected. GASB 77 has no impact on the District's financial statements.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78), effective for fiscal years beginning after December 15, 2015. The Statement amends the scope and applicability of GASB 68, to exclude pensions provided to employees of state or local government employers through cost-sharing, multiple-employer defined benefit pension plans that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees who are not employees of state local governments, and (3) has no predominant state or local governmental employer. The Statement establishes requirements for recognition and measurement of pension expense, expenditures, liabilities, note disclosure and supplementary information for pensions with characteristics as described above. GASB 78 has no impact on the District's financial statements.

The GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79), effective for fiscal years beginning after December 15, 2015. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The specific criteria address (1) how

the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification and liquidity; and (3) calculation and requirements of a shadow price. The District has implemented GASB 79 during the current fiscal year.

## **E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **F. Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held in the name of the School Board of Brevard County are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash and cash equivalents as amounts included in demand deposits, all highly liquid investments with an original maturity of three months or less, cash held by fiscal agents and amounts held on deposit in money market accounts.

Investments include U.S. Government securities, intergovernmental investment pool, collateralized repurchase agreements, money market mutual funds, corporate notes, and commercial paper which are carried at fair value based on quoted market prices or an amortized cost that is equally equivalent to fair value. All money market mutual funds are AAA rated by the various rating agencies. Rule 2a-7 of the Investment Company Act of 1940 comprises the rules governing money market funds, and includes the Florida Education Investment Trust Fund (FEITF) authorized in Section 163.01, Florida Statutes. The District relies on policies developed by the FEITF's Board of Trustees for managing interest and credit risk. Current year information relative to investments held at year-end are disclosed in a subsequent note.

## **G. Receivables and Payables**

The District reports lending and borrowing arrangements that are outstanding as of June 30 of each fiscal year as "Due to/Due from other funds". Residual balances outstanding between the governmental and business-type activities are reported in the government-wide statements. A summary of interfund payables and receivables is described in a subsequent note.

## **H. Inventories**

Inventories consist of expendable supplies and commodities held for consumption in the course of District operations. The purchased food inventories are stated at cost, determined on the last invoice price, which approximates the first-in, first-out basis. Central warehouse and transportation inventories are stated at weighted-average cost. The United States Department of Agriculture non-processed surplus commodities in the District's warehouse are stated at fair value at the time of donation to the District's food service program while processed commodities are valued at fair market

value plus processing costs. The costs of inventories are recorded as expenditures when used rather than when purchased.

### **I. Capital Assets and Depreciation**

Expenditures for capital assets, whether acquired or constructed, are reported in the fund that financed the cost of the asset. Capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or historical cost) and updated for additions and retirements during the year. The District follows a procedure of capitalizing fixed and moveable assets with a cost threshold greater than \$1,000 and a useful life in excess of one year in conformity with Florida Statutes. The District does not possess any infrastructure. Donated assets are recorded at acquisition value at the date of donation.

All reported capital assets, with the exception of land, construction in progress, and software in process are depreciated. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Useful Lives</u>
Land	Not Depreciated
Construction in Progress	Not Depreciated
Software in Progress	Not Depreciated
Improvements to Buildings	15 - 25 Years
Improvements Other Than Buildings	
Buildings and Fixed Equipment	50 Years
Furniture, Fixtures, and Equipment	3 - 10 Years
Motor Vehicles	5 - 10 Years
AV Material and Computer Software	3 - 5 Years

### **J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources, which will be recognized as outflows (expenditures) in a future period.

The District has two items to be reported as deferred outflows of resources:

- In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, differences resulting from the refunding of debt, whereby the reacquisition price exceeds the net carrying value of the debt, should be deferred and then amortized over the life of the refunded debt. The deferred outflows related to the District's refunding debt at June 30, 2016, is \$18,828,351.
- In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, deferred outflows related to pensions will be recognized in future periods as either pension expense or a reduction in the net pension liability. The deferred outflows reported in the Statement of Net Position are reported in aggregate for pensions, in accordance with GASB Statement No. 68. At June 30, 2016, the deferred outflows related to FRS pensions is \$40,259,911 and deferred outflows related to the HIS pensions is \$15,170,245. The District's retirement plans and related amounts are described in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section to report deferred inflows of resources which will be recognized as inflows (revenues) in a future period.

- The district has no deferred inflows of resources to report resulting from the implementation of GASB Statement No. 65.
- The deferred inflows reported in the statement of net position are reported in aggregate for pensions, in accordance with GASB Statement No. 68. At June 30, 2016, the deferred inflows related to FRS pensions at June 30, 2016, is \$31,495,697, and deferred inflows related to HIS pensions is \$3,193,585. Deferred inflows of resources for pension costs are described in a subsequent note.
- The unavailable revenue for capital outlay and debt service from the State of Florida is reported only in the governmental fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## **K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered, and it is probable that the District will compensate the employee for the benefits through paid time off. Sick leave benefits are accrued as a liability using the vesting method.

The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees to whom it is probable that they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and State law.

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, only the amount payable to employees who terminated their employment as of the end of the fiscal year is reported. The liability at year-end includes salary related payments such as Social Security, Medicare, and Florida Retirement System contributions.

Changes in compensated absences liability for the current year are described in a subsequent note.

## **L. 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. Bond premiums and discounts are deferred and amortized over the life of the related debt. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due and payable. Governmental fund types recognize debt premiums and discounts, and debt issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide statements, net pension liability represents the District's proportionate share of the combined net pension liability of the state-administered, multiple employer, cost-sharing

defined benefit plans. These plans are two separate defined benefit plans, the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy Program (HIS).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the net pension obligation to be recognized on the statement of net position, of participating employers. Changes in the net pension liability will be immediately recognized as pension expense on the statement of activities or reported as deferred inflows/outflows of resources, depending on the nature of the change. For the purpose of measuring the net pension liability, deferred inflows/outflows of resources and pension expense, the fiduciary net position, as well as the additions to/deductions from fiduciary net position, have been determined on the same basis as reported by the FRS Pension Plan and the HIS Program. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

### **M. Governmental Funds-Fund Balance Flow Assumptions**

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the use of those resources. The District does not have a written policy regarding the commitment or assignment of fund balances and, as such, does not report any committed fund balances. Amounts included in assigned fund balance are encumbrances and/or other resources that have been authorized by the School Board to be liquidated in a future period. When restricted, assigned and unassigned funds are available for use, it is the District's procedure to use restricted funds first, then assigned, followed by unassigned. The District's fund balance reporting is provided in a subsequent note.

### **N. State Revenue Sources**

Revenues from State sources for current operations are primarily derived from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend the original reporting for a period of 5 months following the date first reported. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenues earmarked for certain programs can only be expended for the program for which the money is designated, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for those educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in

the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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 Department. The District's schedule of revenue from State sources for the current year is presented in a subsequent note.

### **O. Half Cent Sales Surtax**

On November 4, 2014, the citizens of Brevard County authorized a half-cent sales surtax to fund the capital needs of the District, under the authority of Section 212.055(6), Florida Statutes. The sales surtax was effective beginning January 2015, and will continue through December 2020. Revenues will be used to fund critical needs related to security, technology, facility renovations, and remodeling projects.

### **P. School District Property Taxes**

The School 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 Brevard County Property Appraiser, and property taxes are collected by the Brevard County Tax Collector.

The School Board adopted the 2015 tax levy on September 3, 2015. 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 deemed available, which is generally within 45 days of the fiscal year end. Millages and taxes levied for the current year are presented in a subsequent note.

### **Q. Educational Impact Fees**

The District receives educational impact fees subject to an ordinance adopted by the Brevard County Commission on August 10, 2004. The fees are collected by the County for new residential construction, and are used for project-related expenditures that increase student capacity such as site acquisition, construction, design, site development, necessary off-site improvements, and equipment for educational facilities. Expenditures may also include payments for outstanding principal and interest due to the financing of these construction related expenditures.

## **R. 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.

## **II. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

The Board follows procedures established by State statutes and State Board of Education rules in establishing budget balances for governmental funds. Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures prescribed by law and State Board of Education rules.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each functional activity (e.g., instruction, student support services, and school administration) and may be amended by resolution at any School 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 controls, 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.

During the fiscal year ended June 30, 2016, all governmental fund types were amended to reflect adjustments to appropriations due to changes in student counts, the addition of new education programs, etc. These amendments were made as part of the routine budget process of the District, none of which were deemed to be significant by management.

The reported budgetary data represents the final appropriated budget after amendments and adoption by the School Board.

## **III. CASH AND INVESTMENTS**

### **A. Deposits**

Florida Statutes authorize the deposit of School Board funds in demand deposits with financial institutions that are approved as qualified public depositories, pursuant to Chapter 280, the Florida Security for Public Deposits Act. Under this Act, all qualified public depositories are required to pledge eligible collateral and deposit such collateral with the State Treasurer to ensure against losses of public deposits. The District's bank balances of \$48,805,322, were deposited with qualified public depositories as of June 30, 2016, \$12,392,103 is held by the Office of Brevard County Florida on behalf of the School Board, \$73,077 is held by the State Board of Education (SBE) on behalf of the School Board and \$20,728 is in petty cash and change funds.

