

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-194
March 2017

MIAMI-DADE 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, Mr. Alberto M. Carvalho served as Superintendent of the Miami-Dade County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Dr. Wilbert "Tee" Holloway	1
Dr. Dorothy Bendross-Mindingall, Vice Chair from 11-17-15	2
Dr. Martin S. Karp	3
Ms. Perla Tabares Hantman, Chair	4
Ms. Susie V. Castillo	5
Ms. Raquel A. Regalado	6
Ms. Lubby Navarro	7
Dr. Marta Pérez	8
Dr. Lawrence S. Feldman, Vice Chair to 11-16-15	9

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 Kirenía Nieto, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Miami-Dade 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; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding No. 2016-001: District financial reporting procedures need improvement to ensure consistent, proper reporting of discretely presented component units.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I, Career and Technical Education, English Language Acquisition, Teacher Incentive Fund, Race-to-the-Top, Refugee and Entrant Assistance, and Head Start 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;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for Federal awards findings included in the previous audit report.

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 will be presented in a separate report.

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

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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Miami-Dade 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Miami-Dade County District School Board, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund**, **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**, **Schedule of Changes in the Net Pension Liability and Related Ratios – Supplemental Early Retirement Pension Trust Fund**, **Schedule of Investment Returns – Supplemental Early Retirement Pension Trust Fund**, **Schedule of Contributions – Supplemental Early Retirement Pension Trust Fund**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, and **Schedule of Employer Contributions – Other Postemployment Benefits Plan**, 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 27, 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 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



The Management's Discussion and Analysis (MD&A) of the School Board of Miami-Dade County, Florida (the District), is intended to provide an overview of the District's financial position and changes in financial position for the fiscal year ended June 30, 2016.

Since the focus of the MD&A is on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements, including the accompanying notes. Additionally, as a required part of the MD&A, comparative information for the current year and prior year is presented for financial analysis to enhance the understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

At June 30, 2016, the General Fund had a total fund balance of \$175.3 million. This fund balance was comprised of \$7.7 million of nonspendable funds, \$8.6 million of restricted funds, \$38.6 million of assigned funds, and \$120.4 million of unassigned funds.

General Fund fund balance increased by \$50.7 million, or 40.7% from the previous year primarily due to an increase in tax collections, as well as the continued effort to curtail expenditures.

Special revenue funds ended the year with a fund balance of \$28.8 million, an increase of \$6.6 million or 29.7% from the previous year primarily due to increases in revenues and a slight reduction of costs.

Debt service funds ended the year with a fund balance of \$44.1 million, an increase of \$3.9 million or 9.6% from the previous year primarily due to increases in the collection of taxes.

Capital projects funds ended the year with a fund balance of \$289.8 million, an increase of \$75.6 million or 35.3% from the previous year primarily due to the issuance of \$192.7 million in General Obligation Bonds (GOBs) and the accelerated pace in the implementation of the GOB program.

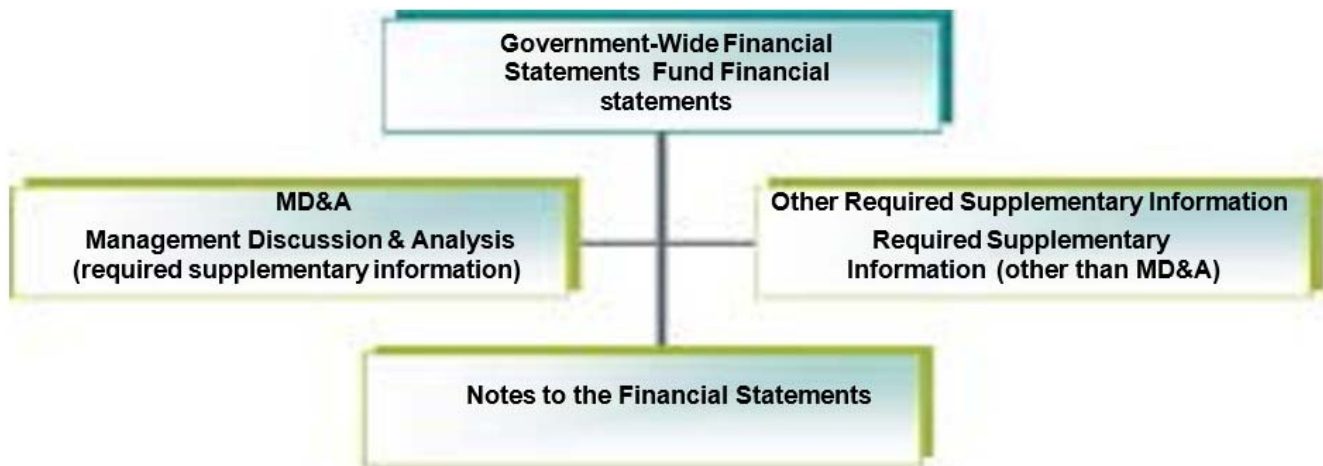
During the 2015-16 fiscal year, the District refunded several of the outstanding certificates of participation (COP) bonds that provided significant net present value savings and cash flow savings, which reduced future debt service by over \$52 million. In July 2016, the District issued the third tranche of the GOBs that provided \$200 million of project funds. The School Board also authorized the issuance of the fourth GOB tranche to be issued at the beginning of the 2016-17 fiscal year to provide funding for the accelerated project schedule, based on project expenditures and cash flow projections.

Moody's Investors Service and Standard & Poor's (S&P) rating agencies maintained an assignment of "A1" and "A" rating, respectively, for the COP outstanding issues, and also affirmed the outstanding GOB ratings of "Aa3" and "A+", respectively. Moody's maintained its stable outlook while S&P changed the District's outlook from stable to positive, citing improved financial results for the 2014-15 fiscal year along with good financial management policies and practices.

USING THIS REPORT

The Annual Financial Report of the District is comprised of different sections. The following graphic is provided to facilitate the understanding of the format and its components:

Basic Financial Statements



OVERVIEW OF THE FINANCIAL STATEMENTS

The District's Annual Financial Report consists of a series of financial statements and accompanying notes with the primary focus being on the District as a whole. The statement of net position and the statement of activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial position. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The proprietary fund statements offer short-term and long-term financial information about the activities of the District as it relates to the group health self-insurance program. The remaining statements, the fiduciary funds statements, provide financial information for those activities in which the District acts solely as a trustee or agent for the benefit of others. The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes are an integral part of the basic financial statements.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities – Most of the activities of the District are reported in these statements, including instruction, instructional support services, operations and maintenance, school administration, general administration, student transportation, and food service.

Additionally, all State and Federal grants, as well as capital and debt financing activities are reported in these statements.

The statement of net position and the statement of activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial position has improved or deteriorated as a result of current year's activities. The implementation of GASB Statements No. 68 and No. 71 had a significant impact on the reporting of the District's liabilities as it relates to pensions and, consequently, a material impact to the District's net position. Both of these statements are prepared using the accrual basis of accounting similar to that used by most private-sector companies. The statement of net position includes assets plus deferred outflows of resources, and liabilities, less deferred inflows of resources, both short-term and long-term.

The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The two government-wide statements report the District's net position and the changes that resulted from the District's operations. The relationship between revenues and expenses indicates the District's operating results. Over time, increases and decreases in the District's net position are an indicator of whether the District's financial position is improving or deteriorating. However, as a governmental entity, the District's activities are not geared towards generating profits as are the activities of commercial entities. Other factors, such as the safety of schools and quality of education, must be considered in order to reasonably assess the District's overall performance, particularly because of the limited resources available.

Fund Financial Statements

The District's fund financial statements provide a detailed short-term view of the District's operations, focusing on its most significant or "major" funds. Certain funds are required by law while others are created by legal agreements, such as bond covenants. The District establishes other funds to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. The District has three kinds of funds – governmental funds, a proprietary fund, and fiduciary funds.

Governmental Funds - The accounting for most of the District's basic services is included in the governmental funds. The measurement focus and basis of accounting continue to be reported using the modified accrual basis of accounting, which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets normally are recognized only to the extent that they are expected to have a near-term impact. Inflows of financial resources are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's major governmental funds are the General Fund, General Obligation School Bonds Funds, and Capital Improvement – Local Optional Millage Levy (LOML) Funds. The differences in the amounts reported between the fund statements and the government-wide financial statements are explained in the reconciliations provided on Pages 26, 30, and 31.

Proprietary Fund - The District maintains an internal service fund as its only proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to report the activities of the group

health self-insurance program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements. The District's proprietary fund activity is reported in the statement of net position, the statement of revenues expenses and changes in net position, and the statement of cash flows – proprietary fund on Pages 32 through 34.

Fiduciary Funds - The District is the trustee, or fiduciary, for resources held for the benefit of others, such as the student activities fund and the Pension Trust Fund. The District's fiduciary activities are reported in the statement of fiduciary net position on Page 35 and the statement of changes in fiduciary net position on Page 36. The resources accounted for in these funds are excluded from the government-wide financial statements because these funds are not available to finance the District's operations. Consequently, the District is responsible for ensuring that these resources are used only for their intended purposes.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information beginning on Page 96.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table provides a comparative analysis of the District's net position for the fiscal years ended June 30, 2016 and 2015.

CONDENSED STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2016 and 2015
(\$ in millions)

Categories	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 881.1	\$ 728.7	\$ 152.4	20.9%
Capital Assets, Net	4,463.4	4,503.8	(40.4)	(0.9)%
Total Assets	5,344.5	5,232.5	112.0	2.1%
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value				
Hedging Derivatives	30.4	26.6	3.8	14.3%
Deferred Loss on Refundings	120.6	55.2	65.4	118.5%
Pensions	274.1	199.5	74.6	37.4%
Total Assets and Deferred Outflows of Resources	5,769.6	5,513.8	255.8	4.6%
Current Liabilities	498.0	488.2	9.8	2.0%
Long-term Liabilities	4,873.0	4,411.7	461.3	10.5%
Total Liabilities	5,371.0	4,899.9	471.1	9.6%
Deferred Inflows of Resources				
Pensions	207.1	498.6	(291.5)	(58.5)%
Total Liabilities and Deferred Inflows of Resources	5,578.1	5,398.5	179.6	3.3%
Net Position				
Net Investment in Capital Assets	1,363.0	1,444.1	(81.1)	(5.6)%
Restricted	111.1	55.3	55.8	100.9%
Unrestricted (Deficit)	(1,282.6)	(1,384.1)	101.5	7.3%
Total Net Position	\$ 191.5	\$ 115.3	\$ 76.2	66.1%

The District's total assets plus deferred outflows of resources were \$5.8 billion and total liabilities and deferred inflows of resources were \$5.6 billion at the end of the current fiscal year.

The District's net position totaled \$191.5 million at June 30, 2016. The largest portion of the District's net position, \$1.4 billion reflects its investment in capital assets (e.g., land, buildings, furniture, fixtures, and equipment), net of depreciation and less any outstanding debt used to construct or acquire those assets. Restricted net position in the amount of \$111.1 million is reported separately to show legal constraints, from debt covenants and enabling legislation. The \$(1.3) billion unrestricted deficit in net position reflects the shortfall the District would face in the event it would have to liquidate all of its non-capital liabilities, including insurance claims payable, compensated absences, pensions, and other postemployment benefits at June 30, 2016. Consequently, these long-term considerations have a significant impact on the resulting net position. A deficit in unrestricted net position should not be

considered, solely, as evidence of economic financial difficulties, but rather as a result of different measurement focuses; long-term compared to short-term perspectives.

Statement of Activities

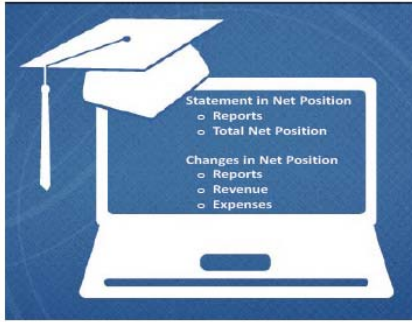
The following table summarizes the changes in the District's net position from its activities for the fiscal years ended June 30, 2016 and 2015.

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES For Fiscal Years Ended June 30, 2016 and 2015 (\$ in millions)

	<u>2015/16</u>	<u>2014/15</u>	<u>Difference Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 49.6	\$ 50.2	\$ (0.6)	(1.2)%
Operating Grants and Contributions	152.6	147.0	5.6	3.8%
Capital Grants and Contributions	63.2	75.7	(12.5)	(16.5)%
Total Program Revenues	<u>265.4</u>	<u>272.9</u>	<u>(7.5)</u>	<u>(2.7)%</u>
General Revenues:				
Ad Valorem Taxes	1,868.5	1,778.4	90.1	5.1%
Grants and Contributions Not Restricted to Specific Programs	1,442.6	1,476.3	(33.7)	(2.3)%
Investment Earnings	4.3	2.5	1.8	72.0%
Miscellaneous	34.8	54.0	(19.2)	(35.6)%
Total General Revenues	<u>3,350.2</u>	<u>3,311.2</u>	<u>39.0</u>	<u>1.2%</u>
Total Revenues	<u>3,615.6</u>	<u>3,584.1</u>	<u>31.5</u>	<u>0.9%</u>
Expenses				
Instructional Services	1,986.7	1,954.2	32.5	1.7%
Instructional Support Services	286.5	280.0	6.5	2.3%
Student Transportation Services	91.4	76.7	14.7	19.2%
Operations and Maintenance of Plant	352.4	357.8	(5.4)	(1.5)%
Food Service	159.2	159.5	(0.3)	(0.2)%
School Administration	157.4	154.2	3.2	2.1%
General Administration	13.3	12.6	0.7	5.6%
Business/Central Services	62.8	66.7	(3.9)	(5.8)%
Administrative Technology Services	3.1	2.8	0.3	10.7%
Facilities Acquisition and Construction	100.1	101.0	(0.9)	(0.9)%
Interest on Long-Term Debt	133.4	137.1	(3.7)	(2.7)%
Community Services	29.3	30.2	(0.9)	(3.0)%
Unallocated Depreciation/Amortization	163.8	160.1	3.7	2.3%
Total Expenses	<u>3,539.4</u>	<u>3,492.9</u>	<u>46.5</u>	<u>1.3%</u>
Increase (Decrease) in Net Position	<u>76.2</u>	<u>91.2</u>	<u>(15.0)</u>	<u>(16.4)%</u>
Net Position, Beginning	<u>115.3</u>	<u>1,228.6</u>	<u>(1,113.3)</u>	<u>(90.6)%</u>
Prior Year Restatement	<u>-</u>	<u>(1,204.5)</u>	<u>(1,204.5)</u>	
Net Position, Ending	<u>\$ 191.5</u>	<u>\$ 115.3</u>	<u>\$ 76.2</u>	<u>66.1%</u>

The District's net position increased by \$76.2 million or 66.1% from the prior year primarily due to an increase in the collection of ad valorem taxes during the fiscal year.

Governmental Activities



The statement of activities reports gross expenses, offsetting program revenues and the resulting net expense (cost) by functions for the current year. The net cost of each of the District's functions represents the expenses that must be subsidized by general revenues, including tax dollars. As reflected in the statement of activities, total expenses for governmental activities excluding unallocated depreciation expense totaled \$3,375.6 million, of which \$265.4 million was financed by charges for services and other program revenues. The resulting

net costs of \$3,110.2 million, excluding unallocated depreciation expense, were financed primarily by Florida Education Finance Program (FEFP) dollars and property taxes.

The table below presents a comparative analysis of the cost and the net cost of each of the District's functions: School Level Services include Instruction, Student Services (counselors, psychologists, and visiting teachers), Transportation, Custodial and Maintenance (including utilities), School Administration and Community Services; Instructional Support Services include Curriculum Development and Staff Training; Business/Central Services include Accounting, Budget, Payroll, Accounts Payable, Cash and Debt Management, Purchasing, Personnel, Data Processing, Risk Management, and Warehousing; General Administration; and Facilities Acquisition and Construction.

Net Cost of Governmental Activities For Fiscal Years Ended June 30, 2016 and 2015 (\$ in millions)

	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
Total Cost of Services				
School Level Services	\$ 2,776.4	\$ 2,732.5	\$ 43.9	1.6%
Instructional Support Services	286.5	280.0	6.5	2.3%
Business/Central Services	199.3	206.7	(7.4)	(3.6)%
General Administration	13.3	12.6	0.7	5.6%
Facilities Acquisition and Construction	100.1	101.0	(0.9)	(0.9)%
Total Cost of Services*	\$ 3,375.6	\$ 3,332.8	\$ 42.8	1.3%
Net Cost of Services				
School Level Services	\$ 2,555.4	\$ 2,510.1	\$ 45.3	1.8%
Instructional Support Services	286.5	280.0	6.5	2.3%
Business/Central Services	188.7	193.2	(4.5)	(2.3)%
General Administration	13.3	12.6	0.7	5.6%
Facilities Acquisition and Construction	66.3	64.0	2.3	3.6%
Net Cost of Services*	\$ 3,110.2	\$ 3,059.9	\$ 50.3	1.6%

*Excluding unallocated depreciation expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet, and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the District's major funds: General Fund, General Obligation School Bonds Funds, and Capital Improvement – Local Optional Millage Levy (LOML) Funds. Financial information for the nonmajor governmental funds is aggregated and presented in a single column.

GENERAL FUND

The General Fund is the primary operating fund for the District. Presented below is an overall analysis of the General Fund as compared to the prior year.