### **B. Interest Rate Risk**

The District has established an investment policy, pursuant to Section 218.415, Florida Statutes. District policies limit the maturity of investments to five years or less as a means of limiting its

exposure to fair value losses arising from rising interest rates. The average overall maturity should be less than two years and the portfolio should be managed to provide sufficient operating liquidity needs.

The District has \$82,699,429 invested in obligations of the United States Government and \$15,353,339 invested in Government Sponsored Agencies/Federal Instrumentalities that are held by a custodial institution in the name of the District. Of these securities, \$1,659,168 is invested in callable Government Sponsored Agencies/Federal Instrumentalities securities which contain embedded options to call the entire security or a portion thereof, at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security intact, at stated interest rates, until final maturity. The call dates are April 13, 2017, and April 22, 2018.

As of June 30, 2016, the District had the following investments and maturities:

Investment	Totals	Investment Maturities Less Than or Equal To:			Greater Than 2 Years
		6 Months	1 Year	2 Years	
Obligations of United States Government	\$ 82,699,429	\$ 51,843,744	\$ 3,808,014	\$ 13,705,467	\$ 13,342,204
Government Sponsored Agencies and Instrumentalities	15,353,339	4,694,419	83,996	3,595,593	6,979,331
Corporate Notes	5,088,835	1,500,485	1,652,609	1,935,741	-
Money Market Funds-Federated	225,368	225,368	-	-	-
Commercial Paper	44,790,978	40,819,017	3,971,961	-	-
Collateralized Investment Repurchase Agreement	3,821,194	-	-	-	3,821,194
Intergovernmental Investment Pool	13,339,112	13,339,112	-	-	-
<b>Total Investment</b>	<b>\$ 165,318,255</b>	<b>\$ 112,422,145</b>	<b>\$ 9,516,580</b>	<b>\$ 19,236,801</b>	<b>\$ 24,142,729</b>
<b>Total Investments, Reporting Entity</b>		<b>Statement of Net Position</b>			
Total Investments	\$ 165,318,255				
Qualified Public Depositories	48,805,332				
Petty cash and change funds	20,728				
Cash with Fiscal/Service Agent <sup>(a)</sup>	38,485,755				
<b>Total</b>	<b>\$ 252,630,070</b>				
Cash and Cash Equivalents - Statement of Net Position	\$ 64,095,582				
Cash with Fiscal/Service Agent	38,485,755				
Investments - Statement of Net Position	150,048,733				
<b>Total</b>	<b>\$ 252,630,070</b>				

(a) Funds held with the Office of Brevard County total \$12,392,103 and funds held with U.S. Bank for interest and principal payments to certificate holders total \$26,020,575 and funds held with the State Board of Education total \$73,077.

### C. Credit Risk

Section 218.415, Florida Statutes, limits the types of investments that can be invested by the District, unless specifically authorized by District policy. Investments authorized by District policy are:

- Direct Obligations of U.S. Treasury;
- U.S. Federal Government Agency Securities;
- U.S. Government Sponsored Agencies/Federal Instrumentalities;
- Interest Bearing Time Deposits/Savings Accounts, including certificates of deposit;
- Repurchase Agreements fully collateralized at 102 percent of market value, by U.S. Treasuries, U.S. Government Agencies, and U.S. Government Sponsored Agencies/Federal Instrumentalities;

- Commercial paper rated A-1, P-1, by Standard and Poor's, and Moody's, respectively;
- Bankers' Acceptances rated A-1, P-1, by Standard and Poor's, and Moody's, respectively;
- Corporate Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum of A3 by Moody's and a minimum long-term debt rating of A- by Standard and Poor's;
- State and/or Local Government taxable and/or tax exempt securities, rated at least Aa3 by Moody's and AA- by Standard and Poor's for long-term debt; short-term obligations should be rated at least VMIG2 or MIG-2 by Moody's and A-2 by Standard and Poor's;
- Registered Investment companies (Mutual Funds) if registered under the Federal Investment Company Act of 1940 and operated in accordance with Title 17 U.S. *Code of Federal Regulations* Section 270.2a-7; and
- Intergovernmental Investment Pool authorized pursuant to Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided it contains no derivatives.

On August 5, 2011, Standard and Poor's downgraded U.S. Treasury long-term securities from AAA to AA+. This action was followed by Standard and Poor's downgrading agencies that have direct reliance on the U.S. Government (i.e., U.S. Government Agencies and Government Sponsored Agencies and Instrumentalities) from AAA to AA+. According to Standard and Poor's rating criteria, the rating of AA+ indicates a very strong capacity to meet financial commitments. Fitch and Moody's credit ratings are AAA and Aaa, respectively.

The District has \$3,821,194 invested in a collateralized investment repurchase agreement that is fully collateralized at 102 percent of the market value by U.S. Treasuries, U.S. Government Agencies, and U.S. GSE/Federal instrumentalities. The repurchase agreement is unrated.

#### **D. Custodial Credit Risk**

Section 218.415(18), Florida Statutes requires every security purchased on behalf of Brevard School Board to be earmarked and:

- If registered with the issuer or its agents, the securities must be immediately placed for safekeeping with a third party holder to protect the District's interest in the securities;
- If in book entry form, the security must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or
- If physically issued to the holder, but not registered with the issuer or its agents, the security must be immediately placed in safekeeping in a secured vault.

The District has \$26,020,575 in First American Money Market Funds which is held for payment of principal and interest due to certificate holders on July 1, 2016. The District has \$3,821,194 held in a collateralized investment repurchase agreement and will be used for future debt service. All of these funds are held with a fiscal agent under a trust agreement for certificates of participation.

## E. Concentration of Credit Risk

The District's investment policy specifies the maximum percentage of the portfolio composition per individual issuer and type of investment. Those maximum percentages are listed below:

<b>Type of Investment</b>	<b>Maximum</b>
• Direct Obligations of U.S. Treasury	100%
• U.S. Government Agency Securities (25% limited to one issuer)	50%
• Federal Instrumentalities, Government Sponsored Agencies (40% limited to one issuer)	80%
• Interest Bearing Time Deposits/Savings Accounts, including certificates of deposit (15% limited to one insurer)	25%
• Repurchase Agreements fully collateralized at 102% of market value (25% limited to one issuer)	50%
• Commercial Paper rated A-1, P-1, (10% limited to one issuer)	35%
• Bankers' Acceptances rates A-1, P-1, (10% limited to one issuer)	35%
• State and/or Local Government taxable and/or tax exempt securities	20%
• Registered Investment Companies (25% limited to one issuer)	75%
• Intergovernmental Investment Pool	25%
• Corporate Notes rated A-3, A-, (5% limited to one issuer)	20%

The District is in compliance with its investment policy regarding interest rate risk, custodial risk, credit risk, and concentration risk as shown by the table below:

Investment	Market Value	Percent Investment Balance	S&P	Moody's
<b>Money Market Funds</b>				
Federated Government Obligations	\$ 225,368	0.12%	AAAm	Aaa-mf
First American Government Obligations	2,441,975	1.28%	AAAm	Aaa-mf
First American Treasury Obligations	23,578,600	12.32%	AAAm	Aaa-mf
<b>FL State Board of Education</b>	73,077	0.04%		
<b>Federal Agencies &amp; Instrumentalities</b>				
Fannie Mae	5,423,465	2.83%	AA+	Aaa
Federal Home Loan Banks	8,090,955	4.23%	A-1+/AA+	P-1/Aaa
Freddie Mac	1,838,919	0.96%	AA+	Aaa
<b>Collateralized Repurchase Agreement</b>	3,821,194	2.00%		
<b>Commercial Paper</b>				
Bank of Montreal Chicago	3,971,961	2.08%	A-1	P-1
Bank of Tokyo Mitsubishi	11,285,134	5.90%	A-1	P-1
BNP Paribas NY Branch	8,589,872	4.49%	A-1	P-1
Rabobank Nederland NV NY	9,975,791	5.21%	A-1	P-1
Toyota Motor Credit	10,968,220	5.73%	A-1+	P-1
<b>Corporate Notes</b>				
American Express	649,909	0.34%	A-	A2
Bank of New York Mellon	656,468	0.34%	A	A1
Berkshire Hathaway Finance	171,562	0.09%	AA	Aa2
Caterpillar Financial	500,485	0.26%	A	A2
General Electric	1,002,700	0.52%	AA+	A1
JP Morgan Chase Global	1,000,000	0.52%	A-	A3
Toyota Motor Credit	1,107,711	0.58%	AA-	Aa3
<b>Obligation of United States Government</b>				
U.S. Treasury Notes	82,699,429	43.20%	AA+	Aaa
<b>Intergovernmental Investment Pool</b>				
FL Educational Investment Trust Fund (FEITF)	13,339,112	6.97%	AAAm	
<b>TOTAL</b>	<u>191,411,907</u>	<u>100.00%</u>		
<b>Cash Deposits:</b>				
Qualified Public Depositories	48,805,332			
Petty cash and change funds	20,728			
Fiscal Service/Agent	12,392,103			
<b>Total Cash and Investments</b>	<u>\$ 252,630,070</u>			

Investments in any one issuer that represents 5 percent or more of the District's investments are reported below. As of June 30, 2016, the District had the following issuer concentrations:

Investment	Fair Value	Percent Total Investment
U.S. Treasury Notes	\$ 82,699,429	43.20%
Commercial Paper		
Bank of Tokyo Mitsubishi	11,285,134	5.90%
Rabobank Nederland NV NY	9,975,791	5.21%
Toyota Motor Credit	10,968,220	5.73%
Intergovernmental Investment Pool		
FEITF	13,339,112	6.97%
Money Market Funds		
First American Treasury Obligations	23,578,600	12.32%
<b>TOTAL</b>	<b>\$ 151,846,286</b>	

- Notes: (a) Investments in Bank of Tokyo Mitsubishi are 5.90 percent of total District investments; 3.40 percent is in the discretionary surtax fund and 2.50 percent is in the capital fund. Investments in Rabobank Nederland NV NY are 5.21 percent and are in the capital fund. Investments in Toyota Motor Credit are 5.73 percent; 3.12 percent is in the discretionary surtax fund and 2.61 percent is in the capital fund.
- (b) Funds in the FEITF are for short-term liquidity needs.
- (c) Funds in the money market account that are held with First American Treasury are for payment of principal and interest due to certificate holders on July 1, 2016.