CHANGES IN GENERAL FUND ACTIVITY For Fiscal Years 2015/16 AND 2014/15 (\$ in thousands)

Categories	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
Revenues	\$ 2,675,087	\$ 2,638,468	\$ 36,619	1.4%
Other Financing Sources	154,560	163,253	(8,693)	(5.3)%
Beginning Fund Balance	124,554	56,532	68,022	120.3%
Total	<u>\$ 2,954,201</u>	<u>\$ 2,858,253</u>	<u>\$ 95,948</u>	<u>3.4%</u>
Expenditures	\$ 2,763,724	\$ 2,723,009	\$ 40,715	1.5%
Other Financing Uses	15,177	10,690	4,487	42.0%
Ending Fund Balance	175,300	124,554	50,746	40.7%
Total	<u>\$ 2,954,201</u>	<u>\$ 2,858,253</u>	<u>\$ 95,948</u>	<u>3.4%</u>

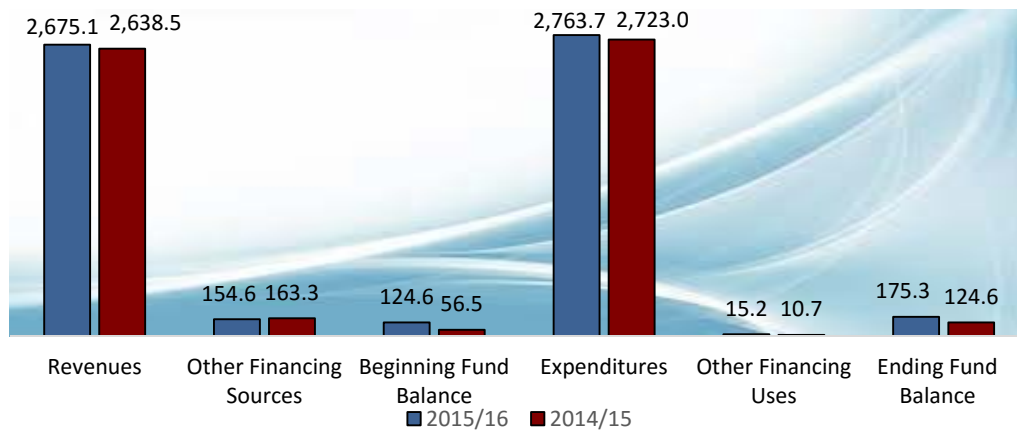
The General Fund is the chief operating fund of the District. Overall revenues increased by \$36.6 million or 1.4% from the previous year. The increase is primarily due to an increase in the collection of property taxes.

Expenditures increased by \$40.7 million or 1.5% from the previous year. The increase is primarily attributed to an increase in fringe benefits, mainly health insurance and other operation costs.

Ending Fund Balance increased by \$50.7 million or 40.7% primarily due to the increase in tax collections and sound financial management.

CHANGES IN GENERAL FUND ACTIVITY For Fiscal Years 2015/16 and 2014/15

(\$ in millions)



Revenues By Source

Revenues - Overall revenues increased by \$36.6 million or 1.4% as follows:



■ Federal
 ■ State
 ■ Local

REVENUES BY SOURCE For Fiscal Years 2015/16 and 2014/15

(\$ in thousands)

Source	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
Federal	\$ 17,802	\$ 20,799	\$ (2,997)	(14.4)%
State	1,144,212	1,174,172	(29,960)	(2.6)%
Local	1,513,073	1,443,497	69,576	4.8%
Total	\$ 2,675,087	\$ 2,638,468	\$ 36,619	1.4%

Federal sources decreased by \$(3.0) million or (14.4)% from the prior year. This decrease was primarily due to a decrease in Medicaid reimbursement.

State sources decreased by \$(30.0) million or (2.6)% from the prior year. This decrease was primarily due to a reduction in FEFP funding.

Local sources increased by \$69.6 million or 4.8% from the prior year. This increase is primarily due to an increase in the collection of taxes as well as a slight increase in investment income and other miscellaneous revenues.

Expenditures by Function

Expenditures - Overall expenditures increased by \$40.7 million or 1.5% as follows:

EXPENDITURES BY FUNCTION
For Fiscal Years 2015/16 and 2014/15

(\$ in thousands)

Functions	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
School Level Services	\$ 2,621,899	\$ 2,580,182	\$ 41,717	1.6%
Instructional Support Services	60,294	59,372	922	1.6%
Business Services/ Central Adm.	65,701	68,937	(3,236)	(4.7)%
School Board	7,729	7,273	456	6.3%
General Administration	5,653	5,419	234	4.3%
Facilities and Other Capital Outlay	2,448	1,826	622	34.1%
Total	\$ 2,763,724	\$ 2,723,009	\$ 40,715	1.5%



School Level Services	School Board
Instructional Support Services	General Administration
Business Svcs./ Central Adm.	Facilities & Other Capital Outlay

Salaries and fringe benefits represent the most significant expenditures of the District specifically as it relates to school level expenditures. During the 2015-16 fiscal year, the administration continued to implement cost reduction strategies to meet the financial challenges of revenue losses and increased costs.

GENERAL OBLIGATION BONDS

On November 6, 2012, Miami-Dade County voters authorized the issuance of \$1.2 billion of General Obligation Bonds (GOBs) for the modernization and construction of public school facilities, including educational technology upgrades. In the 2015-16 fiscal year, the District issued \$192.7 million of Series 2015 GOBs at a premium which will provide approximately \$200 million of project funding. This is the third issuance in the \$1.2 billion series approved by the voters on November 6, 2012. The GOBs program continues at an accelerated pace with close to 450 projects at various stages of completion. The 2015-16 fiscal year ended with a total fund balance of \$161.9 million.

CAPITAL IMPROVEMENT - LOCAL OPTIONAL MILLAGE LEVY (LOML)

Capital Improvement - Local Optional Millage Levy (LOML) funds constitute the primary source of revenue in the Capital Budget. The Florida Legislature decreased the maximum allowable millage to be used for capital purposes from 1.75 mills to 1.50 mills in the 2009-10 fiscal year with the flexibility of shifting 0.25 mills back from the operating budget. For the 2015-16 fiscal year, the District availed itself of 0.061 of the 0.25 mills flexibility provided by law. Total fund balance of \$64.3 million represents an increase of \$32.0 million or 99% from the previous year. The increase can be attributed primarily to an increase in the collection of taxes. Of the total fund balance, \$46.1 million is restricted for capital projects, and \$18.2 million is nonspendable.



BUDGETARY HIGHLIGHTS

Most District operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute State funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature. The purpose is to substantially equalize educational funding among the 67 school districts in Florida, irrespective of differences in wealth among the districts.

Each school district retains its local property taxes, which are reported as local revenues. However, the required local effort portion is deducted from the district revenue generated by the State FEFP formulas. The resulting net revenue is reported as State revenue.

Total General Fund revenues and other financing sources during the 2015-16 fiscal year were \$61.1 million less than the originally adopted budget as follows:

- Federal funds were \$0.9 million lower than anticipated due primarily to a decrease in the Medicaid reimbursements of \$1.3 million, with small increases/decreases in Impact Aid, R.O.T.C., and Other Federal through State.
- State funds were \$44.4 million less than the originally adopted budget primarily due to the elimination of McKay Scholarships of \$42.6 million, an increase in the FEFP funds received due to changes in enrollment of \$3.3 million, a statewide proration reducing FEFP by \$3.7 million, and miscellaneous small adjustments totaling a decrease of \$1.4 million.
- Local revenues were \$15.5 million lower than the originally adopted budget. The decrease in local revenues from the originally adopted budget is primarily due to reductions in net property taxes of \$31.2 million, increases in indirect costs of \$1.5 million, increases in Community School Programs of \$2.8 million, and increases in other accounts of \$11.4 million.
- Other Financing Sources decreased \$0.2 million due to the decrease in transfers from other funds of \$0.4 million and increase in other nonrevenue sources of \$0.2 million.

The most significant variance between the budget as originally adopted and the final amended budget is reflected in Instructional Services expenditures. This variance is mainly due to the fact that most of the

District's budget is originally placed in instructional services as teacher salaries and fringes. During the 2015-16 fiscal year, there was an unusually high amount of teacher positions which remained unfilled during the year. The rest of the variance in Instructional Services relates to the fact that once the school year commences, the true needs of each respective school are determined based on actual FTE and other established allocation processes. Therefore, funds originally budgeted under Instructional Services are spent under other functions which explains the negative variances seen in the rest of the other expenditure functions.

The variance between final amended budget and actual expenditures relates to amounts that were encumbered as of June 30, 2016.

Ending fund balance as of June 30, 2016, was \$175.3 million comprised of nonspendable fund balances totaling \$7.7 million, representing inventories and prepaid items, restricted fund balance totaling \$8.6 million in State categorical programs, assigned fund balance of \$38.6 million, which included rebudgets and outstanding purchase orders, and unassigned fund balance totaling \$120.4 million.

In the future, the District will continue to review the budget, focusing on maintaining essential educational services as it anticipates continuing revenue shortfalls and cost increases.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

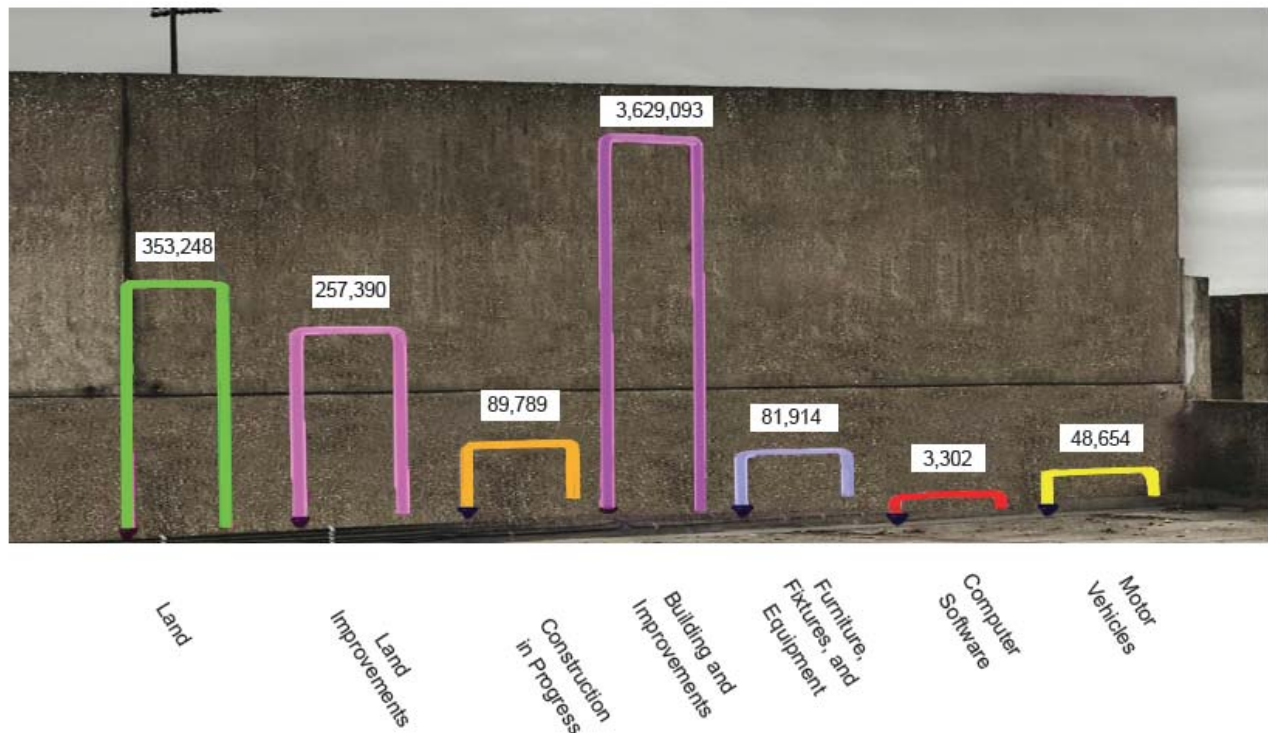
At June 30, 2016, the District had \$4.5 billion invested in different categories of capital assets, net of accumulated depreciation as shown in the table below.

CAPITAL ASSET ACTIVITY
At June 30, 2016 and 2015
(\$ in thousands)

Categories	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
Land	\$ 353,248	\$ 353,208	\$ 40	0.0%
Land Improvements	257,390	255,090	2,300	0.9%
Construction in Progress	89,789	111,498	(21,709)	(19.5)%
Building and Improvements	3,629,093	3,633,020	(3,927)	(0.1)%
Furniture, Fixtures, and Equipment	81,914	92,244	(10,330)	(11.2)%
Computer Software	3,302	7,227	(3,925)	(54.3)%
Motor Vehicles	48,654	51,539	(2,885)	(5.6)%
Total	\$ 4,463,390	\$ 4,503,826	\$ (40,436)	(0.9)%

Detailed information reflecting the District's capital asset balances and activity for the fiscal year ended June 30, 2016, is provided in Note 4 to the Financial Statements.

CAPITAL ASSET ACTIVITY
At June 30, 2016
(\$ in thousands)



Debt Administration

The following table represents the changes in the District's outstanding long-term liabilities at fiscal year-end.

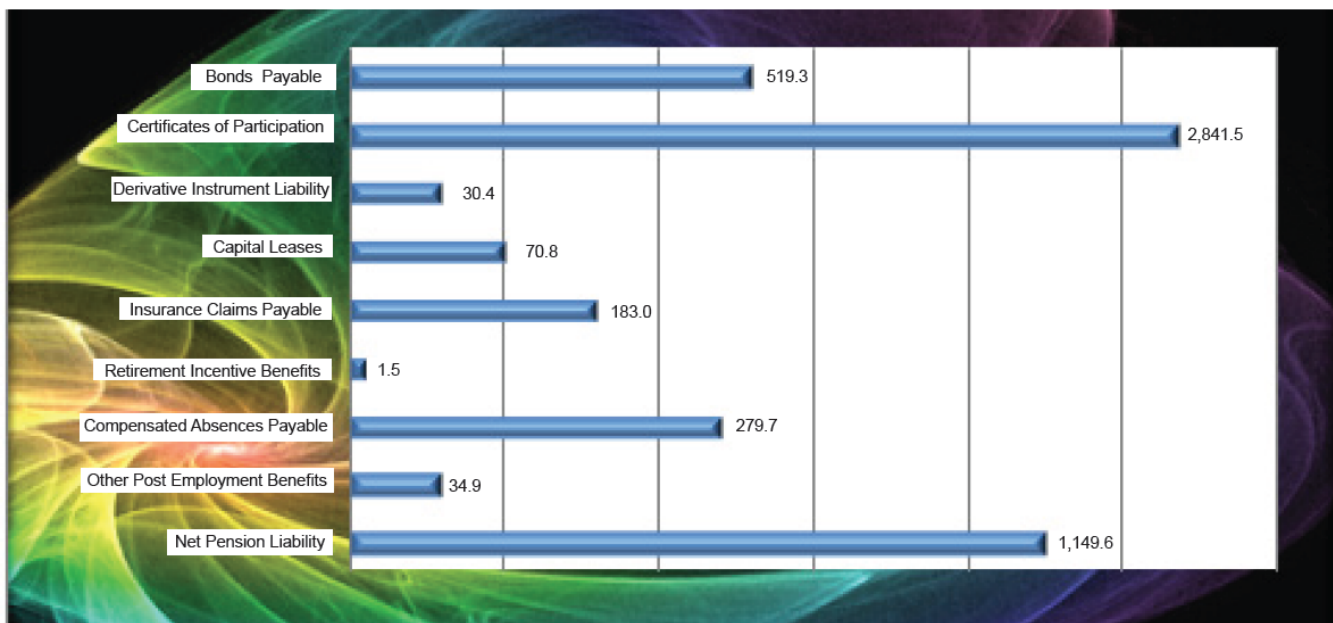
CHANGES IN LONG-TERM LIABILITIES
At June 30, 2016 and 2015
(\$ in thousands)

Categories	2015/16	2014/15	Difference Increase (Decrease)	% Increase (Decrease)
Bonds Payable	\$ 519,258	\$ 365,012	\$ 154,246	42.3%
Certificates of Participation				
Payable by the Foundation	2,841,475	2,819,537	21,938	0.8%
Derivative Instrument Liability	30,412	26,576	3,836	14.4%
Capital Leases	70,785	106,390	(35,605)	(33.5)%
Insurance Claims Payable	183,026	178,747	4,279	2.4%
Retirement Incentive Benefits	1,529	1,522	7	0.5%
Compensated Absences Payable	279,713	275,489	4,224	1.5%
Other Postemployment Benefits	34,884	26,441	8,443	31.9%
Net Pension Liability	1,149,596	839,207	310,389	37.0%
Interlocal Construction Contract Agreement	-	2,000	(2,000)	(100)%
Total	\$ 5,110,678	\$ 4,640,921	\$ 469,757	10.1%

Overall liabilities increased by \$469.8 million or 10.1% from the prior year. The most significant increase is a result of the GASB Statement No. 68 requirement to record pension liabilities and the additional issuances of GOBs to maintain the accelerated pace of the construction program.

Detailed information relating to changes in long-term liabilities for the fiscal year ended June 30, 2016, is provided in Note 14 to the Financial Statements.

LONG-TERM LIABILITIES
At June 30, 2016
(\$ in millions)



ECONOMIC FACTORS

The State of Florida, by constitution, does not have a State personal income tax and, therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Despite a slow economic recovery and continued funding challenges, the District, through prudent fiscal management, maintains a healthy financial position to provide the quality education deserved by every child.

CONTACTING MANAGEMENT

The District's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Additional information can be requested at:

The School Board of Miami-Dade County
School Board Administration Building
Office of the Controller
1450 N.E. 2nd Avenue
Room 664
Miami, Florida 33132
or visit our web site at:

<http://www.dadeschools.net>





BASIC FINANCIAL STATEMENTS

Miami-Dade County District School Board
Statement of Net Position
June 30, 2016
(amounts expressed in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 55,465	\$ 109,093
Investments	458,977	-
Cash and Investments with Fiscal Agents	398	-
Restricted Cash and Investments	25,542	-
Total Cash, Cash Equivalents, and Investments (Note 3)	540,382	109,093
Taxes Receivable, Net (Note 16)	9,223	-
Accounts and Interest Receivable	2,157	2,778
Due From Other Governments or Agencies (Note 6)	73,484	32,840
Inventories	8,989	-
Prepaid and Other Current Assets	19,307	14,188
Total Current Assets	653,542	158,899
Noncurrent Assets:		
Restricted Cash and Investments (Note 3)	227,539	-
Capital Assets: (Note 4)		
Nondepreciable Capital Assets	700,427	29,698
Depreciable Capital Assets	6,335,186	183,799
Less Accumulated Depreciation	(2,572,223)	(68,748)
Total Capital Assets, Net	4,463,390	144,749
Total Noncurrent Assets	4,690,929	144,749
Total Assets	5,344,471	303,648
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging		
Derivatives	30,412	-
Deferred Loss on Refunding of Debt, Net	120,666	-
Pensions (Note 17)	274,098	384
TOTAL DEFERRED OUTFLOWS OF RESOURCES	425,176	384

Miami-Dade County District School Board
Statement of Net Position (continued)
June 30, 2016
(amounts expressed in thousands)

	Primary Governmental Activities	Component Units
LIABILITIES		
Current Liabilities:		
Accounts and Contracts Payable and Accrued Expenses	\$ 53,024	\$ 17,194
Accrued Payroll Payable	152,976	4,193
Due to Other Governments or Agencies (Note 6)	4,215	7,990
Unearned Revenue	5,019	1,411
Accrued Interest Payable	34,484	-
Retainage Payable on Contracts	10,631	-
Current Portion of Long-Term Liabilities (Note 14)	237,684	3,324
Total Current Liabilities	498,033	34,112
Noncurrent Liabilities:		
Noncurrent Portion of Long-Term Liabilities (Note 14)	3,723,398	111,965
Net Pension Liability	1,149,596	-
Total Noncurrent Liabilities	4,872,994	111,965
TOTAL LIABILITIES	5,371,027	146,077
DEFERRED INFLOWS OF RESOURCES		
Pensions (Note 17)	207,114	346
NET POSITION		
Net Investment in Capital Assets	1,362,966	74,316
Restricted for:		
State Required Carryover Programs	8,644	-
Debt Service	9,870	-
Capital Projects	63,111	-
Food Service	28,503	-
Other Purposes	979	5,323
Unrestricted (Deficit)	(1,282,567)	77,970
TOTAL NET POSITION	\$ 191,506	\$ 157,609

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

Miami-Dade County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2016
(amounts expressed in thousands)

		Charges for Services	Program Revenues Operating Grants and Contributions
	Expenses		
Primary Government			
Governmental Activities:			
Instructional Services	\$ 1,986,742	\$ 32,929	\$ -
Instructional Support Services	286,463	-	-
Student Transportation Services	91,403	368	-
Operation and Maintenance of Plant	352,393	-	258
School Administration	157,387	-	-
General Administration	13,297	-	-
Business/Central Services	62,809	-	-
Administrative Technology Services	3,104	-	-
Food Services	159,245	16,297	152,329
Community Services	29,269	-	-
Facilities Acquisition and Construction	100,121	-	-
Interest on Long-Term Debt	133,392	-	-
Unallocated Depreciation/Amortization* (Note 4)	163,770	-	-
Total Governmental Activities	\$ 3,539,395	\$ 49,594	\$ 152,587
Component Units	\$ 412,838	\$ 9,049	\$ 30,971

General Revenues:

Taxes: (Note 16)

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Other

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Primary Government		Component Units
	Governmental Activities		
\$ -	\$ (1,953,813)	\$ -	
-	(286,463)	-	
-	(91,035)	-	
18,829	(333,306)	-	
-	(157,387)	-	
-	(13,297)	-	
-	(62,809)	-	
-	(3,104)	-	
-	9,381	-	
-	(29,269)	-	
33,775	(66,346)	-	
10,641	(122,751)	-	
-	(163,770)	-	
<u>\$ 63,245</u>	<u>(3,273,969)</u>	<u>-</u>	
<u>\$ 20,547</u>	<u>-</u>	<u>(352,271)</u>	

1,435,951	-
49,122	-
383,394	-
1,442,564	366,734
4,323	144
34,785	3,688
<u>3,350,139</u>	<u>370,566</u>
76,170	18,295
115,336	139,314
<u>\$ 191,506</u>	<u>\$ 157,609</u>

Miami-Dade County District School Board
Balance Sheet – Governmental Funds
June 30, 2016
(amounts expressed in thousands)

	General Fund	General Obligation School Bonds Funds
ASSETS		
Cash and Cash Equivalents	\$ 16,791	\$ 4,533
Equity in Pooled Cash and Investments	296,292	179,807
Cash and Investments with Fiscal Agents (Note 12)	-	-
Total Cash, Cash Equivalents, and Investments (Note 3)	<u>313,083</u>	<u>184,340</u>
Taxes Receivable, Net (Note 16)	6,885	-
Accounts and Interest Receivable	1,374	267
Due from Other Governments or Agencies (Note 6)	30,368	-
Due from Other Funds (Note 5)	8,850	-
Inventories	7,068	-
Prepaid and Other Assets	<u>1,063</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 368,691</u>	<u>\$ 184,607</u>
LIABILITIES		
Accounts and Contracts Payable and Accrued Expenditures	\$ 27,646	\$ 13,936
Accrued Payroll and Compensated Absences (Notes 8 and 14)	154,545	-
Due to Other Funds (Note 5)	-	-
Due to Other Governments or Agencies (Note 6)	2,066	-
Unearned Revenue	375	-
Estimated Liability for Insurance Risks (Notes 13 and 18)	2,426	-
Retainage Payable on Contracts	<u>9</u>	<u>8,739</u>
Total Liabilities	<u>187,067</u>	<u>22,675</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>6,324</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>6,324</u>	<u>-</u>
FUND BALANCES		
Nonspendable	7,713	-
Restricted	8,644	161,932
Assigned	38,566	-
Unassigned	<u>120,377</u>	<u>-</u>
Total Fund Balances	<u>175,300</u>	<u>161,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 368,691</u>	<u>\$ 184,607</u>

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

Capital Improvement LOML Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 9,121	\$ 19,023	\$ 49,468
39,114	102,603	617,816
-	398	398
<u>48,235</u>	<u>122,024</u>	<u>667,682</u>
2,073	265	9,223
69	146	1,856
-	41,891	72,259
-	-	8,850
-	1,921	8,989
<u>18,244</u>	<u>-</u>	<u>19,307</u>
<u>\$ 68,621</u>	<u>\$ 166,247</u>	<u>\$ 788,166</u>
\$ 1,041	\$ 10,064	\$ 52,687
-	3,367	157,912
-	8,850	8,850
-	2,149	4,215
-	4,540	4,915
-	-	2,426
<u>1,358</u>	<u>525</u>	<u>10,631</u>
<u>2,399</u>	<u>29,495</u>	<u>241,636</u>
<u>1,923</u>	<u>345</u>	<u>8,592</u>
<u>1,923</u>	<u>345</u>	<u>8,592</u>
18,244	1,921	27,878
46,055	133,789	350,420
-	697	39,263
-	-	120,377
<u>64,299</u>	<u>136,407</u>	<u>537,938</u>
<u>\$ 68,621</u>	<u>\$ 166,247</u>	<u>\$ 788,166</u>

Miami-Dade County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds **\$ 537,938**

Amounts reported for governmental activities in the statement of net position are different as a result of:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Capital assets	\$ 7,035,613	
Accumulated depreciation	<u>(2,572,223)</u>	4,463,390

Property taxes receivable not collected within 60 days of fiscal year-end are not available soon enough to pay for the current period's expenditures, and, therefore, are not recorded as revenue in the governmental funds. 8,493

Receivables due from other governments or agencies are not available soon enough to pay for the current period's expenditures and, therefore, are not recorded as revenue in the governmental funds. 1,324

An internal service fund is used by the District to charge the costs of health premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Assets	\$ 100,540	
Liabilities	<u>(31,487)</u>	
Net Position		69,053

Current liabilities which are accrued as a liability in the government-wide statements but are not recognized in the governmental funds until due:

Benefits payable	\$ (1,642)	
Interest payable	<u>(34,484)</u>	(36,126)

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 the following:

Bonds payable	\$ (519,258)	
Capital leases	(70,785)	
Compensated absences	(273,319)	
Retirement incentive benefits	(1,345)	
Other postemployment benefits obligation	(34,884)	
Certificates of participation	(2,841,475)	
Derivative instruments liability	(30,412)	
Net pension liability	(1,149,596)	
Claims Payable	<u>(149,554)</u>	(5,070,628)

Deferred outflows (inflows) of resources are reported in the statement of net position.

Accumulated decreases in fair value of hedging		
derivative instruments	\$ 30,412	
Net loss on debt refunding	120,666	
Net deferred outflows - pensions	<u>66,984</u>	218,062

Total Net Position - Governmental Activities **\$ 191,506**

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

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Miami-Dade County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2016
(amounts expressed in thousands)

	General Fund	General Obligation School Bonds Funds
Revenues		
Local Sources:		
Ad Valorem Taxes (Note 16)	\$ 1,441,335	\$ -
Food Service Sales	-	-
Interest Income	1,995	1,068
Net Increase (Decrease) in Fair Value of Investments	(4)	63
Local Grants and Other	69,747	-
Total Local Sources	1,513,073	1,131
State Sources: (Note 15)		
Florida Education Finance Program	630,034	-
Public Education Capital Outlay	-	-
Food Services	-	-
State Grants and Other	514,178	-
Total State Sources	1,144,212	-
Federal Sources:		
Federal Grants and Other	17,802	-
Food Services	-	-
Total Federal Sources	17,802	-
Total Revenues	2,675,087	1,131
Expenditures:		
Current:		
Instructional Services:		
Basic Programs	1,473,081	-
Exceptional Child Programs	325,032	-
Adult and Vocational-Technical Programs	77,073	-
Total Instructional Services	1,875,186	-
Instructional Support Services	185,800	-
Student Transportation Services	72,443	-
Operation and Maintenance of Plant	354,853	-
School Administration	160,374	-
General Administration	77,808	-
Food Services	-	-
Community Services	28,768	-
Capital Outlay	7,498	164,460
Debt Service (Notes 9, 10, 11, and 12):		
Principal Retirement	515	-
Interest and Fiscal Charges	479	1,421
Total Expenditures	2,763,724	165,881
Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,637)	(164,750)
Other Financing Sources (Uses)		
Transfers In (Note 5)	154,330	-
Transfers Out (Note 5)	(15,177)	-
Issuance of Debt (Notes 10 and 11)	-	192,720
Premium on Issuance of Debt	-	8,709
Issuance of Debt for Refunding (Notes 10 and 11)	-	-
Premium on Refunding of Debt	-	-
Payments to Refunded Bond Escrow Agent	-	-
Proceeds from Sale of Capital Assets	95	-
Proceeds from Loans and Leases	135	-
Total Other Financing Sources (Uses)	139,383	201,429
Net Change in Fund Balances	50,746	36,679
Fund Balances, Beginning	124,554	125,253
Fund Balances, Ending	\$ 175,300	\$ 161,932

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

Capital Improvement LOML Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 384,374	\$ 49,001	\$ 1,874,710
-	16,297	16,297
407	796	4,266
(1)	(1)	57
-	38,696	108,443
384,780	104,789	2,003,773
-	-	630,034
-	6,166	6,166
-	2,087	2,087
-	27,963	542,141
-	36,216	1,180,428
-	290,031	307,833
-	139,473	139,473
-	429,504	447,306
384,780	570,509	3,631,507
-	105,987	1,579,068
-	29,226	354,258
-	11,639	88,712
-	146,852	2,022,038
-	100,848	286,648
-	13,304	85,747
-	422	355,275
-	35	160,409
-	9,849	87,657
-	160,062	160,062
-	919	29,687
24,422	53,223	249,603
-	149,412	149,927
98	135,321	137,319
24,520	770,247	3,724,372
360,260	(199,738)	(92,865)
-	225,170	379,500
(328,291)	(36,032)	(379,500)
-	25,000	217,720
-	-	8,709
-	842,000	842,000
-	90,203	90,203
-	(929,258)	(929,258)
-	-	95
-	-	135
(328,291)	217,083	229,604
31,969	17,345	136,739
32,330	119,062	401,199
\$ 64,299	\$ 136,407	\$ 537,938

Miami-Dade 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
(amounts expressed in thousands)

Total Net Change in Fund Balances - Governmental Funds **\$ 136,739**

Amounts reported for governmental activities in the statement of activities are different as a result of:

Property taxes not collected within 60 days of fiscal year-end are not considered available and, therefore, are not recorded as revenues in the fund level statements. However, for the government-wide statement's property tax revenues are recorded when there is an enforceable lien. Additionally, the governmental funds reflect revenues that correspond to the prior year.

Prior year revenues recorded this year at the fund level	\$ (14,736)	
Revenues not recorded this year in the fund level statements		
are recorded as revenue in the government-wide statements	8,493	(6,243)

Revenues that do not provide current financial resources are not recorded in the governmental funds. However, for the government-wide statements, revenues are recorded when earned.		1,092
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An internal service fund is used by the District to charge the costs of health premiums to individual funds. The increase in net position of the internal service fund is reported with governmental activities.		17,387
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The changes in net position liability and related deferred inflows and outflows are not reported in the fund statements and the net effect is to increase net position.		55,702
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, recoveries, and donations) is to decrease net position.		(8,055)
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Capital outlay disbursements to purchase or build capital assets are reported as expenditures in the governmental funds. In the statement of net position, these costs are capitalized and depreciated over their estimated useful lives. In the statement of activities, the depreciation is reflected as an expense for the period.

Capital outlay expenditures for the fiscal year	\$ 160,642	
Depreciation expense for the fiscal year	(193,024)	(32,382)

Proceeds from issuance of debt instruments are recorded as other financing sources in the governmental funds; however, in the government-wide statements they are recorded as additions to long-term liabilities. Proceeds from debt instruments were as follows:

Proceeds from issuance of General Obligation School Bonds	\$ (192,720)	
Premium on issuance of General Obligation School Bonds	(8,709)	
Proceeds from refunding of Certificates of Participation	(842,000)	
Premium on refunding of Certificates of Participation	(90,203)	
Proceeds from Qualified Zone Academy Bonds	(25,000)	
Proceeds from Loans and Leases	(135)	(1,158,767)

The governmental funds only include those liabilities that will be paid with current financial resources. Expenses recorded in the statement of activities exceed the amount recorded in the governmental funds due to the different measurement focus used.

Increase in other postemployment benefits liability	\$ (8,443)	
Increase in compensated absences liability	(4,812)	
Increase in accrued salaries and benefits	(42)	
Decrease in claims payable	881	(12,416)

(continued)

Miami-Dade 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
(amounts expressed in thousands)

Repayment of debt principal is reflected as an expenditure in the governmental funds; however, in the statement of net position it is reflected as a reduction of liabilities and does not affect the statement of activities.

Repayment of debt principal for Certificates of Participation	\$ 66,590	
Repayment of debt principal for Construction Agreements	2,000	
Repayment of debt principal for General Obligation Bonds	35,975	
Repayment of debt principal for Capital Leases	35,740	
Repayment of debt principal for State Board of Education Bonds	<u>9,622</u>	\$ 149,927

Repayment to refund debt is reflected as an other financing use in the governmental funds, however, in the statement of net position it is reflected as a reduction of liabilities and does not affect the statement of activities.

929,258

Interest on long-term debt differs from the amount reported in the governmental funds. In the governmental funds, interest on long-term debt is recorded as an expenditure when due and payable. In the statement of activities, interest is recorded as it accrues. In addition, premiums are amortized over the life of the debt and are recorded as a decrease to interest expense on the statement of activities. Losses incurred as a result of advance refundings are also amortized over the life of the debt and are recorded as an increase to interest expense on the statement of activities.

Accrued interest payable	\$ (34,484)	
Amortization of premium on State Board of Education Capital Outlay Bonds (SBEs)	280	
Amortization of premium on Certificates of Participation (COPs)	14,564	
Amortization of premium General Obligation School Bonds (GOBs)	1,307	
Amortization of gain related to Advance Refunding of COPs	18	
Amortization of loss related to Advance Refunding of SBES	(118)	
Amortization of loss related to Advance Refunding of COPs	(9,569)	
Amortization of loss related to Advance Refunding of GOBs	(44)	
Prior year accrued interest paid during current fiscal year	<u>31,974</u>	<u>3,928</u>

Total Change in Net Position - Governmental Activities

\$ 76,170

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

Miami-Dade County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2016
(amounts expressed in thousands)

	Health Insurance Fund
ASSETS	
Cash and Cash Equivalents	\$ 20,194
Investments	80,045
Accounts and Interest Receivable	301
TOTAL ASSETS	100,540
LIABILITIES	
Accounts Payable	337
Unearned Revenue	104
Estimated Unpaid Health Claims	31,046
TOTAL LIABILITIES	31,487
NET POSITION	
Unrestricted	69,053
TOTAL NET POSITION	\$ 69,053

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

Miami-Dade County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2016
(amounts expressed in thousands)

	Health Insurance Fund
OPERATING REVENUES	
Charges for Services	\$ 358,383
Other Operating Revenues	5,789
Total Operating Revenues	364,172
OPERATING EXPENSES	
Salaries	300
Employee Benefits	134
Purchased Services	630
Claims	335,951
Administrative Fees and Other	9,974
Total Operating Expenses	346,989
Operating Income	17,183
NONOPERATING REVENUES	
Interest Revenue	204
Change in Net Position	17,387
Net Position - Beginning	51,666
Net Position - Ending	\$ 69,053

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

**Miami-Dade County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2016
(amounts expressed in thousands)**

	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Interfund Services Provided	\$ 358,408
Payments for Claims	(330,786)
Payments to Suppliers for Goods and Services	(11,542)
Payments to Employees	(434)
Other Receipts	5,560
Net Cash Provided by Operating Activities	<u>21,206</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts from Interest	159
Purchase of Investments	(45,332)
Net Cash Used by Investing Activities	<u>(45,173)</u>
Net Decrease in Cash and Cash Equivalents	(23,967)
Cash and Cash Equivalents, Beginning of Year	44,161
Cash and Cash Equivalents, End of Year	<u>\$ 20,194</u>

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

Operating Income	\$ 17,183
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Account Receivable	(220)
Decrease in Accounts Payable	(939)
Increase in Unearned Revenues	17
Increase in Estimated Unpaid Health Claims	5,165
Total Adjustments	<u>4,023</u>
Net Cash Provided by Operating Activities	<u>\$ 21,206</u>

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

Miami-Dade County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2016
(amounts expressed in thousands)

	Pension Trust Fund	Agency Fund Schools' Internal Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 6,151
Investments:		
Bonds	-	9,303
Commercial Paper	-	5,480
Fixed Income Mutual Funds	8,697	-
Equity Mutual Funds	14,496	-
Money Market Mutual Funds	966	2,917
Total Cash, Cash Equivalents, and Investments	24,159	23,851
Accounts Receivable	-	2,217
Interest Receivable	4	-
TOTAL ASSETS	\$ 24,163	\$ 26,068
LIABILITIES		
Accounts Payable	\$ -	\$ 38
Due to Other Governments or Agencies	-	3,840
Due to Student Organizations	-	22,190
TOTAL LIABILITIES	-	\$ 26,068
NET POSITION		
Restricted for Pensions	24,163	
TOTAL NET POSITION	\$ 24,163	

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

Miami-Dade County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Fund
For the Fiscal Year Ended June 30, 2016
(amounts expressed in thousands)

	<u>Pension Trust Fund</u>
ADDITIONS:	
Employer Contributions (Note 17)	\$ 1,890
Interest on Investments	589
Net Decrease in the Fair Value of Investments	(236)
Less Investment Expenses	<u>(7)</u>
Total Additions	<u>2,236</u>
DEDUCTIONS:	
Retirement Benefit Payments	4,098
Trustee Services	<u>125</u>
Total Deductions	<u>4,223</u>
Change in Net Position	(1,987)
Net Position Restricted for Pensions at Beginning of Year	<u>26,150</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 24,163</u>

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The School Board of Miami-Dade County, Florida (the “School Board,” “Board,” “School District”, or “District”) is composed of nine members elected from single-member districts within the legal boundary of Miami-Dade County, Florida (the “County”). The appointed Superintendent of Schools is the executive officer of the Board. The School Board is part of the State system of public education under the general direction of the State Board of Education and is financially dependent on State support. However, the Board is considered a primary government for financial reporting purposes because it is directly responsible for the operation and control of District schools within the framework of applicable State law and State Board of Education rules, and it is not considered to be an agency or component unit of the State of Florida.