## F. GASB Statement No. 72, Fair Value Measurement and Application

According to GASB 72, all assets meeting the definition of an investment should be measured at fair value (FV), except the following:

- Nonparticipating interest earning investment contracts including non-negotiable certificates of deposit (cost-based measure)
- Investments in unallocated insurance contracts (report as interest-earning investment contracts according to GASB Statement No. 31 or Statement No. 59)
- Money market investments and participating interest-earning investment contracts that have remaining maturity at time of purchase of 3 months or less (amortized cost)
- Investments held by 2a-7 external investment pools (amortized cost)
- Investments in 2a-7-like pools (NAV per share)
- Fully benefit-responsive synthetic guaranteed investment contracts (contract value)
- Investments in life insurance contracts not meeting the definition of a life settlement contract (cash surrender value)

In addition to expanding the definitions of fair value and investments, GASB 72 provides requirements for the valuation and disclosure of assets and liabilities reported at fair value. Governments are to use valuation techniques that are appropriate and for which sufficient data is available to measure assets and liabilities at fair value. These valuation techniques, which are inputs or data that market participants use in valuing assets and liabilities, should be applied consistently using one or more of the following approaches:

- *Market Approach* – uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets or liabilities. Examples include quoted market prices, the market multiples technique, and the matrix pricing technique.
- *Cost Approach* – measures FV based on the current cost to replace the present service capacity of an asset, taking into account functional (technological) or economic obsolescence, as well as physical deterioration.
- *Income Approach* – converts future amounts, such as cash flows or income and expenses to a single current, discounted amount. Types of income approach techniques include the present value technique, option pricing model technique, and multi-period excess earnings technique.

The District uses the market approach for fair value measurements.

GASB Statement No. 72 establishes a three-tier fair value hierarchy that prioritizes the inputs based on relative reliability and requiring all assets and liabilities valued at fair market value to be categorized each using one of the three hierarchy levels:

- *Level 1 Inputs* – quoted prices in active markets for identical assets or liabilities. Observable markets include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.
- *Level 2 Inputs* – inputs other than quoted prices included within Level 1 that are observable for the asset or liability. These inputs are derived from or corroborated by observable market data through correlation or by other means. Examples: Quoted prices for similar assets or liabilities in active or inactive markets, credit spreads, interest rates and yield curves observable at commonly quoted intervals.
- *Level 3 Inputs* – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable. Examples: Nonbinding quotes on interest rate swaps that cannot be corroborated by observable market data and financial forecasts using internal data for commercial real estate.

The techniques used are institutional bond quotes obtained through our custodian of record using a third party independent pricing service called IDSI and matrix pricing obtained through our custodian of record. Because investing is not a core part of the District's mission, the District determines that the disclosure related to these investments only need to be disaggregated by major type.

The District has the following fair value measurements as of June 30, 2016:

<b>Investment</b>	<b>Market Value</b>	<b>Valuation Approach</b>	<b>Valuation Techniques</b>	<b>Hierarchy Level</b>
Money Market Funds	\$ 26,245,943	Amortized Cost <sup>(a)</sup>	n/a	n/a
FL State Board of Education	73,077	Amortized Cost <sup>(a)</sup>	n/a	n/a
Federal Agencies & Instrumentalities	15,353,339	Market Value	IDSI quotes	2
Collateralized Repurchase Agreement	3,821,194	Amortized Cost <sup>(a)</sup>	n/a	n/a
Commercial Paper	44,790,978	Market Value	Matrix pricing	2
Corporate Notes	5,088,835	Market Value	IDSI quotes	2
US Treasury Notes	82,699,429	Market Value	IDSI quotes	2
Intergovernmental Investment Pool	13,339,112	Amortized Cost <sup>(a)</sup>	n/a	n/a
<b>TOTAL</b>	<b>\$ 191,411,907</b>			

(a) Per GASB 72: Investments in money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less, and investments in 2a7-like external investment pools, are so close to fair value when measured at amortized cost that they are generally equivalent.

### **Liabilities Held by Other Parties as Assets**

The District currently has a proportionate share of the net pension liability in the Florida Retirement System, as discussed in a subsequent note. This is administered by the State Board of Administration (SBA) and includes separate financial statements.

The SBA has statutory responsibility for custody and investment of pension plans assets. Section 215.47, Florida Statutes, gives the SBA the authority to invest in a range of instruments, including security lending agreements. All of the investments are reported at fair value in accordance with GASB 31. Realized and unrealized gains and losses are reflected in the statements of changes in net position as "Net appreciation in fair value."

The fair values of the plans' assets are obtained or estimated in accordance with Global Pricing Guidelines established with the SBA's custodian bank, BNY Mellon. BNY Mellon uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class, or issue. BNY Mellon monitors pricing information supplied by these primary sources and may use a supplemental pricing source or change the primary pricing source if any of the following occurs.

- The price of a security is not received from the primary pricing source.
- The primary pricing source no longer provides prices for a particular assets type, class, or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds BNY Mellon's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

The District currently has an OPEB liability for former employees who retire and their eligible dependents. However, this is an actuarial calculation that does not represent an investment held in any security or fund. This plan is funded on a pay-as-you-go basis.

### **Donated Assets**

Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. It is a market-based entry price. Fair value, on the other hand, is an exit price - the price that would be received to sell an asset or paid to transfer a liability. Acquisition value is a measurement at the initial transaction date using the replacement cost or the settlement amount measurement attribute. Acquisition value should be used for the following assets:

- Donated capital assets
- Donated works of art, historical treasures, and similar assets
- Capital assets that a government receives in a service concession arrangement

The District currently has \$744,856 in donated capital assets that are categorized as furniture and equipment, computer equipment, works of art, and vehicles.

### **GASB Statement No. 79, Certain External Investment Pools and Pool Participants**

The District currently holds funds in the LGIP of the Florida Education Investment Trust Fund (FEITF). This fund meets the requirements for GASB 79. The FEITF is a common-law trust organized as an intergovernmental investment pool under the authority of the Florida Interlocal Cooperation Act of 1969 and Section 218.415, Florida Statutes. The fund has a rating of AAAM by Standard and Poor's (S&P). The securities in FEITF are valued using amortized cost as outlined in Rule 2a-7 under the Investment Act of 1940.

As of June 30, 2016, the District has \$13,339,112 invested with FEITF. This fund has a daily liquidity with unlimited investments and redemptions. The weighted average maturity of the fund is 41 days and has investments in negotiable certificate of deposits, commercial paper, repurchase agreements, certificate of deposit – FHLB LOC, Federal Agencies, Corporate Notes, and U.S. Treasury Notes.

All underlying securities in the fund have a credit rating of A or better by Standard & Poor's. The credit rating of the FEITF fund is AAAM by Standard & Poor's and signifies a high level of safety of investment principal and capacity to maintain a \$1.00 per share NAV. The district owns a share of the pool and not a share of the underlying assets in the pool.

#### IV. DUE FROM OTHER AGENCIES

The schedule below represents amounts owed to the District from other State/Federal sources and other local sources. All amounts are expected to be collected in full.