The general operating authority of the School Board and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Pursuant to Section 1010.01, Florida Statutes, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education.

The accompanying financial statements include those of the District (the primary government) and those of its component units. Component units are legally separate organizations which should be included in the District’s financial statements because of the nature and significance of their relationship with the primary government.

The Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment to GASB Statements No. 14 and 34*. The Statement modifies the existing criteria for reporting component units. The Statement provides guidance on the inclusion of a legally separate entity to be included as a component unit under the misleading to exclude criterion and the financial accountability concept, which requires that in addition to meeting the fiscal dependency criterion, a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity.

The Florida Department of Education (FDOE) concluded, based on FDOE’s interpretation of GASB Statement No. 61, that school districts should report charter schools as discretely presented component units. This conclusion is based, in part, on FDOE’s interpretation that exclusion of the charter schools from financial reporting would cause school district financial statements to be misleading as, pursuant to the Article IX, Section 4 of the State Constitution, charter schools are public schools and each school district has constitutional responsibility for all public schools within the school district. As a result, we have included charter school audited financial information for State reporting purposes. In addition, the District included the Miami-Dade County School Board Foundation, Inc. and the Foundation for New Education Initiatives, Inc. as component units.

Blended Component Unit

The Miami-Dade County School Board Foundation, Inc., a Florida not-for-profit corporation, was created solely to facilitate financing for the acquisition and construction of District school facilities and related costs. The members of the School Board serve as the Board of the Foundation; therefore, the School Board is considered financially accountable for the Foundation. The financial activities of the Foundation have been blended (reported as if it were part of the District) with those of the District.

Discretely Presented Component Units

The component units' columns in the government-wide financial statements include the financial data of the District's component units that are required to be presented separately. These component units consist of multiple charter schools and the Foundation for New Education Initiatives, Inc. The charter schools and the Foundation for New Education Initiatives, Inc. are reported, in the aggregate, in separate columns in the governmental activities financial statements to emphasize that they are legally separate from the District.

Charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The District's charter schools operate under charters approved by the District and are recognized as public schools within the District. As such, charter schools are funded on the same basis as the District. Additionally, Section 1002.33, Florida Statutes, states that the School Board shall monitor revenues and expenditures of the charter schools. Charter schools are funded from public funds based on membership and can also be eligible for grants in accordance with State and Federal guidelines, including food service and capital outlay. Additionally, all students enrolled in charter schools are included in the District's total enrollment. Charter schools can accept private donations and incur debt in the operation of the school for which the charter school is responsible.

A total of 126 charter schools were approved to operate during the 2015-16 fiscal year. All of the charter schools are included as component units of the District or another legal entity. For financial reporting purposes, 118 of the charter schools are included in the financial statements of the District as discretely presented component units. The remaining 8 charter schools are not included as they are part of another legal entity. Based on the Florida Department of Education's interpretation of GASB Statement No. 14, as amended in GASB 61, it would be misleading to exclude them from the District's financial statements. None of the individual component units are considered to be major; therefore, they are reported in the aggregate in the District's financial statements. The audited financial statements of the individual component units can be obtained by contacting the following schools:

School	School Address	Telephone Number
AcadeMir Charter School Middle (6082)	10601 SW 48 Street Miami, FL 33165	305-537-6398
AcadeMir Charter School West (0410)	14880 SW 26 th Street Miami, FL 33185	305-485-9911
AcadeMir Preparatory Academy (2002)	5800 SW 135 th Ave Miami, FL 33183	305-485-9911

School	School Address	Telephone Number
Academy of International Education Charter School (5044)	1080 LaBaron Drive Miami Springs, FL 33166	305-883-3900
Advantage Academy of Math & Science at Summerville (3026) ^(a)	11575 SW 243 Street Homestead, FL 33032	305-253-2123
Advantage Academy of Math & Science at Waterstone (3027)	855 Waterstone Way Homestead, FL 33033	305-248-6206
Advantage Academy Santa Fe (3025)	9790 SW 107th Court Miami, FL 33176	786-228-5309
Alpha Charter of Excellence (ACE) (5410)	1217 SW 4th St. Miami, FL 33135	305-643-2132
Archimedean Academy (0510)	12425 SW 72nd Street Miami, FL 33183	305-279-6572
Archimedean Middle Conservatory (6006)	12425 SW 72nd Street Miami, FL 33183	305-279-6572
Archimedean Upper Conservatory (7265)	12425 SW 72nd Street Miami, FL 33183	305-279-6572
Beacon College Preparatory (4002)	13400 NW 28th Ave Miami, FL 33054	786-353-6109
Ben Gamla Charter School (5022)	11155 SW 112th Ave Miami, FL 33176	305-596-6266
Bridgepoint Academy Interamerican (5020)	621 Beacom Boulevard Miami, FL 33135	305-643-4833
BridgePrep Academy of Arts & Minds (7022) ^(b)	3138 Commodore Plaza Miami, FL 33133	305-448-1100
Bridgepoint Academy Greater Miami (2013)	137 NE 19 th Street Miami, FL 33132	786-477-4372
Bridgepoint Academy of Village Green (3034)	4707 SW 127 th Ave Miami, FL 33175	786-477-4380
Bridgepoint Academy (2003)	10700 SW 56 th Street Miami, FL 33165	305-271-3109
Charter High School of the Americas (7080)	970-998 W Flagler Street Miami, FL 33130	305-325-1001
Coral Reef Montessori Academy Charter School (0070)	10853 SW 216 th Street Cutler Bay, FL 33170	305-255-0064
Doctors Charter School of Miami Shores (6040)	11301 NW Fifth Ave Miami Shores, FL 33168	305-754-2381
Doral Academy (3030)	2450 NW 97 th Ave Doral, FL 33172	305-597-9999
Doral Academy Charter Middle School (6030)	2601 NW 112 th Ave Doral, FL 33172	305-591-0020

School	School Address	Telephone Number
Doral Academy High School (7020)	11100 NW 27 th Street Doral, FL 33172	305-597-9950
Doral Academy of Technology (3029)	2601 NW 112 th Ave Doral, FL 33172	305-591-0020
Doral Performing Arts & Entertainment Academy (7009)	11100 NW 27 th Street Doral, FL 33172	305-597-9950
Downtown Doral Charter Elementary School (3002)	8390 NW 53 rd Street Doral, FL 33166	305-569-2223
Downtown Miami Charter School (3600)	305 NW Third Ave Miami, FL 33128	305-579-2112
Everglades Preparatory Academy (5006)	2251 Mowry Drive Homestead, FL 33033	786-601-1969
Everglades Preparatory Academy High School (7060)	2251 Mowry Drive Homestead, FL 33033	786-601-1969
Excelsior Charter Academy (5032)	3490 NW 191 st Street Miami Gardens, FL 33056	786-565-9188
Excelsior Language Academy of Hialeah (5029)	369 E Tenth Street Hialeah, FL 33010	305-887-9004
Florida International Academy (6010)	13400 NW 28 th Ave Opa-Locka, FL 33054	305-685-8190
Green Springs High School Charter (7067) ^(c)	3555 NW 7 th Street Miami, FL 33125	305-720-2996
Highly Inquisitive & Versatile Education (HIVE) Preparatory School (1014)	5855 NW 171 st Street Miami, FL 33015	305-231-4888
iMater Academy (5384)	600 W 20 th Street Hialeah, FL 33010	305-884-6320
iMater Academy Middle School (6014)	651 W 20 th Street Hialeah, FL 33010	305-805-5722
iMater Preparatory Academy High School (7090)	651 W 20 th Street Hialeah, FL 33010	305-669-2906
International Studies Charter High School (7007)	2480 SW 8 th Street Miami, FL 33135	305-643-2955
International Studies Charter Middle School (6045)	2480 SW 8 th Street Miami, FL 33135	305-643-2955
International Studies Virtual Academy (6017)	2480 SW 8 th Street Miami, FL 33135	305-643-2955
Integrated Science & Asian Culture Academy (Isaac) (2004)	5876 SW 68 th Street South Miami, FL 33143	305-740-0509
Just Arts and Management (JAM) Charter Middle (6083)	2450 NW 97 Ave Doral, FL 33172	305-597-9999

School	School Address	Telephone Number
Keys Gate Charter High School (7050)	2325 SE 28 th Ave Homestead, FL 33035	786-272-9600
Keys Gate Charter School (3610)	2000 & 2355 SE 28 th Ave Homestead, FL 33035	305-230-1616
Latin Builder's Association Construction and Business Management Academy (7066)	13835 NW 97 Ave Hialeah Gardens, FL 33018	305-827-3022
Lincoln-Marti Charter Schools (Hialeah Campus) (5007)	3500 W 84 th Street Hialeah, FL 33018	305-827-8080
Lincoln-Marti Charter Schools (International Campus) (5043)	103 East Lucy Street Florida City, FL 33034	305-242-3330
Lincoln-Marti Charter Schools (Little Havana Campus) (5025)	970-984 West Flagler Street Miami, FL 33130	305-325-1001
Mater Academy (0100)	7700 NW 98 th Street Hialeah Gardens, FL 33016	305-698-9900
Mater Academy (Miami Beach) (5047)	8625 Byron Ave Miami Beach, FL 33141	305-864-2889
Mater Academy at Mount Sinai (5054)	4300 Alton Road Miami Beach, FL 33140	305-604-1453
Mater Academy Charter High School (7160)	7901 NW 103 rd Street Hialeah Gardens, FL 33016	305-828-1886
Mater Academy Charter Middle School (6012)	7901 NW 103 rd Street Hialeah Gardens, FL 33016	305-828-1886
Mater Academy East Charter High (7037)	998 SW First Street Miami, FL 33130	305-324-6963
Mater Academy East Charter School (3100)	450 SW Fourth Street Miami, FL 33130	305-324-4667
Mater Academy High School of Int'l Studies (7024)	795 NW 32 nd Street Miami, FL 33127	305-634-0445
Mater Academy Lakes High School (7018)	17300 NW 87 th Ave Hialeah, FL 33015	305-512-3917
Mater Academy Lakes Middle School (6033)	17300 NW 87 th Ave Hialeah, FL 33015	305-512-3917
Mater Academy Middle School of Int'l Studies (6047)	795 NW 32 nd Street Miami, FL 33127	305-634-0445
Mater Academy of International Studies (1017)	795 NW 32 nd Street Miami, FL 33127	305-634-0445
Mater Brickell Preparatory Academy (5046)	2805 SW 32 nd Ave Miami, FL 33133	305-442-4992
Mater East Academy Middle School (6009)	998 SW First Street Miami, FL 33130	305-324-6963
Mater Gardens Academy (0312)	9010 NW 178 th Lane Hialeah, FL 33018	305-512-9775

School	School Address	Telephone Number
Mater Gardens Academy Middle (6042)	9010 NW 178 th Lane Hialeah, FL 33018	305-512-9775
Mater Grove Academy (5045)	2805 SW 32 nd Ave Miami, FL 33133	305-442-4992
Mater International Academy (3000)	3405 NW 27 th Ave Miami, FL 33142	305-638-8016
Mater Performing Arts & Entertainment Academy (7014)	7901 NW 103 rd Street Hialeah Gardens, FL 33016	305-828-1886
Mater Virtual Academy Charter Middle High School (6997)	17300 NW 87 Street Hialeah, FL 33015	305-512-3917
Mavericks High of North Miami-Dade (7062)	16150 NE 17 th Ave North Miami Beach, FL 33162	786-629-7053
Mavericks High of South Miami-Dade County (7065)	698 N. Homestead Blvd. Homestead, FL 33030	305-909-6307
Miami Arts Charter School (7059)	3900 Biscayne Blvd. Miami, FL 33137	305-763-6257
Miami Children's Museum Charter School (4000)	980 McArthur Causeway Miami, FL 33132	305-329-3758
Miami Community Charter High School (7058)	18720 SW 352 Street Florida City, FL 33034	305-245-2552
Miami Community Charter Middle School (6048)	18720 SW 352 Street Florida City, FL 33034	305-245-2552
Miami Community Charter School (0102)	101 S. Redland Road Florida City, FL 33034	305-245-2552
North Gardens High School (7068)	4692F NW 183 rd Street Miami Gardens, FL 33055	786-528-6308
North Park High School (7069) ^(d)	3400 NW 135 th Street Opa-Locka, FL 33054	305-720-2995
Palm Glades Preparatory Academy (3032)	22655 SW 112 th Ave Miami, FL 33170	786-272-2269
Palm Glades Preparatory High School (7032)	22655 SW 112 Ave Miami, FL 33170	786-272-2269
Pinecrest Academy (North Campus) (5048)	10207 West Flagler Street Miami, FL 33174	305-553-9762
Pinecrest Academy (South Campus) (0342)	15130 SW 80 th Street Miami, FL 33193	305-386-0800
Pinecrest Academy Charter Middle School (6022)	14901 SW 42 nd Street Miami, FL 33185	305-559-8583
Pinecrest Cove Academy (5049)	4101 SW 107 th Ave Miami, FL 33165	305-480-2097
Pinecrest Preparatory Academy (0600)	14301 SW 42 nd Street Miami, FL 33175	305-207-1027

School	School Address	Telephone Number
Pinecrest Preparatory Academy Charter High School (7053)	14901 SW 42 nd Street Miami, FL 33185	305-559-8583
Ramz Academy K-5 (Miami Campus) (3035)	2609 NW 7 th Street Miami, FL 33125	786-445-5697
Renaissance Elementary Charter School (0400)	10651 NW 19 th Street Doral, FL 33122	305-591-2225
Renaissance Middle Charter School (6028)	8360 NW 33 rd Street Doral, FL 33122	305-728-4622
Richard Allen Leadership Academy (2006)	940 Caliph Street Opa-Locka, FL 33054	786-615-2977
Somerset Academy (0520)	18491 SW 134 th Ave Miami, FL 33177	305-969-6074
Somerset Academy (Silver Palms) (0332)	23255 SW 115 th Ave Homestead, FL 33032	305-257-3737
Somerset Academy at Silver Palms (4012)	23255 SW 115 th Ave Homestead, FL 33032	305-257-3737
Somerset Academy Bay (5062)	9500 SW 97 th Ave Miami, FL 33176	305-669-2906
Somerset Academy Bay Middle School (6128)	9500 SW 97 th Ave Miami, FL 33176	305-669-2906
Somerset Academy Charter Elementary School (South Homestead) (0339)	300 SE First Drive Homestead, FL 33030	305-254-6108
Somerset Academy Charter High School (7042)	23255 SW 115 th Ave Homestead, FL 33032	305-257-3737
Somerset Academy Charter High School (South Campus) (7038)	23255 SW 115 th Ave Homestead, FL 33032	305-257-3737
Somerset Academy Charter High School (South Homestead) (7034)	300 SE First Drive Homestead, FL 33030	305-245-6108
Somerset Academy Charter Middle School (6004)	18491 SW 134 th Ave Miami, FL 33177	305-969-6074
Somerset Academy Charter Middle School (Country Palms) (6043)	1700 Krome Ave Homestead, FL 33030	305-246-4949
Somerset Academy Charter Middle School (South Homestead) (6013)	300 SE First Drive Homestead, FL 33030	305-245-6108
Somerset Academy Elementary School (South Miami Campus) (2007)	5876 SW 68 th Street South Miami, FL 33143	305-740-0509
Somerset Academy Middle Charter School (South Miami Campus) (6053)	5876 SW 68 Street South Miami, FL 33143	305-740-0509
Somerset Arts Academy (2012)	1700 Krome Ave Homestead, FL 33030	305-246-4949
Somerset Grace Academy (5008) ^(e)	624 Anastasia Ave Coral Gables, FL 33134	305-442-8626
Somerset Oaks Academy (3033)	1700 Krome Ave Homestead, FL 33030	305-246-4949

School	School Address	Telephone Number
Somerset Preparatory Academy Sunset (5002)	11155 SW 112 th Ave Miami, FL 33176	305-242-5696
Somerset Virtual Academy Middle High (6016)	11100 NW 27 th Street Doral, FL 33172	305-591-0020
South Florida Autism Charter School (1070)	13835 NW 97 th Ave Hialeah, FL 33018	305-823-2700
Sports Leadership and Management (SLAM) Charter MS (6015)	604 NW 12 th Ave Miami, FL 33136	305-669-2906
Sports Leadership Academy of Miami CHS (7016)	604 NW 12 Ave Miami, FL 33136	305-324-6963
Stellar Leadership Academy (7015)	7900 NW 27 th Ave, F-20 Miami, FL 33147	305-693-2273
Summerville Advantage Academy (0072)	11575 SW 243 rd Street Homestead, FL 33032	305-253-2123
The Charter School at Waterstone (1010)	855 Waterstone Way Homestead, FL 33033	305-248-6206
The Seed School of Miami (6018)	15800 NW 42 nd Ave Miami Gardens, FL 33054	305-480-6316
Theodore R. & Thelma A. Gibson Charter School (2060)	1698 NW 4th Ave Miami, FL 33136	305-438-0895
True North Classical Academy (1000)	9393 SW 72 nd Street Miami, FL 33173	305-985-2360

- (a) Currently known as Doral International Academy of Math & Science.
- (b) Formerly known as Academy of Arts & Minds.
- (c) Also known as Florida High School for Accelerated Learning (Miami Campus).
- (d) Also known as South Cutler High School.
- (e) Formerly known as Somerset Grace Academy.

On January 16, 2008, the Board authorized the establishment of the Foundation for New Education Initiatives, Inc., a Florida not-for-profit(c)(3) Direct Support Organization (DSO). The DSO was formed to support academic achievement by receiving, holding, investing, and administering property and making expenditures for the benefit of public education programs in the District. The DSO is organized and operated exclusively in accordance with School Board Policy 9215, DSOs, and Section 1001.453, Florida Statutes. The Foundation for New Education Initiatives, Inc. is included in the financial statements of the District as a discretely presented component unit. The audited financial statements of the Foundation for New Education Initiatives, Inc. can be obtained at the District's administrative offices at 1450 N.E. Second Avenue, Suite 931, Miami, Florida 33132.

B. Basis of Presentation

The District's accounting policies conform with accounting principles generally accepted in the United States applicable to State and local governmental units. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Government-wide Financial Statements. The statement of net position and the statement of activities present information about the financial activities of the District as a whole, and its component units, excluding fiduciary activities. Eliminations have been made from the statements to remove the “doubling-up” effect of interfund activity.

The statement of activities reports expenses identified by specific functions, offset by program revenues, resulting in a measurement of “net (expense) revenue” for each of the District’s functions. Program revenues that are used to offset these expenses include charges for services, such as food service and tuition fees; operating grants, such as the National School Lunch Program, Federal grants, and other State allocations; and capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues and other State allocations.

Fund Financial Statements. The fund financial statements provide information about the District’s funds, including proprietary and fiduciary funds. Separate statements for governmental, proprietary, and fiduciary funds are presented. The emphasis of the fund financial statements is on the major funds which are presented in a separate column with all nonmajor funds aggregated in a single column.

The District reports the following major governmental funds:

General Fund is the District’s primary operating fund and accounts for all financial resources of the District, except those required to be accounted for in another fund.

General Obligation School Bonds (GOB) Funds account for and report on resources from the issuance of GOBs approved by the Miami-Dade County voters on November 6, 2012, for the modernization, construction, expansion, or otherwise improvement of school buildings, including technology upgrades.

Capital Improvement – Local Optional Millage Levy (LOML) Funds account for and report on funds levied by the School District, as authorized by Section 1011.71, Florida Statutes, mainly for capital outlay purposes.

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

Internal Service Fund accounts for and reports on the activities of the District’s group health self-insurance program.

Agency Fund – Schools’ Internal Fund accounts for resources of the schools’ Internal Fund which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

Pension Trust Fund accounts for resources used to finance the District’s Supplemental Early Retirement Plan.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting refers to when 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 measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, as amended by GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, which include, taxes, grants, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become measurable and available. “Measurable” means the amount of the transaction can be determined; “available” means collectible within the current period or soon thereafter to be used to pay liabilities of the current period.

Property taxes, when levied for, and intergovernmental revenues when eligibility requirements have been met, are the significant revenue sources considered susceptible to accrual. The School Board considers property taxes, when levied for, as available if they are collected within 60 days after fiscal year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due/paid, and (2) expenditures related to liabilities reported as general long-term obligations are recognized when due, such as compensated absences, other postemployment benefits, pensions, claims payables, bonds, loans, and leases.

The proprietary fund is accounted for in accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. During the 2009-10 fiscal year, the District established an internal service fund to account for the group health self-insurance program. The internal service fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. The principal operating revenues of the District’s internal service fund for self-insurance are charges to the District’s other funds for health insurance. The principal operating expenses include claims, administrative expenses, and fees. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The pension trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the funds are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents additions and deductions in fund equity (total net position).

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The Foundation for New Education Initiatives, Inc. uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

D. New Pronouncements – Adopted and Unadopted

The GASB issued Statement No. 72, Fair Value Measurement and Application, in February 2015. This Statement is effective for fiscal years beginning after June 15, 2015. The District adopted GASB Statement No. 72 in the current fiscal year financial statements. The adoption of GASB Statement No. 72 is reflected in Notes 3, 10, and 11.

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions, in June 2015. This Statement is effective for fiscal years beginning after June 15, 2017. The adoption of GASB 75 will have a material impact on the District's financial position or results of operations.

The GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, in June 2015. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The District adopted GASB Statement No. 76 in the current fiscal year financial statements. The adoption of GASB Statement No. 76 did not impact the District's financial position or results of operations.

The GASB issued Statement No. 77, Tax Abatement Disclosures, in August 2015. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

The GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pensions Plans, in December 2015. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

The GASB issued Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73, in March 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the

selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Except as otherwise indicated, the impact on the District's financial position or results of operations has not yet been determined for the unadopted standards.

E. Cash, Cash Equivalents, and Investments

The District maintains an accounting system in which substantially all general School Board cash, investments, and accrued interest are recorded and maintained in a separate group of accounts. Investment income is allocated based on the proportionate balances of each fund's equity in pooled cash and investments. The cash and investment pool is available for all funds, except the State Board of Education Bonds, certificates of participation, and other debt related funds requiring separate accounts.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/saving accounts.

Investments are categorized according to the fair value hierarchy established by GASB Statement No. 72. Investments include United States (U.S.) agency and Treasury obligations, commercial paper, and money market mutual funds. Guaranteed investment contracts are recorded at the amount specified by the contracts at each year-end. Pension Trust Fund investments are recorded at fair value based on quoted market prices and include money market funds and fixed income/equity mutual funds.

F. Inventories

Inventories consist of expendable supplies held for consumption in the course of the District's operations. Inventories are stated at cost, principally on a weighted average cost basis. Commodities from the U.S. Department of Agriculture are stated at their fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services. Commodities inventory is accounted for using the "purchases" method that expenses inventory when acquired, and inventories on hand at fiscal year-end are reported as an asset and nonspendable fund balance, net of amounts in accounts payable. Non-commodity inventory is accounted for under the consumption method and, as such, is recorded as an expenditure when used. Since inventories of commodities also involve purpose restrictions, they are presented as restricted in the government-wide statement of net position.

G. Due from Other Governments or Agencies

Amounts due to the District by other governments or agencies relate to grants or programs for which the services have been provided to students of the District.

H. Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year-end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

I. Net Position

Net position reports all financial and capital resources of the District, as well as assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net position is displayed in three components:

- Net Investment in Capital Assets - reports capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of capital assets.
- Restricted Net Position - reports amounts that are restricted to specific purposes either by: (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position (Deficit) - this amount represents the accumulated results of all past year's operations not included in the above two components. The deficit in net position is due to its non-capital long-term liabilities, such as insurance claims payable, compensated absences, pensions, and other postemployment benefits.

When both restricted and unrestricted resources are available for a specific purpose, it is the District's policy to use restricted assets first, until exhausted, before using unrestricted resources.

J. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings, building improvements, furniture, fixtures, and equipment, computer software, and motor vehicles are reported in the statement of net position in the government-wide statements. The District's capitalization thresholds are \$1,000 or greater for furniture, fixtures, and equipment and \$50,000 for building improvements, additions, and other capital outlays that significantly extend the useful life of an asset. Other costs incurred for repairs and maintenance are expensed as incurred. Assets are recorded at historical cost. Assets purchased under capital leases are recorded at cost, which approximates fair value at acquisition date and does not exceed the present value of future minimum lease payments. Donated assets are recorded at the acquisition value at the time of receipt.

Certain costs incurred in connection with the development of internal use software are capitalized and amortized in accordance with GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, and are reflected in the government-wide financial statements.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	7 - 18 years
Computer Software	5 years

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government-wide statements. Proceeds received from the sale or disposal of capital assets are recorded as other financing sources in the governmental funds.

K. Long-Term Obligations

The government-wide financial statements report long-term liabilities or obligations that are expected to be paid in the future. Long-term liabilities reported include bonds payable, certificates of participation payable, derivative instrument liabilities, capital leases payable, self-insurance estimated claims payable, retirement incentive benefits, compensated absences, other postemployment benefits, and net pension liability. Bond premiums are amortized over the life of the debt using the effective-interest method.

In the fund financial statements, debt premiums and discounts are recognized in the period the related debt is issued. Proceeds, premiums, and discounts are reported as other financing sources and uses. Principal payments and issuance costs are reported as debt service expenditures.

L. Risk Management

The District is self-insured for portions of its general and automobile liability insurance and workers' compensation. Claim activity (expenditures for general and automobile liability and workers' compensation) is recorded in the general fund as payments become due each period. The estimated liability for self-insured risks represents an estimate of the amount to be paid on claims reported and on claims incurred but not reported (See Note 13). For the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and, therefore, is not a fund liability (except for any amounts due and payable at year-end) and represents a reconciling item between the governmental fund level and government-wide presentations.

The District provides medical and health coverage benefits for its employees and eligible dependents. The District has a self-insured plan, with individual as well as aggregate stop loss coverage, to protect the District against catastrophic claims in a calendar year. The District accounts for self-insured health insurance activity in an internal service fund established for this purpose. In the proprietary fund financial statements, the liability for self-insured health risks is recorded under the accrual basis of accounting.

M. State and Federal Revenue Sources

Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP), administered by the Florida Department of Education (FDOE), under the provisions of Section 1011.62, Florida Statutes. The District files reports on full-time equivalent (FTE) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. Such revenues are recognized as revenues consistent with our policy in Note 1C. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its reviews, as well as to prevent Statewide allocations from exceeding the amount

authorized by the Legislature. Normally, such adjustments are treated as adjustments of revenue in the year the adjustment is made by the FDOE.

The District receives revenue from the State and Federal agencies to administer certain educational programs. Revenues earmarked for these programs are expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same educational programs. Revenue is recognized when all eligibility requirements have been met.

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

N. Property Taxes – Revenue Recognition

In the government-wide financial statements, property tax revenue is recognized in the fiscal year when levied for. The receivable is recorded net of an estimated uncollectible amount, which is based on past collection experience. In the fund financial statements, property tax revenue is recognized when they are measurable and available. Taxes collected by the Miami-Dade County Tax Collector and received by the District within 60 days subsequent to fiscal year-end are considered to be available and recognized as revenue.

O. Unearned Revenues

The unearned revenues relate to the lease of Educational Broadband Service (EBS) licenses that are amortized on a straight-line basis over the life of the lease agreement, and other lease payments received in advance that are being amortized over the applicable lease term.

P. 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/deferred outflows, liabilities/deferred inflows, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement section, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. The District currently reports the accumulated decrease in fair value of hedging derivatives, the net deferred loss on refunding of debt, and deferred outflows related to pensions in this category.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net position that applies to future periods

and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows related to pensions in the government-wide statements and unavailable revenue primarily related to taxes in the governmental funds.

R. Fund Balances

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes accounting and financial reporting standards for governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the uses of those resources.

GASB Statement No. 54 requires the fund balance to be properly reported within one of the fund balance categories listed below:

Nonspendable – Fund balance amounts that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to be maintained intact. Examples of this classification are prepaid items, inventories, and the principal of an endowment fund.

Spendable Fund Balance

- **Restricted** – Fund balance amounts on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.
- **Committed** – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action (Board Resolution) of the highest level of decision-making authority (the School Board). The amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same formal action (Board Resolution) it employed to commit the amounts.
- **Assigned** – Fund balance amounts intended to be used for specific purposes but are neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by actions of the School Board or Superintendent as stated in School Board Policy 6220.01 - Fund Balance Reserve.
- **Unassigned** – Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

S. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS), Health Insurance Subsidy (HIS) deferred benefit plans, and the Supplementary Early Retirement Plan (SERP) additions to/deductions from both Plans fiduciary net position have been determined on the same basis as they are reported by the Plans and are recorded in the

government-wide financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. BUDGETS COMPLIANCE AND ACCOUNTABILITY

A. Legal Compliance

The annual budget is submitted to the Florida Commissioner of Education by major functional levels such as instructional, instructional support, general administration, maintenance of plant, etc. Expenditures may not exceed appropriations without prior approval of the School Board in the General Fund and special revenue funds at the function level. Budgetary control is exercised at the fund level for all other funds.

Section 1013.61, Florida Statutes, requires that the capital outlay budget designate the proposed capital outlay expenditures by project for the year from all fund sources. Accordingly, annual budgets for the capital projects funds are adopted on a combined basis only.

Budgeted amounts may be amended by resolution of the Board at any Board meeting prior to the due date for the Annual Financial Report (State Report). General Fund budgetary disclosure reflects the final budget including all amendments approved at the School Board meeting of September 7, 2016, for the fiscal year ended June 30, 2016.

Appropriations lapse at fiscal year-end, except for unexpended appropriations of State educational grants, outstanding purchase orders, contracts, and certain available balances. These balances are reflected at year-end either as restricted or assigned fund balance and are re-appropriated in the new fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Comparison of Budget to Actual Results

The budgets for each of the governmental funds are accounted for on the modified accrual basis of accounting.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits and Investments

The District's surplus funds are invested directly by the District's Office of Treasury Management. The District's State Board of Education (SBE) bond proceeds are held and administered by the SBE with any related investments made by the State Board of Administration. As authorized under State Statutes, the School Board has adopted Board Policy 6144 - Investments as its formal investment policy for all surplus funds, including the Supplemental Early Retirement Funds that are part of Board Policy 6535 - Supplemental Early Retirement Plan. Board Policy 6144 - Investments policies permit

the following investments and are structured to place the highest priority on the safety of principal and liquidity of funds:

- Time Deposits – School Board and State approved designated depository
- U.S. Government direct obligations
- Revolving Repurchase Agreements or similar investment vehicles for the investment of funds awaiting clearance with financial institutions
- Commercial Paper rated A1/P1/F1 or better
- Bankers Acceptances with the 100 largest banks in the world
- State Board of Administration Local Government Investment Pool
- Obligations of the Federal Farm Credit Bank
- Obligations of the Federal Home Loan Bank
- Obligations of the Federal Home Loan Mortgage Corporation
- Obligations of the Federal National Mortgage Association
- Obligations guaranteed by the Government National Mortgage Association
- Securities of any investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C.
- Corporate or Taxable Government Bonds rated investment grade
- Equity/Fixed Income Securities including index and actively managed mutual funds
- Guaranteed Investment Contracts (GIC) as allowed by bond/lease purchase covenants

The School Board has implemented GASB Statement No. 72, *Fair Value Measurement and Application*, issued in February 2015 by categorizing its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on the valuation input used to measure the fair value of the asset with Level 1 assets being those where quoted prices in an active market for identical assets can be readily obtained and Level 2 assets valued using a matrix pricing technique of quoted prices for similar assets or liabilities in active markets.

As of June 30, 2016, the School Board investments were all categorized as follows (in thousands):

Investment Type	Amount	Level 1	Level 2	Weighted Average Maturity (Years)
Debt Securities				
Commercial Paper	\$ 204,508	\$ -	\$ 204,508	0.18
State Board of Education - Bond Proceeds*	398	-	398	
U.S. Government Agency	341,640	-	341,640	0.24
U.S. Treasury Strip	14,593	14,593	-	11.41
Total Debt Securities	561,139	14,593	546,546	0.45
Mutual Funds Securities				
Equity Securities	13,033	13,033	-	
Fixed Income Mutual Funds	9,741	9,741	-	
Real Estate Investment Trust (REIT)	1,293	-	1,293	
Total Mutual Funds Securities	24,067	22,774	1,293	
Total Investments	585,206	\$ 37,367	\$ 547,839	
Guaranteed Investment Contract (GIC)	8,819			3.09
Money Market Mutual Funds	146,093			0.09
Cash and Cash Equivalents	75,813			
Total Cash, Cash Equivalents, and Investments	\$ 815,931			

*Bond proceeds held and administered by the SBE, and weighted average maturity information is not available.

At June 30, 2016, \$237.6 million in cash and investments relate to unspent debt proceeds pertaining to various financings including general obligation bonds, certificates of participation, and master equipment lease which are restricted assets whose use is limited to projects primarily related to the acquisition and construction of school facilities and equipment as authorized by Board resolutions and debt covenants.

The total cash, cash equivalents, and investments of \$815.9 million at June 30, 2016, was comprised of \$667.7 million in Governmental Funds, \$100.2 million in the Proprietary Fund - Health Insurance Fund, \$24.2 million in Fiduciary Funds - Pension Trust Fund, and \$23.8 million in Fiduciary Funds - Agency Fund (Schools' Internal Fund).

The School Board currently has two GICs associated with its Qualified Zone Academy Bonds (QZABs). These contracts total approximately \$8.82 million, with internal rates of return ranging from 3.53% to 4.25% and maturity dates from December 2018 through December 2022.

Interest Rate Risk: In accordance with its investment policies under Board Policy 6144 Investments, the School Board manages its exposure to declines in fair values by substantially limiting the weighted average maturity on all investments to 1 year or less. U.S. Government agency securities include \$15.8 million in callable bonds that are assumed to be called on the next call date and, as such, the weighted average maturity reflects the call date as the maturity date for these securities. The calculated weighted average maturity for all callable U.S. Government agency securities is 89 days.

Credit Risk: In accordance with Board Policy 6144 - Investments, the School Board manages its exposure to credit risk by limiting investments to the highest rated government backed securities such

as Government agencies and Treasury notes. The policy also requires commercial paper to be rated A-1 or better and money market mutual funds to be rated AAAm.