<u>Funds/Source</u>	<u>Amount</u>
General Fund:	
Brevard County Tax Collector:	
Unremitted Property Taxes - Current Year	\$ 81,056
Other - State	719,554
Other - Local	64,995
Special Revenues Funds:	
Contracted Programs	4,619,028
Food Services	178,571
Capital Funds:	
Local Discretionary Surtax Fund	7,424,790
Brevard County Tax Collector:	
Unremitted Property Taxes - Current Year	20,959
PECO	1,075,156
Capital Outlay & Debt Service	17,949
Total Due from Other Agencies - Governmental Funds	<u>\$ 14,202,058</u>

## V. CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016, are presented in the table below:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 35,887,580	\$ 531,494	\$ -	\$ 36,419,074
Construction in progress (a)	14,255,020	13,000,259	(5,578,849)	21,676,430
Software in process	4,150,000	-	-	4,150,000
<b>Total capital assets, not being depreciated</b>	<b>54,292,600</b>	<b>13,531,753</b>	<b>(5,578,849)</b>	<b>62,245,504</b>
Capital assets, being depreciated:				
Improvements	69,614,083	746,776	-	70,360,859
Buildings and fixed equipment	1,421,912,470	4,974,690	-	1,426,887,160
Furniture, fixtures, and equipment	79,475,533	3,487,410	(4,174,703)	78,788,240
Motor vehicles	41,888,898	4,422,970	(1,573,248)	44,738,620
AV materials and computer software	7,866,157	38,495	(240,276)	7,664,376
<b>Total capital assets, being depreciated</b>	<b>1,620,757,141</b>	<b>13,670,341</b>	<b>(5,988,227)</b>	<b>1,628,439,255</b>
Less accumulated depreciation:				
Improvements	(50,238,132)	(3,054,578)	-	(53,292,710)
Buildings and fixed equipment	(694,431,807)	(28,498,599)	-	(722,930,406)
Furniture, fixtures, and equipment	(72,871,860)	(3,766,008)	4,174,703	(72,463,165)
Motor vehicles	(36,052,128)	(2,739,013)	1,573,248	(37,217,893)
AV materials and computer software	(7,806,467)	(86,537)	240,276	(7,652,728)
<b>Total accumulated depreciation</b>	<b>(861,400,394)</b>	<b>(38,144,735)</b>	<b>5,988,227</b>	<b>(893,556,902)</b>
<b>Total capital assets, net</b>	<b>\$ 813,649,347</b>	<b>\$ (10,942,641)</b>	<b>\$ (5,578,849)</b>	<b>\$ 797,127,857</b>

Note: (a) CIP additions reduced by \$2,392,354 to reclassify certain projects as non-capitalized.

Depreciation expense was charged to functions as follows:	Amount
Governmental activities:	
Student transportation services	\$ 2,192,691
Unallocated (direct depreciation excluded)	35,952,044
<b>Total depreciation expense-governmental activities</b>	<b>\$ 38,144,735</b>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 126,903	\$ -	\$ -	\$ 126,903
Buildings and fixed equipment	48,268	-	-	48,268
Furniture, fixtures, and equipment	679,187	1,449	(95,341)	585,295
Motor vehicles	13,881	-	-	13,881
Computer software	48,576	-	-	48,576
Total capital assets, being depreciated	<u>916,815</u>	<u>1,449</u>	<u>(95,341)</u>	<u>822,923</u>
Less accumulated depreciation:				
Improvements other than buildings	(67,376)	(8,460)	-	(75,836)
Buildings and fixed equipment	(34,950)	(296)	-	(35,246)
Furniture, fixtures, and equipment	(671,004)	(4,897)	95,341	(580,560)
Motor vehicles	(12,493)	(1,388)	-	(13,881)
Computer software	(48,576)	-	-	(48,576)
Total accumulated depreciation	<u>(834,399)</u>	<u>(15,041)</u>	<u>95,341</u>	<u>(754,099)</u>
Total capital assets, net	<u>\$ 82,416</u>	<u>\$ (13,592)</u>	<u>\$ 0</u>	<u>\$ 68,824</u>

## VI. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan, adopted on January 28, 1986, created in accordance with Internal Revenue Code, Section 457, and Section 112.215, Florida Statutes. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, death, or unforeseeable emergency.

In August 1996, Internal Revenue Code, Section 457, was amended to: (1) provide that assets in such plans are held for the exclusive benefit of the plan participants and (2) eliminate provisions that the plan assets were the property of the District (employer). Under the amended provisions of the Internal Revenue Code, Section 457, the assets of the District's deferred compensation plan are not held in a fiduciary capacity by the District and, accordingly, are not reported in the District's financial statements.

## VII. CERTIFICATES OF PARTICIPATION

Outstanding certificates of participation at June 30, 2016, are as follows:

Series Outstanding	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2004-QZAB <sup>(a)</sup>	\$ 4,408,000	-	2020	\$ 4,408,000
Series 2007A	32,375,000	4.00-5.00	2026	37,740,000
Series 2007B	58,185,000	4.125-5.00	2032	71,350,000
Series 2007C	3,595,000	4.00-5.00	2017	122,995,000
Series 2008A	56,000,000	5.05	2036	56,000,000
Series 2013A	91,320,000	3.250-5.00	2030	91,320,000
Series 2013B	38,300,000	1.701-2.473	2020	50,900,000
Series 2014	62,310,000	3.25-5.00	2030	62,310,000
Series 2015B	12,095,000	5.00	2025	12,095,000
Series 2015C	88,100,000	3.00-5.00	2032	88,600,000
<b>Total Minimum Bond Payments</b>	<b>\$ 446,688,000</b>			<b>\$ 597,718,000</b>

(a) Interest on this debt is "paid" by the United States government through the issuance of Federal income tax credit to the holder of the QZABs. The rate of return to the holders was established by the U.S. government at the time of the sale.

The District has entered into financing arrangements, which are characterized as lease-purchase agreements, with the Brevard County School Board Leasing Corporation (Corporation) whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of certificates of participation by the Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Corporation, with rental fees of \$1 per year, except for the 2004-Qualified Zone Academy Bonds (QZAB), which are secured by fire alarm systems, intercom systems, structured cabling, and telephone equipment at fifteen schools. The initial terms of the leases end on the earlier of the maturity date or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms as specified in the arrangements. The properties covered by the ground leases are, together with improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to the end of the term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangement.

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

Series 2002 Certificates of Participation

Cambridge Elementary School Addition  
Cocoa Beach Jr. /Sr. High School Addition  
Columbia Elementary School Addition  
Discovery Elementary School Addition  
Edgewood Jr. High School  
Endeavour Elementary School Addition  
Gardendale Elementary School Addition  
Gemini Elementary School Addition  
Indialantic Elementary School Addition  
Jupiter Elementary School Addition  
Lewis Carroll Elementary School Addition  
Manatee Elementary School  
McAuliffe Elementary School Addition  
Mila Elementary School Addition  
Mims Elementary School Addition  
Palm Bay Elementary School Addition  
Palm Bay High School Addition  
Port Malabar Elementary School Addition  
Quest Elementary School  
Riverview Elementary School Addition  
Tropical Elementary School Addition  
Turner Elementary School Addition  
University Park Elementary School Addition  
West Shore Jr. /Sr. High School Addition

Series 2004A Certificates of Participation

Rockledge High School Addition  
Viera High School

Series 2004B Certificates of Participation

Bayside High School  
Longleaf Elementary School  
Melbourne High School Additions  
Pinewood Elementary School Additions  
Titusville High School Additions  
Westside Elementary School

Series 2006A Certificates of Participation

Astronaut High School  
Cocoa Beach Jr. /Sr. High School  
Coquina Elementary School Addition  
Imperial States Elementary School Addition  
Johnson Middle School Addition  
McNair Middle School Addition  
Mims Elementary School Addition  
Palm Bay High School  
Stevenson Elementary School Addition  
Sunrise Elementary School  
Titusville High School  
Viera High School Addition

Series 2007B Certificates of Participation

Astronaut High School  
Cocoa Beach Jr. /Sr. High School  
Coquina Elementary School Addition  
Imperial Estates Elementary School Addition  
Johnson Middle School Addition  
McNair Middle School Addition  
Mims Elementary School Addition  
Palm Bay High School  
Stevenson Elementary School Addition  
Titusville High School

Series 2007C Certificates of Participation

Bayside High School  
Cocoa Stadium  
Melbourne High School  
Merritt Island High School  
Rockledge High School  
Satellite High School  
West Shore Jr. /Sr. High School

Series 2008A Certificates of Participation

Heritage High School

With the exception of the Series 2004-QZAB issue, lease payments are payable semiannually, on July 1 and January 1. The Series 2004-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of March 26, 2004, will mature on March 26, 2020, for the original \$4,408,000 issuance amount. There is no interest cost for borrowing funds under this program. Mandatory lease payment deposits of \$557,309 were required for five consecutive years beginning on June 15, 2005, through June 15, 2009. It is anticipated that these deposits, along with investment earnings, will be sufficient to redeem the certificates at maturity.

The following table provides a schedule of the District's future minimum lease payments under the lease agreements as of June 30, for all outstanding certificates of participation, including the Series 2004 QZAB:

Fiscal Year Ending June 30	Total	Principal	Interest
2017	\$ 36,309,557	\$ 16,175,000	\$ 20,134,557
2018	35,745,810	16,100,000	19,645,810
2019	37,150,835	18,010,000	19,140,835
2020	41,407,672	22,893,000	18,514,672
2021	35,735,663	17,910,000	17,825,663
2022-2026	190,634,225	116,835,000	73,799,225
2027-2031	191,970,738	148,795,000	43,175,738
2032-2036	101,640,630	89,970,000	11,670,630
Total Minimum Lease Payments	670,595,130	446,688,000	223,907,130
Add: Unamortized Premium	41,127,981	41,127,981	-
Total Certificates of Participation	\$ 711,723,111	\$ 487,815,981	\$ 223,907,130

## VIII. STATE SCHOOL BONDS

State School Bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is pledged as security for these bonds. The State Board of Education and the State Board of Administration are responsible for administering the debt service requirements and all compliance regarding issuance and reporting.

The District receives annual financial data from the Florida Department of Education for recording the District's portion of the motor vehicle license revenues and related debt service and other expenditures. Total funding sources received in the current fiscal year are \$735,628 all of which relates to debt service.