<u>Investment Type</u>	<u>Rating*</u>	<u>Percentage of Investments</u>	<u>Amounts (in thousands)</u>
Commercial Paper	A-1	1.68%	\$ 12,447
Commercial Paper	A-1+	25.95%	192,061
Federal Farm Credit Bank Agency	AA+	20.29%	150,136
Federal Home Loan Bank Agency	AA+	17.78%	131,563
Federal Home Loan Mortgage Corporation Agency	AA+	7.42%	54,939
Federal National Mortgage Association	AA+	0.68%	5,002
Guaranteed Investment Contract	Not Rated	1.19%	8,819
Money Market Mutual Funds	AAAm	19.74%	146,093
State Board of Education - Bond Proceeds	Not Rated	0.05%	398
Institutional Mutual Funds	Not Rated	3.25%	24,067
U.S. Treasury Strip	AAA	1.97%	14,593

*Standards & Poor's ratings as of June 30, 2016.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with Board Policy 6144 - Investments, the District permits investments of up to 7.5% of the total portfolio in commercial paper with a single issuer and 60% in total, 30% in Federal Farm Credit Bank, 30% in Federal Home Loan Bank, 30% in Federal Home Loan Mortgage Corporation, 30% in Federal National Mortgage Association, 10% in time deposits with a single issuer, and unlimited U.S. Treasury notes as well as U.S. Government obligations and money market mutual funds. The above listed concentration percentages are based on the total investments excluding all cash equivalent investments such as time deposits, although the District's policy permits investments concentration maximum threshold percentages to be calculated including all cash equivalent investments. All the commercial paper held as of June 30, 2016, met the maximum 7.5% thresholds per issuer.

Custodial Credit Risk: Custodial credit risk is the risk of losses due to the failure of a counterparty that is in possession of investment or collateral securities. All securities in accordance with the District's investment policy under Board Policy 6144 - Investments, with the exception of time deposits and guaranteed investment contracts, are held by a third party custodian in an account separate and apart from the assets of the custodian and are designated as assets of the District.

Cash/Deposits

The District's cash deposits include money market savings accounts, demand deposits, and petty cash. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes. At June 30, 2016, the deposits' book balances were \$75,813 (in thousands).

4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2016, are as follows (in thousands):

	Balance July 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Nondepreciable				
Capital Assets:				
Land	\$ 353,208	\$ 40	\$ -	\$ 353,248
Land Improvements	255,090	2,300	-	257,390
Construction in Progress	111,498	147,174	168,883	89,789
Total Nondepreciable				
Capital Assets	<u>719,796</u>	<u>149,514</u>	<u>168,883</u>	<u>700,427</u>
Depreciable				
Capital Assets:				
Buildings and Improvements	5,652,007	157,108	9,332	5,799,783
Furniture, Fixtures, and Equipment	326,964	10,087	17,653	319,398
Computer Software	83,362	992	-	84,354
Motor Vehicles	127,083	4,800	232	131,651
Total Depreciable				
Capital Assets	<u>6,189,416</u>	<u>172,987</u>	<u>27,217</u>	<u>6,335,186</u>
Less Accumulated				
Depreciation/ Amortization for:				
Buildings and Improvements	2,018,987	161,024	9,321	2,170,690
Furniture, Fixtures, and Equipment	234,720	19,519	16,755	237,484
Computer Software	76,135	4,917	-	81,052
Motor Vehicles	75,544	7,564	111	82,997
Total Accumulated				
Depreciation/ Amortization	<u>2,405,386</u>	<u>193,024</u>	<u>26,187</u>	<u>2,572,223</u>
Net Capital Assets	<u>\$ 4,503,826</u>	<u>\$ 129,477</u>	<u>\$ 169,913</u>	<u>\$ 4,463,390</u>

For fiscal year ended June 30, 2016, depreciation/amortization by function is as follows (in thousands):

Function	Amount
Instructional Services	\$ 1,774
Instructional Support Services	1,368
Student Transportation Services	6,361
Operation and Maintenance of Plant	1,117
School Administration	133
General Administration	10
Business/Central Services	190
Administrative Technology Services	1
Food Services	1,247
Community Services	86
Facilities Acquisition and Construction	16,967
Unallocated	163,770
Total Depreciation/Amortization	<u>\$ 193,024</u>

Construction in progress as of June 30, 2016, is comprised of the following (in thousands):

<u>Location</u>	<u>Incurred to Date</u>
Elementary Schools	\$ 51,045
Middle Schools	8,642
Senior High Schools	27,556
Special Schools	2,539
Administration/Other	7
Total	\$ 89,789

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2016, the District had construction commitments of approximately \$144.3 million.

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consisted of the following balances as of June 30, 2016 (in thousands):

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Fund:	\$ 8,850	\$ -
General		
Nonmajor Funds	-	8,850
Total Governmental Funds	\$ 8,850	\$ 8,850

Interfund receivables and payables are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

A summary of transfers for the fiscal year ended June 30, 2016, is as follows (in thousands):

	<u>Transfers to</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers from:			
Major Funds:			
General	\$ -	\$ 15,177	\$ 15,177
Capital Improvement LOML	136,117	192,174	328,291
Nonmajor Funds	18,213	17,819	36,032
Total Governmental Funds	\$ 154,330	\$ 225,170	\$ 379,500

Transfers to the General Fund relate primarily to funding for the maintenance, renovation, and/or repair of school facilities, pursuant to Section 1011.71, Florida Statutes. Transfers to nonmajor funds relate primarily to amounts transferred to make debt service payments.

6. DUE FROM/TO OTHER GOVERNMENTS OR AGENCIES

Due from other governments or agencies at June 30, 2016, are as follows (in thousands):

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Total Government- wide
Federal:				
Medicaid Federal	\$ 10,357	\$ -	\$ 10,357	\$ 10,357
Food Service Reimbursement	-	22,675	22,675	22,675
Early Head Start/ Head Start	-	3,966	3,966	3,966
Miscellaneous Federal	347	981	1,328	1,328
State:				
IDEA	-	1,874	1,874	1,874
Title I	-	2,116	2,116	2,116
Title II	-	1,310	1,310	1,310
SAVES	-	1,131	1,131	1,131
Voluntary Prekindergarten Programs	2,885	-	2,885	4,110
Miscellaneous State	224	2,128	2,352	2,352
Local:				
Miscellaneous Local	5,437	157	5,594	5,594
Miami-Dade County	-	5,553	5,553	5,553
Clearwire Educational Broadband Service	8,678	-	8,678	8,678
Driver's Education Program	2,440	-	2,440	2,440
Total	\$ 30,368	\$ 41,891	\$ 72,259	\$ 73,484

Due to other governments or agencies at June 30, 2016, are as follows (in thousands):

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Total Government- wide
Federal:				
Miscellaneous Federal	\$ -	\$ 43	\$ 43	\$ 43
Local:				
Charter Schools	2,066	-	2,066	2,066
Miscellaneous Local	-	2,106	2,106	2,106
Total	\$ 2,066	\$ 2,149	\$ 4,215	\$ 4,215

7. SHORT-TERM DEBT

Short-term debt activity for the fiscal year ended June 30, 2016, is as follows (in thousands):

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Tax Anticipation Note (TAN), Series 2015, issued on July 28, 2015, effective yield of 0.17%, with a maturity date of February 25, 2016.	\$ -	\$ 305,000	\$ 305,000	\$ -

Proceeds from the TAN were used as a working capital reserve in the General Fund as permitted under State and Federal tax laws.

8. COMPENSATED ABSENCES

The District's employee vacation and sick leave policies provide for the granting of a specific number of days of vacation based on years of service governed by applicable labor contracts and one day of sick leave with pay per each month of employment. Active employees, excluding administrators, may request payment of 80% of their unused sick leave which has accumulated during the fiscal year, provided they have not used more than three sick/personal days during that time and have a remaining balance, after payment, of 21 days. These policies also provide for paying most employees unused vacation up to 60 days upon termination, and up to 100% of unused sick leave after 13 years of service; 50% after 10 years; 45% after 6 years; 40% after 3 years; and 35% during the first 3 years of qualified service upon retirement, death, or resignation. Vacation accrual is limited to 60 days for 12-month active employees.

The School Board approved the adoption of the Miami-Dade County Public Schools Terminal Leave Retirement Program (TLRP) at its May 14, 2003, Board meeting. The TLRP Program consists of a tax-favored retirement plan, which allows the Board to direct accrued annual (vacation) leave or terminal sick leave (accrued sick days) for employees who are separating from service as a result of retirement, or entering into or continuing Deferred Retirement Option Program (DROP), to a tax-sheltered annuity program, or other qualified plan, in lieu of a taxable cash payment to the employee, upon separation from service.

The program is mandatory as a result of Board action which became effective on May 15, 2003, for all personnel (except AFSCME employees) who will have their annual (vacation) leave and terminal sick leave automatically contributed to either the Board's Tax Sheltered Annuity 403(b) or 401(a) Programs. Contributions into this program will not be subject to either Federal Income Tax (estimated 27%) or Social Security Tax (FICA) of 7.65%. Any amount of accrued terminal leave in excess of the amounts authorized by the Internal Revenue Service will be paid out to the retiring employee and will be subject to applicable taxes.

The current portion (the amount expected to be liquidated with current available resources) of the accumulated vested vacation and anticipated sick leave payments is recorded in the General Fund and is included in accrued payroll and compensated absences. The liabilities recorded include provisions for the employer's portion of pension contributions, FICA, and other fringe benefits due on the vested

vacation and sick leave balances as applicable. At June 30, 2016, the accrued liability for compensated absences in the General Fund was \$6.6 million.

GASB Statement No. 16, Accounting for Compensated Absences, requires governmental agencies to record as a liability the vested and future rights to sick and/or vacation leave. Accordingly, the probability of partially vested employees becoming fully vested and actual past termination payment experience was considered in the determination of this liability.

The statement of net position reflects both the current and long-term portions of compensated absences including retirement incentive benefits. At June 30, 2016, the current and long-term portions were \$12,727 and \$268,515 respectively (in thousands).

9. CAPITAL LEASES

The District has entered into various capital lease agreements for the acquisition of certain property, vehicles, and equipment which are stated at acquisition cost and reported as capital assets. At June 30, 2016, the cost of leased equipment recorded as capital assets was \$183.1 million, with accumulated depreciation of \$135.9 million, for a net book value of \$47.2 million. Additionally, \$1.5 million of unspent proceeds relating to master equipment lease agreements is accounted for as restricted cash and investments at June 30, 2016.

The following is a summary of the future minimum lease payments, under capital leases together with the present value of the minimum lease payments as of June 30, 2016 (in thousands):

<u>Fiscal Year</u>	<u>Other Leases</u>	<u>Master Equipment</u>	<u>Lease Total</u>
2017	\$ 459	\$ 18,970	\$ 19,429
2018	255	15,873	16,128
2019	182	15,860	16,042
2020	134	12,326	12,460
2021	14	5,304	5,318
2022 - 2023	-	4,571	4,571
	<u>1,044</u>	<u>72,904</u>	<u>73,948</u>
Less Amount Representing Interest*	<u>77</u>	<u>3,086</u>	<u>3,163</u>
Present Value of Minimum Lease Payments	<u>\$ 967</u>	<u>\$ 69,818</u>	<u>\$ 70,785</u>

*The amount representing interest was calculated using imputed rates ranging from 0% to 16.01%.

10. LONG-TERM BONDS PAYABLE

State Board of Education Capital Outlay Bonds

Capital Outlay Bonds are issued by the State Board of Education (SBE) on behalf of the District and are generally referred to as "SBE Bonds." The bonds mature serially and are secured by a portion of the District's State revenues derived from the sale of automobile license plates. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the State Board of Administration. At June 30, 2016, amounts withheld

and in the custody of the State totaled \$398 thousand and are included as cash and investments with fiscal agent in the statement of net position.

General Obligation Bonds

On March 8, 1988, pursuant to Sections 1010.40 through 1010.54, Florida Statutes, voter residents of the County approved a referendum authorizing the School Board to issue General Obligation School Bonds in an aggregate amount not exceeding \$980 million, to be issued as required. The proceeds from the bonds were used to pay for the construction of new educational facilities and improving existing educational facilities. As of June 30, 2016, no bonds remain to be issued. Principal and interest on the bonds are paid from ad valorem school district taxes on all taxable real and personal property, excluding homestead exemption as required by Florida law, without limitation as to rate or amount.

On November 6, 2012, pursuant to Sections 1010.40 through 1010.54, Florida Statutes, voter residents of the County approved a referendum authorizing the School Board to issue additional General Obligation School Bonds in an aggregate amount not to exceed \$1.2 billion. The proceeds from the bonds are to be used to pay for modernizing, constructing, enlarging, or otherwise improving school buildings, including educational technology upgrades.

As of June 30, 2016, three separate bond series have been issued pursuant to this referendum. The General Obligation Bond Series 2013 and 2014A were sold on July 10, 2013. The General Obligation Bond Series 2013, for \$190 million, was issued on July 24, 2013, and the General Obligation Bond Series 2014A, for \$96.5 million, negotiated on a forward settle basis, was issued on February 11, 2014. The General Obligation Bond Series 2015, for \$192.7 million, was sold on July 21, 2015, and issued on August 12, 2015.

Principal and interest on these and any future bond issues will be paid from ad valorem school district taxes on all taxable real and personal property, excluding homestead exemption as required by Florida Law, without limitation as to rate or amount.

A summary of bonds payable as of June 30, 2016, is as follows (in thousands):

	Authorized	Issued	Outstanding
SBE Capital Outlay Bonds – Series 2008A, due in varying annual payments through January 1, 2028, with interest rates ranging from 3.25% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, 2018, at par plus 1% premium, and thereafter at par.	\$ 8,425	\$ 8,425	\$ 6,415
SBE Capital Outlay Bonds – Series 2009A Refunding, due in varying annual payments through January 1, 2019, with interest rates ranging from 2% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2019, at par plus 1% premium, and thereafter at par.	\$ 1,710	\$ 1,710	\$ 540
SBE Capital Outlay Bonds – Series 2009A New Portion, due in varying annual payments through January 1, 2029, with interest rates ranging from 2% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2019, at par plus 1% premium, and thereafter at par.	\$ 1,355	\$ 1,355	\$ 1,060
SBE Capital Outlay Bonds – Series 2010A Refunding, due in varying annual payments through January 1, 2022, with interest rates ranging from 4% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2020, at par. A portion of the proceeds was used to refund SBE Capital Outlay Bonds Series 2001A and 2002A to achieve debt service savings.	\$ 1,440	\$ 1,440	\$ 960
SBE Capital Outlay Bonds – Series 2010A New Portion, due in varying annual payments through January 1, 2030, with interest rates ranging from 3% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2020, at par.	\$ 640	\$ 640	\$ 505
SBE Capital Outlay Bonds – Series 2011A Refunding, due in varying annual payments through January 1, 2023, with interest rates ranging from 3% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2021, at par. A portion of the proceeds was used to refund SBE Capital Outlay Bonds Series 2003A to achieve debt service savings.	\$ 725	\$ 725	\$ 575
SBE Capital Outlay Bonds – Series 2014A Refunding, due in varying annual payments through July 1, 2024, with interest rates ranging from 2% to 5%. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2024, at par. A portion of the proceeds was used to refund SBE Capital Outlay Bonds Series 2004A to achieve debt service savings.	\$ 2,963	\$ 2,963	\$ 2,501
SBE Capital Outlay Bonds – Series 2014B Refunding, due in varying annual payments through January 1, 2020, with interest rates ranging from 2% to 5%. Interest is payable semi-annually on January and July 1. A portion of the proceeds was used to refund SBE Capital Outlay Bonds Series 2005A and 2005B to achieve debt service savings.	\$ 12,527	\$ 12,527	\$ 3,758

	Authorized	Issued	Outstanding
General Obligation Refunding School Bonds, Series 1997, consisting of serial bonds due in varying serial payments through February 15, 2017. Interest, at a rate of 5%, is payable February 15 and August 15. Bonds maturing on February 15, 2008, and thereafter were called on November 1, 2006, at the redemption price of 101%. The bonds were remarketed at the same maturity dates, rates, and issue date at a true interest cost of 3.83%. The sale resulted in the same cash flow as prior debt service.	\$ 86,785	\$ 86,785	\$ 10,910
General Obligation School Bonds, Series 2013, consisting of serial and term bonds, due in varying payments through March 15, 2043. Interest with rates ranging from 4% to 5% is payable March 15 and September 15. True interest cost is 4.54%. Bonds maturing on March 15, 2024, and thereafter are callable.	First in a series not to exceed \$1,200,000	\$ 190,005	\$ 183,730
General Obligation School Bonds, Series 2014A, consisting of serial and term bonds, due in varying payments through March 15, 2044. Interest, at a rate of 5%, is payable March 15 and September 15. True interest cost is 4.68%. Bonds maturing on March 15, 2025, and thereafter are callable.	Second in a series not to exceed \$1,200,000	\$ 96,475	\$ 94,925
General Obligation School Bonds, Series 2015, consisting of serial and term bonds, due in varying payments through March 15, 2045. Interest with rates ranging from 3.5% to 5% is payable March 15 and September 15. True interest cost is 3.8973%. Bonds maturing in March 2026 and thereafter, with the exception of the bond maturing on March 15, 2030, are callable.	Third in a series not to exceed \$1,200,000	\$ 192,720	\$ 190,395
Total Long-Term Bonds Payable			\$ 496,274

Several of the SBE long-term bonds are callable prior to maturity during the years 2019 through 2024. The General Obligation Bond and SBE debt service requirements to maturity, assuming none of the SBE bonds are called prior to their scheduled maturity date, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total Debt Service Requirements
2017	\$ 23,497	\$ 23,489	\$ 46,986
2018	9,997	22,316	32,313
2019	10,276	21,816	32,092
2020	10,617	21,305	31,922
2021	11,165	20,776	31,941
2022-2026	63,162	95,038	158,200
2027-2031	75,960	78,267	154,227
2032-2036	92,685	59,458	152,143
2037-2041	116,405	35,925	152,330
2042-2046	82,510	8,066	90,576
Total	\$ 496,274	\$ 386,456	\$ 882,730

11. OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS – CERTIFICATES OF PARTICIPATION, QUALIFIED ZONE ACADEMY BONDS, QUALIFIED SCHOOL CONSTRUCTION BONDS AND BUILD AMERICA BONDS

On August 1, 1994, the District entered into a Lease Purchase Agreement, with the Dade County School Board Foundation, Inc., (the “Foundation”) a Florida not-for-profit corporation and blended component unit of the District, to finance the acquisition and construction of new schools and appurtenant equipment and other property (the “Facilities”) to be operated by the District. The members of the School Board serve as the Board of Directors of the Foundation. The Foundation was formed by the School Board solely for the purpose of acting as the lessor of the Facilities, with the District as lessee. The School Board, as lessor, entered into Ground Leases with the Foundation for the Facilities’ sites and all improvements. In conjunction therewith, certificates of participation, (the “Certificates”) were issued to third parties, evidencing undivided proportionate interests in basic lease payments to be made by the District, as lessee, pursuant to the Lease Purchase Agreement. Fee title to the Facilities and the Facilities sites is in the name of the District. The District is responsible for operation, maintenance, use, occupancy, upkeep and insurance of the Facilities.