Outstanding State Board of Education Bonds are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Original Amount
Series 2006-A	\$ 445,000	4.00-5.00	2026	\$ 650,000
Series 2009-A	295,000	5.00	2019	800,000
Series 2010-A	155,000	4.00-5.00	2022	210,000
Series 2011-A	750,000	3.00-5.00	2023	5,375,000
Series 2014-A	728,000	3.00-5.00	2025	817,000
Series 2014-B	758,000	2.00-5.00	2020	1,062,000
Total Bonds Payable	<u>\$3,131,000</u>			<u>\$8,914,000</u>

The following table provides a schedule of the District's future minimum lease payments for State Board of Education Bonds:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2017	\$ 764,530	\$ 619,000	\$ 145,530
2018	777,465	662,000	115,465
2019	453,590	371,000	82,590
2020	356,509	292,000	64,509
2021	320,419	269,000	51,419
2022-2026	1,007,981	918,000	89,981
Total Minimum Bond Payments	\$ 3,680,494	\$ 3,131,000	\$ 549,494
Add: Unamortized Premium	465,946	465,946	-
Total Bonds Payable	<u>\$ 4,146,440</u>	<u>\$ 3,596,946</u>	<u>\$ 549,494</u>

## IX. DEFEASED DEBT

### Certificates of Participation

Series 2007A: On March 16, 2007, \$37,385,000 of outstanding principal of the Certificates of Participation, Series, 2002, were partially defeased in-substance, by placing the proceeds of the new certificates from the 2007A series in an irrevocable trust to provide for future debt service payments of certain refunded 2002 certificates. Accordingly, the trust account assets and liabilities for the in-substance defeased certificates are not included in the District's financial statements.

Series 2013A and 2013B: On May 1, 2013, \$140,070,000 of Certificates of Participation were defeased by placing proceeds of new certificates from 2013A and 2013B Series in an irrevocable trust to provide for future debt service payments for Series 2002A and portions of Series 2004A, 2004B, and 2006A. The in-substance defeased certificates are \$5,110,000 of 2002A series certificates, \$40,795,000 of 2004A series certificates, \$46,500,000 of 2004B series certificates, and \$47,665,000 of 2006A series certificates.

Accordingly, the trust account assets and liabilities for the in-substance defeased certificates are not included in the District's financial statements.

Series 2014: On October 1, 2014, \$62,310,000 of Certificates of Participation were defeased, in substance, by placing proceeds of new refunding certificates from 2014 Series in an irrevocable trust to provide for future debt service payments for all outstanding Series 2006A certificates. Accordingly, the trust account assets and the liabilities for these certificates are not included in the District's financial statements.

Series 2015B and 2015C: On March 12, 2015, \$100,695,000 of Certificates of Participation were defeased, in substance, by placing proceeds of new refunding certificates from 2015B and 2015C Series in an irrevocable trust to provide for future debt service payments for portions of 2007B and 2007C certificates. The in-substance defeased certificates are \$12,095,000 of 2015B series certificates and \$88,600,000 of 2015C series certificates. Accordingly, the trust account assets and the liabilities for these certificates are not included in the District's financial statements.

## X. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

Description	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of participation payable	\$ 462,423,000	\$ -	\$ 15,735,000	\$ 446,688,000	\$ 16,175,000
Plus unamortized net premium	44,158,630	-	3,030,649	41,127,981	3,030,647
Net certificate of participation payable	<u>506,581,630</u>	<u>-</u>	<u>18,765,649</u>	<u>487,815,981</u>	<u>19,205,647</u>
Bonds payable	3,709,000	-	578,000	3,131,000	619,000
Plus unamortized net premium	540,731	-	74,785	465,946	74,786
Net bonds payable	<u>4,249,731</u>	<u>-</u>	<u>652,785</u>	<u>3,596,946</u>	<u>693,786</u>
Estimated insurance claims payable	14,972,305	66,428,378	65,424,762	15,975,921	7,217,547
Compensated absences payable	36,411,758	22,435,694	19,482,707	39,364,745	4,711,942
OPEB obligation	40,482,478	51,604	2,849,600	37,684,482	-
Net pension liability	<u>157,302,717</u>	<u>141,260,204</u>	<u>72,653,235</u>	<u>225,909,686</u>	<u>-</u>
Total governmental activities	<u>\$ 760,000,619</u>	<u>\$ 230,175,880</u>	<u>\$ 179,828,738</u>	<u>\$ 810,347,761</u>	<u>\$ 31,828,922</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Compensated absences payable	\$ 146,064	\$ 297,514	\$ 234,485	\$ 209,093	\$ 14,503
OPEB obligation	432,975	525	28,965	404,535	-
Net pension liability	<u>1,357,229</u>	<u>1,345,180</u>	<u>684,736</u>	<u>2,017,673</u>	<u>-</u>
Total business-type activities	<u>\$ 1,936,268</u>	<u>\$ 1,643,219</u>	<u>\$ 948,186</u>	<u>\$ 2,631,301</u>	<u>\$ 14,503</u>

For the governmental activities, compensated absences and other post-employment benefits are generally liquidated with resources of the General Fund. Estimated insurance claims are liquidated with resources from internal service funds. Compensated absences and other post-employment benefits for business-type activities are generally liquidated with the enterprise funds.

## XI. ARBITRAGE PAYABLE

Certain long-term debt obligations are subject to Section 148 of the Internal Revenue Code. The code requires a rebate to the federal government for interest earned on tax exempt proceeds if the earnings exceed the interest cost on the related debt. Pursuant to the IRS regulations, the arbitrage liabilities have

been calculated for outstanding Certificates of Participation, and the District's liability is zero as of June 30, 2016.

## XII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major funds:		
General	\$ 2,256,917	\$ -
Capital Projects - Local Capital Improvement	128,623	-
Special Revenue - Contracted Programs	-	2,256,917
Nonmajor governmental funds:		
Capital Projects - PECO	-	127,637
Capital Projects - Section 1011.14/1011.15 Notes	-	986
Total	<u>\$ 2,385,540</u>	<u>\$ 2,385,540</u>

The interfund receivables/payables at June 30, 2016, are primarily due to the reclassification of cash balances in the District's Master Account in order to cover cash deficits in Special Revenue – Contracted Programs, Capital Projects – Section 1011.14/1011.15 Notes, and Capital Projects - PECO Funds. The interfund receivables and payables represent the payments of expenditures paid by one fund for another fund and will be repaid within 12 months after year end.

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

Funds	Interfund	
	Tranfers In	Transfers Out
Major funds:		
General	\$ 6,964,722	\$ 4,014,995
Debt Service-Other	36,361,975	-
Capital Projects - Local Capital Improvement	-	41,027,662
Nonmajor governmental funds:		
Capital Projects - Other	2,995,717	-
Special Revenue - Food Services	-	980,722
Internal Service Funds:		
Workman's Comp	3,565,195	-
General and Auto Liability Insurance	-	1,565,195
Enterprise Fund	-	2,299,035
Total	<u>\$ 49,887,609</u>	<u>\$ 49,887,609</u>

The District transferred \$36,361,975 from the Capital Projects – Local Capital Improvement Fund to the Debt Service – Other Funds for principal and interest payments due for certificates of participation and \$4,665,687 to the General Fund for the property insurance. The District also transferred \$2,014,995 Federally connected funds from the General Fund to Capital Projects – Other and \$2,000,000 to Workman's Comp Fund to cover additional claims. The General and Auto Liability Insurance Fund also transferred \$1,565,195 to the Workman's Comp Fund to cover additional claims. Special Revenue – Food Services Fund transferred \$980,722 to Capital Projects – Other Fund to fund

additional renovation and maintenance of the District's kitchens. An interfund transfer of \$2,299,035 was completed from the Enterprise Fund to the General Fund as a repayment of shortfalls previously incurred in the business activities and funded by the General Fund during prior years.

### XIII. SCHEDULE OF REVENUE SOURCES

The following is a schedule of the District's State and Federal revenue for the year ended June 30, 2016:

<u>State Revenue Sources</u>	<u>Amount</u>
Florida education finance program (FEFP):	
Class size reduction	\$ 79,760,986
ESE guaranteed allocation	27,020,967
Supplemental academic instruction	19,020,386
Transportation	10,601,913
Instructional materials	6,030,453
Workforce development program	3,545,190
Reading allocation	3,282,644
Safe schools	1,606,439
Teachers Classroom Supply Assistance	1,195,994
DJJ supplemental allocation	205,375
FEFP - all other	168,313,017
School recognition program	4,099,770
Capital outlay and debt service withheld for SBE bonds	2,760,256
Voluntary prekindergarten program	2,345,308
Gross receipts tax (public education capital outlay)	1,734,190
Florida Best and Brightest Teacher Scholarship Program	1,593,460
Charter school capital outlay	759,619
Food service supplement	337,438
Other:	
Pre-school projects	241,220
Motor vehicle license tax	238,170
Racing commission funds	223,250
Miscellaneous	182,137
Total	<u>\$ 335,098,182</u>

<u>Federal Revenue Sources</u>	<u>Amount</u>
Contracted Programs	
Title I	\$ 18,227,690
IDEA	18,405,670
Head Start	4,741,290
Other	10,357,357
Food service program	22,908,105
Other Federal funds	3,413,928
Total	<u>\$ 78,054,040</u>

#### XIV. PROPERTY TAXES

The following table represents a summary of millages and taxes levied for the fiscal year ended June 30, 2016 based on the District's final Certification of School Taxable Value received from the Brevard County Property Appraiser.

	<u>Millages</u>	<u>Taxes Levied</u>
<b>General Fund</b>		
Nonvoted school tax:		
Required local effort	5.027	\$ 166,622,360
Basic discretionary local effort	0.748	24,792,823
<b>Capital Projects Fund</b>		
Nonvoted tax:		
Local capital improvements	1.500	49,718,230
TOTAL	<u>7.275</u>	<u>\$ 241,133,413</u>

#### XV. RETIREMENT PLANS

##### 1. FRS – Defined Benefit Pension Plans

###### General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$15,651,705 for the fiscal year ended June 30, 2016.

## **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* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.
- *Senior Management Service* – 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>
<b>Regular members initially enrolled before July 1, 2011</b>	
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
<b>Regular members initially enrolled on or after July 1, 2011</b>	
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
<b>Elected County Officers</b>	3.00
<b>Senior Management Service</b>	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 2015-16 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	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 \$20,797,389 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of \$112,876,297 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions

relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.873903029 percent, which was an increase of 0.000412587 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of \$7,662,540. 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	\$ 11,916,395	\$ 2,677,082
Change of assumptions	7,491,978	-
Net difference between projected and actual earnings on FRS pension plan investments	-	26,952,971
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	54,149	1,865,644
District FRS contributions subsequent to the measurement date	20,797,389	-
<b>Total</b>	<b>\$ 40,259,911</b>	<b>\$ 31,495,697</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$20,797,389, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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>
2017	\$ (9,252,138)
2018	(9,252,138)
2019	(9,252,138)
2020	12,984,905
2021	2,190,915
Thereafter	547,419
<b>Total</b>	<b>\$ (12,033,175)</b>

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, 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:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
<b>Total</b>	<b>100%</b>			
Assumed Inflation - Mean		2.6%		1.9%

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

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

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
District's proportionate share of the net pension liability (asset)	\$ 292,488,014	\$ 112,876,297	\$ (36,590,154)

**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.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$4,721,212 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

### **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, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$5,958,246 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$115,051,062 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 1.1281256 percent, which was an increase of 0.0012653 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of \$7,989,165. 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	\$ -	\$ -
Change of assumptions	9,051,516	-
Net difference between projected and actual earnings on HIS pension plan investments	62,280	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	98,203	3,193,585
District contributions subsequent to the measurement date	5,958,246	-
<b>Total</b>	<b>\$ 15,170,245</b>	<b>\$ 3,193,585</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$5,958,246, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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>
2017	\$ 1,330,611
2018	1,330,611
2019	1,330,611
2020	1,316,234
2021	1,309,323
Thereafter	(598,976)
<b>Total</b>	<b>\$ 6,018,414</b>

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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	3.80 percent

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	<u>1% Decrease (2.8%)</u>	<u>Current Discount Rate (3.8%)</u>	<u>1% Increase (4.8%)</u>
District's proportionate share of the net pension liability	\$ 131,095,329	\$ 115,051,062	\$ 101,672,551

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.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$25,158 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

## **2. FRS – Defined Contribution Pension Plan**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular 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 Investment Plan, including the FRS

Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan members' accounts during the 2015-16 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, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, 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 \$833,509 for the fiscal year ended June 30, 2016.

## **XVI. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PAYABLE**

**Plan Description:** The Other Postemployment Benefits Plan is a single-employer benefit plan administered by the District. Pursuant to the provision of the Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's respective medical/prescription, vision, dental, and life insurance plans as long as they pay the full premium applicable to coverage elected. The District subsidizes the premium rates for the medical/prescription plan paid by the retirees by allowing them to participate in the plan at the blended group 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 plan on average than those of active

employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The vision, dental, and life insurance plans do not result in an implicit subsidy.

**Funding Policy:** The District plans to fund this post-employment benefit on a pay-as-you go basis. As of January 1, 2016, 255 retirees received medical/prescription benefits. The District provided \$2,878,565 toward the annual OPEB cost.

**Annual OPEB Cost and Net OPEB Obligations:** The following table shows the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal cost (service cost for one year)	\$ 633,196
12 year amortization of unfunded actuarial accrued liability	1,329,294
Interest on normal cost and amortization	-
Annual required contribution	1,962,490
Interest on net OPEB obligation	1,636,618
Adjustment to annual required contribution	(3,546,979)
Annual OPEB cost (expense)	52,129
Net employer contribution for FYE June 30, 2016	2,878,565
Increase/(Decrease) in net OPEB obligation	(2,826,436)
Net OPEB obligation, July 1, 2015	40,915,453
Net OPEB obligation, June 30, 2016	\$ 38,089,017

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 7,607,942	34.5%	\$ 43,321,742
June 30, 2015	371,594	747.6%	40,915,453
June 30, 2016	52,129	5522.0%	38,089,017

Funded Status and Funding Progress as of June 30, 2016:

Actuarial accrued liability	\$ 15,036,030
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 15,036,030
Funded ratio	0.0%
Covered payroll (active plan members)	\$ 274,049,030
UAAL as a percentage of covered payroll	5.49%

Actuarial valuations of an ongoing 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 the healthcare cost trends.

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

**Actuarial Methods and Assumptions:** Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the January 1, 2016, OPEB actuarial valuation, and the actuarial roll-forward dated September 15, 2016, the results were derived using the entry age normal actuarial cost method with an amortization of the unfunded actuarial accrued liability as a level percent of expected payroll. The amortization period used is closed, and the remaining amortization period at June 30, 2016, is 12 years. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4 percent discount rate, a 2.5 percent inflation rate, a 4 percent investment return, and a 3.25 percent projected salary increase. Both the annual OPEB cost and the unfunded actuarial accrued liability decreased when compared to the previous valuation.

A few factors contributed to the decrease: an increase in projected cost of coverage with a relatively decreased actual cost; a decrease in the percentage of premiums and costs of benefits for short and long term medical; a decrease in the assumed rate of retiree medical coverage acceptance and continuation; and the plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans until after it becomes effective. The actuarial assumption annual healthcare cost trend rate beginning January 1, 2016, is 6.5 percent, and is being revised to 6.25 percent beginning January 1, 2017. The trend rates will then decrease by 0.25 percent each subsequent year until 2020 to reach a value of 5 percent. The ultimate value of 4.765 percent in 2020 reflects an expected impact of an additional 0.42 percent representing an estimate of the Federal Excise Tax.

## **XVII. COMMITMENTS**

The District uses encumbrance accounting for recording purchase order commitments for goods and services and has recorded \$24,643,951 in encumbrances for major funds and \$1,202,164 in non-major funds at June 30, 2016. The District has also recorded the following construction contract commitments as of June 30, 2016, which may include encumbrances:

<b>Project</b>	<b>Balance Committed</b>
Andersen ES Surtax Attachment F	\$ 453,208
Apollo Surtax Attachment F	111,424
Astronaut High Building 3 Canopy Replacement	35,140
Atlantis ES Ed Tech/Facilities Pre Construction Attachment F	715,584
Audubon ES PH 3 Surtax Attachment F	344,684
Audubon ES Upgrades Chiller Units	312,033
Audubon Freezer/Cooler Replacement	42,556
Cambridge ES Fiber Routing Upgrades	27,006
Cape View ES Freezer/Cooler Replacement	41,423
Cape View ES Surtax Attachment F	760,952
Cocoa Beach JrSr High Replace Condensor Water Piping	52,800
Coquina ES HVAC Kitchen System	37,175
Creel ES Failed Exhaust Fans Kitchen	1,500
Croton ES Freezer/Cooler Replacement	40,102
DeLaura MS Surtax PH 2	113,485
DeLaura PH 3 Attachment F	781,734
Discovery ES Install New Gutters and Downspouts	2,820
Discovery ES Pavilion Rust Removal and Repainting	11,940
Discovery ES Surtax Attachment F	1,296,259
District Security Surtax Attachment F	98,493
District Transportation Fuel Management System Upgrades	73,387
Eau Gallie High Auditorium Chiller Replacement	86,124
Eau Gallie High Sewer Improvements	8,338
Educational Service Building/ESF Windows PH 2	40
Endeavour ES Surtax Attachment F	375,190
Energy Management - Sensors	2,510
ESF Building Dome Repairs	49,499
Fairglen ES Surtax Attachment F	231,951
Freedom 7 Surtax Mechanical/HVAC Renewal	140,812
Golfview ES Emergency Chiller Replacement	37,350
Heritage High Replace Hot Water Storage Tank	3,009
Hoover MS Surtax Attachment F Pre Construction	70,202
HVAC Discovery ES Maintenance Repair Failure	78,753
HVAC Indialantic ES Maintenance Repair Failure	3,306