The Foundation leases the Facilities to the District under the Lease Purchase Agreement, which are automatically renewable annually through May 1, 2037, unless terminated, in accordance with the provisions of the Lease Purchase Agreements, as a result of default or the failure of the School Board to appropriate funds to make lease payments in its final official budget. The remedies on default or upon an event of non-appropriation include the surrender of the Facilities by the District and its re-letting for the remaining Ground Lease term, or the voluntary sale of the Facilities by the School Board, in either case with the proceeds to be applied against the School Board’s obligations under the Lease Purchase Agreements.

The Certificates are not separate legal obligations of the School Board, but represent undivided interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Florida Department of Education, including the local optional millage levy. However, neither the School Board, the District, the State of Florida, nor any political subdivision thereof, are obligated to pay, except from appropriated funds, any sums due under the Lease Purchase Agreement from any source of taxation. The full faith and credit of the School Board and the District is not pledged for payment of such sums due under the Lease Purchase Agreement and such sums do not constitute an indebtedness of the School Board or the District within the meaning of any constitutional or statutory provision or limitation. The District plans to make the Series 2006C, 2006D, 2012B-1, 2012B-2, and 2014B lease payments from the impact fees collected on new residential construction by Miami-Dade County and remitted to the School Board, and from the Local Optional Millage Levy.

Basic lease payments are deposited with the Trustee semi-annually. For accounting purposes, due to the consolidation of the Foundation within the financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. A trust fund was established with the Trustee to facilitate payments in accordance with the Lease Purchase Agreements and the Trust Agreements. Various accounts are maintained by the Trustee in accordance with the Trust Indenture.

All funds held in the various accounts are invested by the Trustee, as directed by the School Board. Interest earned on funds in the Acquisition Account is transferred to the Lease Payment Account.

Under the American Recovery and Reinvestment Act of 2009, Qualified School Construction Bonds (QSCBs) and Build America Bonds (BABs) were established to provide for taxable obligations to be issued by the School District with a Federal subsidy for interest. The Series 2009B and 2010A were issued under the Qualified School Construction Bond program, and Series 2010B was issued under the Build America Bond program. The Series 2009B provides Federal tax credits in lieu of interest payments to the Certificate holder, which is similar to the Series 2003, 2006, and 2015 Qualified Zone Academy Bonds (QZAB) program. The Series 2010A and 2010B, along with the Series 2010 QZAB, were issued as direct pay bonds whereby the interest subsidy is paid directly to the School District by the U.S. Treasury.

The Internal Revenue Services (IRS) announced on March 4, 2013, that payments to issuers of these bonds were subject to a reduction of 8.7% of the amount budgeted for such payments. This sequester reduction rate has been modified annually, and all refund payments processed on or after October 1, 2015 and on or before September 30, 2016, will be reduced by the fiscal year 2016 sequestration rate of 6.8%. Accordingly, unless Congress acts to again change the sequester percentage or otherwise changes the application of the cuts, the School Board anticipates its aggregate expected QSCB Issuer Subsidy, BAB Issuer Subsidy and QZAB Issuer Subsidy of \$7,258 (in thousands) to be reduced by 6.8% which equates to a reduction of approximately \$494 (in thousands), for fiscal year 2016, resulting in a corresponding increase in interest costs for the District that must be paid from other revenue sources.

A summary of Certificates, QZABs, QSCBs, and BABs payable as of June 30, 2016, is as follows (in thousands):

<u>Debt Series</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate(s)</u>	<u>Issued</u>	<u>Outstanding</u>
2003 Qualified Zone Academy Bonds – Interest is paid by U.S. Government through issuance of Federal income tax credits.	12/18/03	12/18/18	N/A	\$ 9,744	\$ 9,744
2006 Qualified Zone Academy Bonds – Interest is paid by U.S. Government through issuance of Federal income tax credits.	12/15/06	12/15/22	N/A	2,599	2,599
2010 Qualified Zone Academy Bonds – 5.10% tax credit paid by U.S. Government to the District.	11/10/10	11/01/29	True Interest Cost 0.15% 5.25% (without 5.10% U.S. Subsidy)	24,480	24,480
2015 Qualified Zone Academy Bonds – Interest is paid by U.S. Government through issuance of Federal income tax credits.	10/06/15	09/15/34	True Interest Cost 1.105% 0% to 1.37%	25,000	25,000
2001B Series – Auction Rate Certificates converted to variable rate mode based on LIBOR plus 0.75% under a private placement with predetermined reset terms.	06/19/01	05/01/31	Variable Interest 1.21% @ June 30, 2016	54,650	38,775
2002A Series – Auction Rate Certificates converted to variable rate mode based on SIFMA plus 0.75% under a private placement with predetermined reset terms.	12/13/02	08/01/27	Variable Interest 1.16% @ June 30, 2016	75,000	48,715

Debt Series	Issue Date	Final Maturity	Interest Rate(s)	Issued	Outstanding
2002B Series – Auction Rate Certificates converted to variable rate mode based on SIFMA plus 0.75% under a private placement with predetermined reset terms.	12/13/02	08/01/27	Variable Interest 1.16% @ June 30, 2016	\$ 75,000	\$ 48,955
2006A Series – Serial and Term Certificates.	03/15/06	11/01/31	True Interest Cost 4.49% 3.375% to 5.00%	201,080	6,440
2006B Series – Serial and Term Certificates.	04/11/06	11/01/31	True Interest Cost 4.54% 3.50% to 5.00%	208,150	6,800
2006C Series – Serial and Term Certificates.	05/10/06	10/01/21	True Interest Cost 4.41% 3.875% to 5.00%	53,665	26,030
2006D Series – Serial Certificates. Partially refunded 2001C Series.	12/21/06	10/01/21	True Interest Cost 4.098% 3.625% to 5.00%	10,570	9,110
2007A Series – Serial and Term Certificates.	05/10/07	05/01/32	True Interest Cost 4.52% 3.75% to 5.00%	316,515	11,010
2007B Series – Serial and Term Certificates.	05/24/07	05/01/32	True Interest Cost 4.47% 4.00% to 5.00%	101,265	3,890
2007C Series – Auction Rate Certificates converted to variable rate mode based on LIBOR plus 0.75% under a private placement with predetermined reset terms.	05/24/07	05/01/37	Variable Interest 1.21% @ June 30, 2016	90,825	90,825
2008A Series – Serial Certificates. Forward cash refunded 1998A and 1998C Series.	06/19/08	08/01/26	True Interest Cost 4.327% 5%	233,400	149,235
2008B Series – Serial and Term Certificates.	05/28/08	05/01/33	True Interest Cost 4.869% 3.5% to 5.25%	538,305	38,620
2008C Series – Variable Rate Demand Notes converted to a 5-year Floating Rate Note effective May 16, 2012, based on 70% of LIBOR plus 0.80%. If cannot be remarketed, interest shall accrue at Base Rate plus 1%, and from the 31 st day, interest shall accrue at Base Rate plus 5%.	08/01/08	07/15/27	Variable Interest 1.12% @ June 30, 2016	57,770	53,035
2009A Series – Serial and Term Certificates.	02/26/09	02/01/34	True Interest Cost 5.28% 3% to 5.375%	310,055	10,440
2009B Series – Qualified School Construction Bonds. Interest is paid by U.S. Government through issuance of Federal income tax credits (sold at a discount price of 73.673% resulting in a true interest cost of 1.859%).	12/15/09	12/15/26	N/A	104,000	104,000
2010A Series – Qualified School Construction Bonds. 5.54% tax credit paid by U.S. Government to the District.	06/24/10	06/15/27	True Interest Cost 0.852% 6.24% to 6.49% (without 5.54% U.S. Subsidy)	96,290	96,290
2010B Series – Build America Bonds. 35% tax credit paid by U.S. Government to the District.	06/24/10	06/15/32	True Interest Cost 4.523% 6.84% to 6.94% (without 35% U.S. Subsidy)	27,990	27,990
2011A Series – Include fixed rate certificates refunding Series 2003B. Term bonds fully refunded by the 2014A Series.	03/29/11	05/01/31	True Interest Cost 4.449% 2.5% to 5%	139,055	47,085
2011B Series – Include fixed rate and term rate certificates partially refunding Series 2007A, 2007B, and 2009A. Term bonds fully refunded by the 2016A Series.	03/29/11	05/01/32	True Interest Cost 5.154% 5% to 5.75%	137,660	67,660

<u>Debt Series</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate(s)</u>	<u>Issued</u>	<u>Outstanding</u>
2012A Series – Include fixed rate and term rate certificates partially refunding Series 2003D (\$148,850). Term Bonds fully refunded by the 2016B Series.	07/05/12	08/01/29	True Interest Cost 3.606% 2% to 5%	\$ 149,365	\$ 83,390
2012B-1 Series – Serial Certificates. Partially refunded 2004A (\$15,575).	07/05/12	10/01/20	True Interest Cost 2.814% 5%	13,765	13,765
2012B-2 Series – Serial Certificates. Partially refunded 2005A (\$16,725).	07/05/12	04/01/20	True Interest Cost 2.379% 4%	15,655	12,260
2013A Series – Serial Certificate. Partially refunded 2006A (\$15,335), 2006B (\$12,470), 2007A (\$9,525), 2007B (\$2,075), and 2008B (\$30,320).	05/01/13	05/01/32	True Interest Cost 4.199% 5%	68,230	68,230
2013B Series – Serial Certificates. Fully refunded 2003D (\$2,110) and partially refunded 2009A (\$6,395).	05/01/13	02/01/30	True Interest Cost 4.097% 5%	8,160	8,160
2014A Series – Term Rate Certificates fully refunding the 2011A Term Rate Certificates. The bonds have a mandatory 10-year soft put on 5/1/2024 at 100%. If cannot be remarketed, interest shall accrue at 11% per year.	03/11/14	05/01/31	True Interest Cost 4.056% 5%	70,980	70,980
2014B Series - Serial Certificates. Fully refunded on a forward refunding basis the 2004A.	07/03/14	10/01/18	True Interest Cost 1.410% 1.41%	38,130	28,880
2014C Series – Serial Certificates.	06/30/14	05/1/24	True Interest Cost 2.210%	4,085	3,385
2014D Series – Serial Certificates. Partially refunding 2006A (\$146,565) and 2006B (\$151,230).	11/20/14	11/01/31	True Interest Cost 3.053% 4% to 5%	276,995	276,995
2015A Series – Serial Certificates. Partially refunding 2007A (\$249,470) and 2007B (\$76,740).	01/21/15	05/01/32	True Interest Cost 3.166% 5%	306,820	306,820
2015B Series – Serial and Term Certificates partially refunding 2008B (\$230,370) with a gross savings of \$13,235 and a net present value savings of \$11,839.	07/30/15	05/01/28	True Interest Cost 3.162% 1% to 5%	239,630	234,950
2015C Series – Serial Certificates partially refunding 2008B (\$34,265) with a gross savings of \$2,322 and a net present value savings of \$1,971.	07/31/15	05/01/25	True Interest Cost 3.095% 5%	33,565	33,565
2015D Series – Serial Certificates partially refunding 2008B (\$110,715) and 2009A (\$241,560) with a gross savings of \$27,029 and a net present value savings of \$19,705.	12/16/15	02/01/34	True Interest Cost 3.456% 3.5% to 5%	345,890	345,890
2016A Series – Serial Certificates fully refunding 2011B Term Rate Certificates (\$70,000) with a gross savings of \$7,200, and a net present value savings of \$5,012.	02/03/16	05/01/32	True Interest Cost 4.265% 5%	66,425	66,425

<u>Debt Series</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate(s)</u>	<u>Issued</u>	<u>Outstanding</u>
2016B Series – Serial Certificates fully refunding 2012A Term Rate Certificates (\$58,780) with a gross savings of \$632, and a net present value savings of \$625.	02/03/16	08/01/27	True Interest Cost 3.351% 5%	\$ 55,995	\$ 55,995
2016C Series – Serial Certificates partially refunding 2008B (\$90,695) and 2009A (\$8,575) with a gross savings of \$9,943, and a net present value savings of \$7,256.	04/07/16	02/01/33	True Interest Cost 3.329% 3.25% to 5%	100,495	100,495
				<u>\$ 4,687,253</u>	<u>\$ 2,656,913</u>

At June 30, 2016, the following in substance defeased Certificates remain outstanding:

<u>Defeased Certificates</u>	<u>Amount Outstanding (\$ in thousands)</u>
2006A	\$ 146,565
2006B	151,230
2007A	249,470
2007B	76,740
2008B	466,045
2009A	250,135

Debt service requirements for obligations under lease purchase agreements to maturity, assuming the obligations will be remarketed based on the specified soft put dates disclosed below, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest****</u>	<u>Total Debt Service Requirements*</u>
2017***	\$ 117,274	\$ 102,261	\$ 219,535
2018	126,458	98,609	225,067
2019	138,702	94,357	233,059
2020	135,172	89,674	224,846
2021	141,852	84,643	226,495
2022 - 2026**	749,173	353,102	1,102,275
2027 - 2031	919,667	187,152	1,106,819
2032 - 2036	308,715	17,449	326,164
2037 - 2038	19,900	203	20,103
Total	\$ 2,656,913	\$ 1,027,450	\$ 3,684,363

* The schedule above reflects required annual payments to the sinking funds for the retirement of the debt, and are not considered reduction of principal until the year of maturity. The total outstanding balance for the QZABs as of year-end is \$61,823 (in thousands).

** Series 2014A has a 10 year soft put on May 1, 2024, of \$71 million. If the District is unable to remarket the debt, the interest rate on the COP will increase to 11%.

*** Requirements for 2017 include a 5-year floating rate note for COP Series 2008C, effective May 16, 2012, based on 70% of LIBOR plus 0.80%. The District intends to remarket in full; however, if it cannot be remarketed, interest shall accrue at base rate plus 1%, and from the 31st day, interest shall accrue at base rate plus 5%.

**** Interest rates on several obligations are variable. The rates for such obligations range from 1.16 - 1.21%.

Hedging Derivative Instruments

Objectives: The District entered into pay-fixed interest rate forward swaps (referred to herein collectively as “Swaps”) in order to lower its cost of capital and protect against rising interest rates. The Swaps are classified as cash flow hedges on the District’s floating rate debt and were executed to manage its mix of fixed and floating rate exposure in its on-going borrowing program.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, which addresses the accounting and financial reporting issues related to fair value measurements, including non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015, and the District adopted GASB Statement No. 72 for the fiscal year ended June 30, 2016.

The following Swaps had changes in fair value totaling \$(3,836) (in thousands) classified as an increase of deferred outflow of resources. All expected Swap cash flows have been calculated using the zero-coupon method by an independent party. This method calculates the future net settlement payments required by the Swaps, assuming that the current forward rates implied by the yield curve are the market’s best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the Swaps using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and the time value of money. The observability of inputs used to perform the measurement results in the Swap fair values being categorized as level 2.

The fair values calculated in the chart below were computed as required by GASB Statement No. 72.

Counterparty	Notional Amount Outstanding	Effective Date	Termination Date	Associated Certificates	Fixed Payable Swap Rate	Variable Receivable Swap Rate	Counterparty Credit Rating at June 30, 2016*	Fair Value at June 30, 2016
Royal Bank of Canada	\$48,715,000	04-01-2007	08-01-2027	COP 2002A	3.821%	70% 1Mo LIBOR	Aa3/AA-/AA	\$ (8,712,991)
Royal Bank of Canada	\$48,955,000	04-01-2007	08-01-2027	COP 2002B	3.821%	70% 1Mo LIBOR	Aa3/AA-/AA	(8,666,542)
Royal Bank of Canada	\$53,035,000	03-08-2012	07-15-2027	COP 2008C	3.909%	70% 1Mo LIBOR	Aa3/AA-/AA	(13,032,832)
							Total	\$ (30,412,365)

*Moody's/S&P/FITCH

Using rates as of June 30, 2016, debt service requirements for variable rate debt and net Swap payments, assuming current interest rates remain the same, are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total Interest</u>	<u>Total Debt Service Requirement</u>
2017	\$ 8,330	\$ 1,648	\$ 5,122	\$ 6,770	\$ 15,100
2018	7,990	1,567	4,805	6,372	14,362
2019	8,610	1,465	4,370	5,835	14,445
2020	8,855	1,362	4,186	5,548	14,403
2021	9,290	1,248	3,861	5,109	14,399
2022-2026	61,675	4,316	13,567	17,883	79,558
2027-2028	45,955	490	1,629	2,119	48,074
Total	\$ 150,705	\$ 12,096	\$ 37,540	\$ 49,636	\$ 200,341

Risk Disclosures:

Credit Risk. The Swaps rely upon the performance of the third parties who serve as Swap counterparties, and as a result the District is exposed to credit risk, or the risk that a Swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the Swaps, as shown in the columns labeled Fair Value in the table above. To mitigate credit risk, the District maintains strict credit standards for Swap counterparties.

The current Swap counterparty has ratings in double-A category or better. To further mitigate counterparty credit risk, the District's Swap documents require counterparties to post collateral for the District's benefit if they are downgraded below Aa3 by Moody's and below AA- by Standard & Poor's, if the swap values exceed specified thresholds. Collateral is to be in the form of U.S. Treasuries or agency securities held by a third party custodian. Currently, the Swaps have not been in an asset position requiring the posting of collateral and are currently not exposed to credit risk. There is no master netting arrangement on the outstanding Swaps.

Interest Rate Risk. The Swaps are intended to protect the District against changes in floating interest rates. If floating rates rise, the District's payment on the variable rate bonds should increase but should be offset by the variable rate payments it receives under the Swaps.

Basis Risk. The District's Swaps expose the District to basis risk should the relationship between the floating rates the District will receive on the swaps (70% of LIBOR) fall short of the variable rate on the associated bonds, and the expected savings may not be realized. As of June 30, 2016, the variable rate was 0.41% on both the 2002A and 2002B Certificates, while the LIBOR rate was 0.46% on the 2002A Certificates and 0.45% on the 2002B Certificates. The District received 0.33% (70%) on the 2002A Certificates, and 0.32% (70%) on the 2002B Certificates. As of June 30, 2016, the 2008C Certificates variable rate was 0.31%, while the LIBOR rate was 0.44%, and the District received 0.31% (70%).