<b>Project (continued)</b>	<b>Balance Committed</b>
HVAC Johnson MS Maintenance Repair Failure	\$ 23,154
HVAC Replace Various Sites Maintenance Repair Failure	19,450
Imperial ES Pavilion	8,999
Jackson MS Surtax Attachment F Pre Construction	156,355
Jefferson MS Surtax Attachment F	1,720,154
Kennedy MS Surtax Attachment F Pre Construction	202,040
Lewis Carroll Surtax Attachment F	304,086
Longleaf ES Design Build Pre Const Attachment F Facilities & Ed Tech	47,663
Longleaf ES Replace Flooring in Media Center	16,802
Marathon Clinics	31,248
McNair MS HVAC Upgrades Kitchen	30,503
Meadowlane Primary ES Pre Construction Attachment F	55,485
Melbourne High Pre Construction Surtax Attachment F	626,780
Merritt Island High Auditorium Chiller Replacement	86,124
Merritt Island High Press Box Roof Replacement	18,428
Merritt Island High Replace Condensor Walk-In Freezer	7,160
North Area Bus Compound Fuel Tank Replacement	493,642
Oak Park ES Fire Alarm Portable	2,501
Oak Park ES HVAC Replacement	678,966
Oak Park ES Surtax PH 2 Attachment F	364,442
Ocean Breeze ES HVAC Total	389,736
Palm Bay ES Chiller Replacement/Roof Overlay	33,469
Palm Bay ES PH 2 Surtax Attachment F	1,025,911
Palm Bay High Building 9 & 7 HVAC	214,454
Pinewood ES Portable Relocation	46,816
Pinewood ES Pre Construction Surtax Attachment F	131,315
Pinewood ES Pressure Clean/Paint School	11,500
Riviera ES Kitchen HVAC Upgrades	53,482
Rockledge High Kitchen Hood/Exhaust	28,697
Rockledge High Steel Headers Blast and Paint	3,210
Rockledge High Portables Restore Exterior Damage	14,999
Roosevelt MS Design Build Contract Surtax Attachment F	1,938,568
Roy Allen ES Surtax Attachment F	447,002
Sabal ES Design Build Pre Construction Attachment F	74,254
Saturn ES Design Build Pre Construction Attachment F	273,648
Sea Park ES Design Build Attachment F Surtax	885,693
Sherwood ES Freezer/Cooler Replacement	81,122
Space Coast JrSr High/ Enterprise ES Central Energy Plant	101,270
Stone MS Kitchen Renovation	381,413
Stone MS Labs 311/505 Renovation	148,644
Stone MS Safety to Life Chemical Storage	92,802
Stone MS Science Lab Casework - Grant Funded	57,841
Summer FY 16 Portable Relocation	77,178

<u>Project (continued)</u>	<b>Balance Committed</b>
Titusville High Exterior Paint Building	\$ 119,332
Tropical ES Design Build Services Surtax Attachment F	1,346,837
Tropical ES Freezer/Cooler Replacement	40,145
Tropical ES Sidewalk Relocation	75,000
University Park ES HVAC Kitchen Upgrades	34,653
WestShore JrSr High HVAC Repair Failure 10 ton DX System	45,000
WestShore JrSr High Sanitary Project	1,917
WestShore JrSr High Walkway Support Structural	13,901
<b>Total Commitments</b>	<b>\$ 19,524,580</b>

## **XVIII. RISK MANAGEMENT - SELF INSURED PROGRAMS**

The District is exposed to various casualty risks including workers' compensation related injuries to employees and volunteers, state tort claims (auto and general liability exposures), and allegations of wrongful or intentional acts that result in claims of negligence sometimes handled in state court, but are for the most part typically handled in federal court jurisdictions. The District utilizes a third-party administrator to adjust or handle all of these claims. In addition to the self-insured portion of these casualty claims, the District procures insurance with high deductibles to reduce the effect of excessive losses for all of these exposures through commercial insurance companies. A list of these exposures and how they are treated can be found below. In the last three years, no claim has exceeded the self-insured retention limits as stated in statute and though no claim exceeded the self-insured limit the district further protects itself by purchasing insurance to protect the district in the event of this type of loss exposure.

In addition to casualty loss exposure the District provides employees and their dependents with health insurance through multiple self-insurance programs including prescription drug benefits all of which are administered through a third-party administrator. Under both casualty and healthcare programs, claims are presented to the service agents for processing and payment. The third-party administrator sends the District a monthly invoice to reimburse them for the claims paid during each month of the year as well as to cover their charge for providing this service on the District's behalf.

Workers' Compensation: Work related injuries to officers, employees, and official school volunteers' liability claims

- The first \$500,000 of each workers' compensation claim is paid via the District's self-insurance trust funds. These claims are administered through a third-party administrator, Sedgwick CMS.
- All workers' compensation claims with values in excess of \$500,000 are paid via an excess workers' compensation policy purchased through a commercial insurance carrier and adjusted through the same third-party administrator as was for the first \$500,000 in losses.

General Liability and Automobile Liability Claims:

- The first \$200,000 of any single incident, single individual, or \$300,000 for multiple claims that arise from a single incident are paid via the District's self-insured trust funds. These claims are capped at the above stated figures by state law specifically Section 768.28, Florida Statutes,

better known as the State's doctrine of Sovereign Immunity. All of these claims are administered through a third-party administrator, Sedgwick CMS.

- Section 768.28, Florida Statutes, provides for payments in excess of the above stated figures if the legislature approves a claims bill allowing for such payment. The District also purchases a commercial insurance policy to pay a maximum of \$2,000,000 if any claim should exceed the deductible of \$500,000. The insurance carrier is BRIT Global Specialty USA, a division of Lloyds, London.

Errors and Omissions Liability Claims:

- The first \$250,000 of each wrongful act is self-insured via the District's self-insured trust funds. Though these claims are not adjusted by Sedgwick CMS, this third-party administrator handles and pays the fees associated with claim investigation, legal representation, and claim settlement/payout.
- For claims in excess of \$250,000 the District purchases a commercial insurance policy that will pay up to an annual aggregate of \$2,000,000. The insurance carrier is BRIT Global Specialty USA, a division of Lloyds, London.

Self-Insured Health Claims:

- The District offers a self-insurance plan covering certain health and prescription drug benefits and utilizes several choices of providers under the plan. Benefits are offered to active employees and their dependents as well as retirees. Under these plans, a portion of the benefits offered is paid by the District and a portion is paid by employees through payroll deduction. Retirees are required to pay the full premium amount for plan coverage at the blended employee premium rate.

The liability for workers' compensation, general liability, automobile liability, and medical claims in the amount of \$15,975,921 was determined based on claims adjusters' evaluation of individual claims and management's evaluation, along with actuarial calculations with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported.

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

<u>Fiscal Year</u>	<u>Balance July 1</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance June 30</u>
2014-15	\$ 14,204,176	\$ 67,522,096	\$ (66,753,967)	\$ 14,972,305
2015-16	\$ 14,972,305	\$ 66,428,378	\$ (65,424,762)	\$ 15,975,921

Commercially Purchased Insurance:

The District is also exposed to various risks that could result in severe financial loss or losses that due to the minimal cost are better treated with commercial insurance. These exposures are related to property loss, boiler and machinery related losses, employee crime/theft, and under and above ground fuel storage tanks.

Property Insurance:

- Losses related to fire, earthquake, non-named storms, theft/vandalism, etc., are subject to a deductible of \$100,000 and will pay a maximum loss of \$150,000,000 for any one incident.
- Losses related to named windstorms and flood damage are subject to 3 percent per building replacement value as a deductible. The windstorm deductible is further limited to a maximum loss per storm of \$10,000,000 before insurance pays for the remaining amount of the loss subject

to the maximum loss limit for a named windstorm. To trigger insurance coverage all building damage when totaled together must exceed \$500,000. Once the minimum loss deductible is met, the policy will pay a maximum of \$110,000,000 toward the District's losses.

Boiler and Machinery:

- Losses related to boiler or machinery failure are subject to a deductible of \$25,000 and will pay up to \$50,000,000 in equipment breakdown and property damage.

Employee Theft/Crime:

- Losses related to cash theft or mishandling of assets are subject to a \$25,000 deductible and will reimburse the District up to \$2,500,000 in the event of a loss.

Under and Above Ground Storage Tanks:

- Losses related to diesel and gasoline fuel spills are subject to a \$25,000 deductible and will reimburse the District up to \$1,000,000 toward expenses related to clean up and recovery.

During the fiscal year ended June 30, 2016, the District did not experience any significant reductions in insurance coverage nor did any claim settlement as noted in any area above exceed the insurance coverage purchased in each of the last 3 fiscal years.

**XIX. INTERNAL SERVICE FUNDS**

The following is a summary of financial information reported in the internal service funds for the year ended June 30, 2016:

	Total	Medical Insurance	Worker's Compensation	General/Auto Liability
Total assets	\$ 40,888,352	\$ 25,669,148	\$ 13,160,138	\$ 2,059,066
Liabilities and net position:				
Accounts payable	484,840	1,513	407,984	75,343
Estimated insurance claims payable	15,975,921	3,957,048	10,153,336	1,865,537
Net position:				
Unrestricted net position	24,427,591	21,710,587	2,598,818	118,186
Total liabilities and net position	\$ 40,888,352	\$ 25,669,148	\$ 13,160,138	\$ 2,059,066
Revenues:				
Premiums	70,576,788	66,130,501	3,498,081	948,206
Interest	399,000	174,965	150,611	73,424
Total revenues	70,975,788	66,305,466	3,648,692	1,021,630
Total expenses	(67,606,708)	(59,887,272)	(7,010,002)	(709,434)
Transfers	2,000,000	-	3,565,195	(1,565,195)
Change in net position	\$ 5,369,080	\$ 6,418,194	\$ 203,885	\$ (1,252,999)

**XX. FUND BALANCE REPORTING**

Effective for fiscal years after June 15, 2010, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The intention of the GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides

for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventory items that are considered nonspendable. The District has no nonspendable funds related to endowment.

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of *spendable* fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the General Fund that are not constrained for any particular purpose.

The District has classified its fund balance with the following hierarchy:

Nonspendable: The District has inventory of \$2,520,358 classified as nonspendable.

Spendable: The District has classified the spendable fund balances as *Restricted*, *Assigned*, and *Unassigned* and considers each to have been spent when expenditures are incurred. The District does not have a policy regarding either committed or assigned fund balances, and has reported no committed fund balances in its financial statements. When assigned and unassigned balances are available for use, assigned resources will be used first and then unassigned resources will be used as needed.

- Restricted for Capital Projects, State Categoricals, Debt Service, and Food Services: Florida Statute requires that certain revenues be specifically designated for the purposes of capital and debt service requirements, certain designated state categorical spending and other earmarked spending programs, and food services. These funds have been included in the restricted category of fund balance. The restricted fund balances for capital projects, State categoricals, debt service, and food services total \$88,078,683, \$3,682,097, \$3,929,920, and \$12,075,570, respectively.
- Assigned for School Operations and Capital Projects: The School Board has set aside certain fund balances for school operations and capital projects. For fiscal year 2016, the assigned fund balance is \$6,262,671 of which \$3,078,912 is for school operations and \$3,183,759 is for capital projects not restricted for a particular purpose.
- Unassigned: The unassigned fund balance for the General Fund is \$40,640,305.

The following table shows the classified fund balance:

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Local Sales Surtax Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>						
<b><u>Nonspendable:</u></b>						
Inventory	\$ 834,571	\$ -	\$ -	\$ -	\$ 1,685,787	\$ 2,520,358
<b><u>Restricted:</u></b>						
Capital projects	-	-	28,625,057	40,955,039	18,498,587	88,078,683
State categoricals	3,682,097	-	-	-	-	3,682,097
Debt service	-	3,856,843	-	-	73,077	3,929,920
Food Services	-	-	-	-	12,075,570	12,075,570
<b><u>Assigned:</u></b>						
School operations	3,078,912	-	-	-	-	3,078,912
Capital projects	-	-	-	-	3,183,759	3,183,759
<b><u>Unassigned:</u></b>	40,640,305	-	-	-	-	40,640,305
<b>Total fund balances</b>	<b>\$ 48,235,885</b>	<b>\$ 3,856,843</b>	<b>\$ 28,625,057</b>	<b>\$ 40,955,039</b>	<b>\$ 35,516,780</b>	<b>\$ 157,189,604</b>

The District has set aside “contingency reserves” pursuant to Board Policy 6120, to help sustain the financial stability of the District during times of emergency spending for items such as disaster recovery and revenue shortfalls that could potentially occur after the current year’s budget adoption. Board Policy 6120 requires at least 3 percent of the current year’s annual estimated General Fund revenues to be reserved for contingency purposes. In the event these reserves are needed, a majority vote of the Board is required before using these funds and the Superintendent is required to provide a financial plan to the Board to restore the funds to the minimum 3 percent amount, along with a timeline for restoration. The contingency funds of \$19,880,369 are included as part of the unassigned General Fund balance of \$40,640,305 and equates to 3.78 percent of fiscal year 2016 total General Fund revenues.

## XXI. LITIGATION

The School Board is a defendant in a number of lawsuits as of June 30, 2016. It is the opinion of the District’s management, after giving consideration to the District’s related insurance coverage, as well as the Florida statutory limitations on governmental liability on uninsured risks, that the amount of losses resulting from litigation, which exceeded the above-mentioned limits, would not be material to the financial position of the District.

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ -	\$ 102,590,291	\$ 102,590,291	0.0%	\$ 260,502,913	39.4%
01/01/14	-	15,541,538	15,541,538	0.0%	263,365,971	5.9%
01/01/16	-	15,036,030	15,036,030	0.0%	274,049,030	5.5%

Note: (1) The District's OPEB actuarial valuation used the entry age normal actuarial 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)

	2015	2014	2013
District's proportion of the FRS net pension liability	0.873903029%	0.873490442%	0.8893688881%
District's proportionate share of the FRS net pension liability	\$ 112,876,297	\$ 53,295,762	\$ 153,099,967
District's covered-employee payroll (2)	\$ 342,344,742	\$ 334,805,743	\$ 342,183,393
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	32.97%	15.92%	44.74%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	2016	2015	2014
Contractually required FRS contribution	\$ 20,797,389	\$ 21,306,498	\$ 19,133,147
FRS contributions in relation to the contractually required contribution	(20,797,389)	(21,306,498)	(19,133,147)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll (2)	\$ 358,930,491	\$ 342,344,742	\$ 334,805,743
FRS contributions as a percentage of covered-employee payroll	5.79%	6.22%	5.71%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	1.1281256%	1.1268603%	1.177649683%
District's proportionate share of the HIS net pension liability	\$ 115,051,062	\$ 105,364,184	\$ 102,529,889
District's covered-employee payroll (2)	\$ 342,344,742	\$ 334,805,743	\$ 342,183,393
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.61%	31.47%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 5,958,246	\$ 4,312,398	\$ 3,860,244
HIS contributions in relation to the contractually required contribution	<u>(5,958,246)</u>	<u>(4,312,398)</u>	<u>(3,860,244)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (2)	\$ 358,930,491	\$ 342,344,742	\$ 334,805,743
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability was decreased from 4.29 percent to 3.8 percent.

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# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Brevard County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass - Through Grantor Number</u>	<u>Amount of Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	15002	\$ 5,179,773	\$ -
National School Lunch Program	10.555	15001, 15003	17,163,847	-
Summer Food Service Program for Children	10.559	14006, 15006	222,560	-
<b>Total Child Nutrition Cluster</b>			<u>22,566,180</u>	<u>-</u>
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4187	231,958	-
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	15004	109,967	-
<b>Total United States Department of Agriculture</b>			<u>22,908,105</u>	<u>-</u>
<b>United States Department of Justice:</b>				
Direct:				
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grants	16.710	N/A	608,297	-
<b>United States Department of Education:</b>				
Direct:				
Impact Aid	84.041	N/A	537,093	-
Magnet School Assistance	84.165	N/A	2,590,007	-
Fund for the Improvement of Education	84.215	N/A	242,210	-
<b>Total Direct</b>			<u>3,369,310</u>	<u>-</u>
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	263	17,773,042	-
Special Education - Preschool Grants	84.173	267	632,628	-
<b>Total Special Education Cluster</b>			<u>18,405,670</u>	<u>-</u>
Adult Education - Basic Grants to States	84.002	191	555,711	-
Title I Grants to Local Educational Agencies	84.010	212, 226	18,227,690	-
Career and Technical Education - Basic Grants to States	84.048	161	691,302	-
Education for Homeless Children and Youth	84.196	127	94,332	-
Charter Schools	84.282	298	281,926	281,926
Twenty-First Century Community Learning Centers	84.287	244	1,692,046	-
English Language Acquisition State Grants	84.365	102	356,871	-
Improving Teacher Quality State Grants	84.367	224	2,266,943	-
<b>Total Indirect</b>			<u>42,572,491</u>	<u>281,926</u>
<b>Total United States Department of Education</b>			<u>45,941,801</u>	<u>281,926</u>
<b>United States Department of Health and Human Services:</b>				
Direct:				
Head Start	93.600	N/A	4,741,290	-
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	529,469	-
Air Force Junior Reserve Officers Training Corps	None	N/A	236,774	-
Navy Junior Reserve Officers Training Corps	None	N/A	142,544	-
Marines Corps Junior Reserve Officers Training Corps	None	N/A	65,491	-
<b>Total United States Department of Defense</b>			<u>974,278</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 75,173,771</u>	<u>\$ 281,926</u>

The accompanying notes are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Brevard County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance: National School Lunch Program, CFDA 10.555 – Includes \$2,083,465 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Direct Award Grant Numbers:
- a) Public Safety Partnership and Community Policing Grants, CFDA 16.710 – The amount represents expenditures for grant award number 2014-CK-BX-0014.
  - b) Impact Aid, CFDA 84.041 – Includes receipts of \$68,322 for award number S041B-2013-1238, \$65,824 for award number S041B-2014-1238, and \$402,947 for award number S041B-2016-1238.
  - c) Magnet School Assistance, CFDA 84.165 – The amount represents expenditures for grant award number U165A130092-15A.
  - d) Fund for the Improvement of Education, CFDA 84.215 – The amount represents expenditures for grant award number S215F130255-15.
  - e) Head Start, CFDA 93.600 – Expenditures include \$4,723,383 for grant number/program year O4CH4640/04 and \$17,907 for grant number/program year 04CH4640/03.



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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brevard County District School Board, as of and for the fiscal year ended June 30, 2016, 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 28, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 we reported to District management in our operational audit report No. 2017-139.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2017



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Report on Compliance for Each Major Federal Program

We have audited the Brevard 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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

### *Auditor's Responsibility*

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2017

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## **SUMMARY OF AUDITOR'S RESULTS**

### **Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

### **Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$2,255,213

Auditee qualified as low risk auditee? Yes

## ***PRIOR AUDIT FOLLOW-UP***

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

## ***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

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