Termination Risk. The District's Swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the District or the counterparty may terminate each Swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time an early termination of the Swap was declared and the Swap had a

negative value, the District would be liable to the counterparty for a payment equal to the fair value of such Swap. The District views such events to be remote in the case of the current counterparty which is rated Aa3/AA-. On March 8, 2012, the District replaced the Merrill Lynch Capital Markets (MLCS) Swap associated with the 2008C Certificates due to an Additional Termination Event, which occurred when MLCS guarantor, Merrill Lynch & Co. was downgraded by Moody's to below A3. The District's Swap agreements provide the optional right of the District to replace the Swap with a new creditworthy counterparty when an Additional Termination Event occurs.

12. DEBT SERVICE

The amount available for debt service consists of resources from the debt service funds legally required to be used for debt service until the related debt is extinguished (in thousands).

Categories	Fund Balance
Restricted for Payment of State Board of Education and Capital Outlay Bonds	\$ 398
Restricted for Payment of District Bond Funds	19,731
Restricted for Certificates of Participation	14,521
ARRA Economic Stimulus Debt Service	9,459
Total Available in Debt Service Funds	\$ 44,109

All certificates of participation lease payments and all other amounts required to be paid by the School Board under the various series under the Master Lease and all other leases are made from legally available funds appropriated for such purpose by the School Board. The substantive portion for these payments is provided by the Local Optional Millage Levy on ad valorem property. Separate lease payment accounts are established for each series of Certificates issued under the Trust Agreement. Lease payments are due under the Master Lease on an all-or-none basis and are payable on a parity basis solely from legally available funds appropriated by the School Board for such purpose. Such payments are normally transferred to the Trustee 15 days before lease payments are due.

13. ESTIMATED LIABILITY ON INSURANCE RISKS AND PENDING CLAIMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters. The District is self-insured for portions of its general and automobile liability insurance, workers' compensation, and health insurance. Losses involving automobile and general liability claims are limited (generally) by provisions of Section 768.28, Florida Statutes. Claims brought against the District are handled by a contracted third-party administrator. The District purchases commercial insurance for other risks including property and other miscellaneous risks as follows:

Type	Risk Retention/ Deductible	Coverage After Retention/Deductible
Workers' Compensation	\$1,500,000	Statutory/\$3,000,000
General, Fleet Liability, and Errors and Omissions	\$200,000/\$300,000	\$500,000 per occurrence, \$3,250,000 annual aggregate
Property	\$100,000,000 per occurrence for hurricanes; \$1,000,000 per incident for all other perils	\$300,000,000 per occurrence/annual aggregate for all perils including windstorms, earthquakes, and floods
	\$100,000 for each act of terrorism	\$50,000,000 annual aggregate
	Zero deductible Storm Parametric Index Wind Speed Property Insurance	\$10,000,000 limit per occurrence, \$20,000,000 aggregate

Accordingly, liabilities for certain retained risks are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District's estimated liability for self-insured losses relating to the casualty program consisting of general liability, automobile liability, professional liability/errors and omissions, and workers' compensation claims was determined by an independent actuarial valuation performed as of June 30, 2016. Liabilities, as determined by the actuary, include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The portion of the liability that is due and payable at June 30, 2016, is recorded in the General Fund, and the remaining portion is recorded in the government-wide financial statements. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield of 2.5%.

The School Board authorized the purchase of individual stop loss coverage for its self-insured health program effective January 1, 2016, from Cigna, with an attachment point of \$1,000,000 per claimant.

The School Board approved a set of premium equivalent rates, based upon actuarial projections of claims including IBNR claims for the calendar year, provided by the School Board's employee benefits consulting firms of AON Hewitt and Cigna. The calendar year 2016 monthly rates for the three offered Open Access Programs (OAP) are \$692 (OAP 10), \$656 (OAP 20) and \$655 (Local Plus). The Board's contribution for employee only coverage is limited to the \$655 (Local Plus); therefore, employees who choose the OAP 10 or OAP 20 are subject to a monthly cost share based upon their salary band. Effective January 1, 2010, the cost of dependent healthcare coverage became banded by salary tiers which was renewed for January 1, 2016.

The School Board continues to offer an opt out provision for employees who can provide proof of insurance coverage. Employees who opt out receive a monthly adjustment to gross compensation of \$100/month.

The District's estimated liability for health insurance claim payments was determined by an independent actuarial valuation performed as of June 30, 2016.

There were no losses which exceeded coverage in fiscal years ended June 30, 2014, 2015, and 2016.

A total estimated liability amount of \$183 million was actuarially determined to cover reported and unreported claims payable at June 30, 2016. It is estimated that of the current portion, \$65.9 million is due within 1 year. The remaining \$117.1 million will be due in future years.

	Estimated Liability For Pending Claims (in thousands)		
	Current Portion	Long-Term Portion	Total
Workers' Compensation	\$ 28,909	\$ 103,400	\$ 132,309
General and Occupational Liability	4,759	11,425	16,184
Fleet Liability	1,209	2,278	3,487
Group Health	31,046	-	31,046
Total	\$ 65,923	\$ 117,103	\$ 183,026

Changes in the balance of claims liabilities for the years ended June 30, 2015, and 2016, are as follows (in thousands):

	Balance July 1, 2014	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, 2015
Workers' Compensation	\$ 127,199	\$ 41,782	\$ (34,312)	\$ 134,669
General and Occupational Liability	14,741	2,552	(2,413)	14,880
Fleet Liability	4,413	1,050	(2,146)	3,317
Group Health	32,807	302,973	(309,899)	25,881
Total	\$ 179,160	\$ 348,357	\$ (348,770)	\$ 178,747

	Balance July 1, 2015	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, 2016
Workers' Compensation	\$ 134,669	\$ 27,983	\$ (30,343)	\$ 132,309
General and Occupational Liability	14,880	3,613	(2,309)	16,184
Fleet Liability	3,317	1,134	(964)	3,487
Group Health	25,881	335,951	(330,786)	31,046
Total	\$ 178,747	\$ 368,681	\$ (364,402)	\$ 183,026

14. CHANGES IN LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2016, are as follows (in thousands):

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 365,012	\$ 201,429 *	\$ (47,183)	\$ 519,258 **	\$ 23,497
Certificates of Participation Payable, net	2,819,537	957,203 ***	(935,265)	2,841,475 ****	117,273
Derivative Instrument Liabilities	26,576	3,836	-	30,412	-
Capital Leases Payable	106,390	135	(35,740)	70,785	18,264
Self-Insurance Estimated Claims Payable	178,747	368,681	(364,402)	183,026	65,923
Retirement Incentive Benefits	1,522	7	-	1,529	184
Compensated Absences	275,489	28,628	(24,404)	279,713	12,543
Other Postemployment Benefits	26,441	8,443	-	34,884	-
Net Pension Liability	839,207	725,548	(415,159)	1,149,596	-
Interlocal Construction Contract Agreement	2,000	-	(2,000)	-	-
Total	\$ 4,640,921	\$ 2,293,910	\$ (1,824,153)	\$ 5,110,678	\$ 237,684

* Includes premium on refunding of debt of \$8,709.

** Includes unamortized premium in the amount of \$22,984.

*** Includes premium on refunding of debt of \$90,203.

**** Amount is \$184,562 more than the principal balance of \$2,656,913 in Note 11, the difference represents the net unamortized premium on outstanding debt issues.

Payments for insurance claims (other than health insurance claims that are paid from the internal service fund), retirement incentive benefits, compensated absences, and other postemployment benefits are paid from the General Fund. Capital leases are primarily paid from the capital projects funds.

15. STATE REVENUE SOURCES

A major source of the District's revenue is received from the State of Florida, which provided 33% of total revenues in the 2015-16 fiscal year. The following is a schedule of State revenue sources and amounts (in thousands):

Sources	Amount
Florida Education Finance Program	\$ 630,034
Categorical Educational Programs	427,007
Workforce Development	79,272
Charter School Capital Outlay Funding	12,663
Capital Outlay and Debt Service (CO&DS) Withheld for SBE/COBI Bonds	10,640
Public Education Capital Outlay (PECO)	6,166
CO&DS Distributed	4,066
Food Service Supplement	2,087
Full Service Schools	751
Workforce Education Performance Incentive	236
CO&DS Withheld for Administrative Expense	225
State License Tax	205
Interest on Undistributed CO&DS	45
SBE/COBI Bond Interest	2
Miscellaneous	7,029
Total	\$ 1,180,428

16. PROPERTY TAXES

The Board is authorized by State law to levy property taxes for District school operations, capital improvements, and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. Property taxes are assessed by the Miami-Dade County Property Appraiser and are collected by the Miami-Dade County Tax Collector.

Property values are assessed as of January 1 of each year. Taxes are levied after the millage rate is certified in September of each year. 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% for early payment.

Taxes become delinquent on April 1 of the year following the year levied for. State law provides for enforcement of collection of real property taxes. First, interest-bearing tax certificates are sold at public auction to recover delinquent taxes. Finally, if the tax certificates are not paid with accrued interest by the property owner, the purchaser of the tax certificate is entitled to take possession of the property. Accordingly, substantially all of the taxes assessed for calendar year 2015 have been recognized for the fiscal year ended June 30, 2016.

The State Constitution limits the levying of non-voted taxes by the School Board to 10 mills (\$10 per thousand of assessed valuation). State law prescribes on an annual basis the upper limit of non-voted property tax millage that may be levied. For the 2015-16 fiscal year, 7.413 mills were levied. The total

adjusted assessed value for the calendar year 2015, of which the 2015-16 fiscal year levy was based, was approximately \$262.1 billion.

State law prescribes that the District budgets 96% of the current year's tax levy. However, actual property taxes collected and reflected in the table below totaled 94% of taxes levied, including collections from prior years' tax levies but excluding tax redemptions. The Miami-Dade County Tax Collector is not required by law to make an accounting to the District of the difference between taxes levied and taxes collected.

The following is a summary of millages and taxes levied on the 2015 tax roll for the 2015-16 fiscal year (dollar amounts in thousands):

	<u>Millages</u>	<u>Taxes</u>		
		<u>Levied</u>	<u>Collected</u>	<u>Uncollected (Net)</u>
<u>GENERAL FUND</u>				
Nonvoted School Tax:				
Required Local Effort	5.165	\$ 1,353,888	\$ 1,272,128	\$ 81,760
Discretionary Local Effort	0.687	180,082	169,207	10,875
	<u>5.852</u>	<u>\$ 1,533,970</u>	<u>\$ 1,441,335</u>	<u>\$ 92,635</u>
<u>CAPITAL PROJECT FUNDS</u>				
Nonvoted Tax:				
Local Capital Improvements	1.561	\$ 409,181	\$ 384,374	\$ 24,807
<u>DEBT SERVICE FUNDS</u>				
Voted Tax:				
Debt Service - General Obligation Bonds	0.199	\$ 52,163	\$ 49,001	\$ 3,162

Taxes reported in the governmental funds, as reflected above, include an accrual only for taxes collected within 60 days after the fiscal year-end. In the government-wide financial statements, the District bases the estimates of taxes receivable and uncollectible taxes on historical experience. For the 2015-16 fiscal year, the District considered \$40.3 million or 2.1% of levied taxes as uncollectible.

17. RETIREMENT BENEFITS

The School Board provides retirement benefits to its employees through the Florida Retirement System (FRS and HIS), the Supplemental Early Retirement Plan (SERP), and a Deferred Retirement Option Program (DROP), as well as State-approved other postemployment benefits (OPEB) in the form of subsidized health insurance premiums.

Florida Retirement System

The School Board participates in the Florida Retirement System (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 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 Health Insurance Subsidy (HIS) Program, a cost-sharing

multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's pension expense for FRS and HIS totaled \$72.8 million for the fiscal year ended June 30, 2016.

At June 30, 2016, the District reported a payable of \$24 million for the outstanding amount of employer and employee contributions to the FRS and HIS Plans required 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 DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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 (except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 (except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service). Members of 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 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>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
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
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
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
<i>Elected County Officers Class</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular Class</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% 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% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. 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
FRS, Special Risk Regular	3.00	22.04
FRS, Special Risk Administrative	3.00	32.95
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 \$100.5 million 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 \$568.4 million 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 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 4.40%, which was a decrease of 0.23% from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$34.2 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 60,008	\$ 13,481
Change of assumptions	37,728	-
Net difference between projected and actual earnings on FRS pension plan investments	-	135,730
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	33,248
District FRS contributions subsequent to the measurement date	100,527	-
Total	\$ 198,263	\$ 182,459

The deferred outflows of resources related to pensions, totaling \$100.5 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the

net pension liability in the fiscal year ended June 30, 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 (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Deferred Outflows/ (Inflows), Net</u>
2017	\$ (51,358.3)
2018	(51,358.3)
2019	(51,358.3)
2020	60,622.9
2021	7,061.7
Thereafter	1,667.5
Total	<u>\$ (84,722.8)</u>

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 with adjustments for mortality improvements based on Scale AA.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	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%
Total	100%			
Assumed Inflation - Mean		2.6%		1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. 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%, 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%) or 1 percentage point higher (8.65%) than the current rate (in thousands):

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability (asset)	\$ 1,472,909	\$ 568,422	\$ (184,260)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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% of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100% 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 \$28.2 million 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, 2015, the District reported a net pension liability of \$568.7 million for its proportionate share of the HIS 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 5.58%, which was a decrease of 0.25% 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 \$38.6 million related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 44,740	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	308	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	22,928
District contributions subsequent to the measurement date	28,170	-
Total	<u>\$ 73,218</u>	<u>\$ 22,928</u>

The deferred outflows of resources related to pensions, totaling \$28.2 million, resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year 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 (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Deferred Outflows/ (Inflows), Net</u>
2017	\$ 3,992.70
2018	3,992.70
2019	3,992.70
2020	3,930.20
2021	3,900.10
Thereafter	2,312.20
Total	<u>\$ 22,120.60</u>

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%. 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%, 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%) or 1 percentage point higher (4.8%) than the current rate (in thousands):

	<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	\$ 647,985	\$ 568,680	\$ 502,552

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.

FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan) a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the State Board of Administration (SBA), and 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. Services 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% 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
FRS, Special Risk Regular	14.00

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 \$12.5 million for the fiscal year ended June 30, 2016.

Supplemental Early Retirement Plan

Plan Description. In addition to participating in the FRS Plan, the School Board established an early retirement plan on July 1, 1984. The plan is a single employer, non-contributory defined benefit plan administered by an independent trustee, and investments are managed by the District through a third party asset manager.

Benefits Provided. The Plan was established in order to supplement an early retiree's benefits by the amount of reduction imposed by the FRS. The Plan provides supplemental income for those employees who retired between the ages of 55 and 61 and who had completed at least 25 years, but not more than 28 years of creditable service. Payments under the Plan are equal to the difference in monthly retirement income for the participant under the FRS between the retirement benefit based on average final compensation, as defined above, and creditable service as of the member's early retirement date and the early retirement benefit under the FRS. Benefits are subject to an annual 3% cost of living adjustment. These benefit provisions and all other requirements are established by Section 1012.685, Florida Statutes.

At June 30, 2016, the total number of retirees and beneficiaries of deceased retirees currently receiving benefits is 521, averaging \$652 per month. The School Board closed the Supplemental Early Retirement Plan (the "Plan") to new employees on July 1, 2000, with no additional employees vesting after July 1, 2003.

The Plan is included as a Pension Trust Fund in the accompanying financial statements. Separate stand-alone statements are not issued for the Plan.

Contributions. The School Board provides for actuarially determined periodic contributions sufficient to pay the benefits provided by this Plan when they become due. Plan members do not contribute to the Plan. Total contributions to the Plan for the 2015-16 fiscal year of \$2,276 (in thousands) were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2015.

Net Pension Liability. The District's net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The following table represents the components of the net pension liability of the District at June 30, 2016 (in thousands):

	<u>June 30, 2016</u>
Total Pension Liability	\$ 38,644
Plan Fiduciary Net Position *	<u>26,150</u>
Net Pension Liability	<u>\$ 12,494</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.67%
Measurement Date	July 1, 2015

* Plan fiduciary net position of \$26.2 million was based on an actuarial estimate at the date of the valuation July 1, 2015. The actual Plan net position at June 30, 2016, is \$24.2 million.

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment Rate of Return	6.75%

The long-term expected rates of return on pension plan investments are developed for each major asset class by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash/Money Market	4%	3.26%
Domestic Equity	39%	8.98%
International Equity	21%	9.15%
Domestic Fixed Income	36%	5.63%
Total	<u>100%</u>	

The mortality assumption was changed from the RP2000 Generational Table with Scale AA to the mortality table used by FRS – (Healthy Female – RP 2000 Generational, 100% Annuitant White Collar, Scale BB and Healthy Males – RP 2000 Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB).

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. The discount rate reflects the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent that the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return. The projection of cash flows used to determine the discount rate assumes the District will continue to make future contributions at the actuarially determined contribution rate.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
	(amounts expressed in thousands)		
Balances at June 30, 2015	\$ 38,593	\$ 27,195	\$ 11,398
Changes for the year:			
Interest	2,467	-	2,467
Differences between expected and actual experience	(969)	-	(969)
Change of Assumption	2,651	-	2,651
Contributions - employer	-	2,276	(2,276)
Net investment income	-	864	(864)
Benefit payments, including refunds of employee contributions	(4,098)	(4,098)	-
Administrative expense	-	(87)	87
Net Changes	51	(1,045)	1,096
Balances at June 30, 2016	\$ 38,644	\$ 26,150	\$ 12,494

Sensitivity. The following table illustrates the impact of interest rate sensitivity on the net pension liability for fiscal year ended June 30, 2016 (in thousands):

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 15,348	\$ 12,494	\$ 10,214

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the District recognized pension expense of \$2,071 (in thousands). In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows. The following table illustrates the deferred inflows and outflows under GASB Statement No. 68 as of June 30, 2016 (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Pension Plan investments	\$ 726	\$ 1,727
District contributions subsequent to the measurement date	1,891	-
Total	\$ 2,617	\$ 1,727

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 Ended June 30</u>	<u>Amount (in thousands)</u>
2017	\$ (394.4)
2018	(394.4)
2019	(394.4)
2020	181.4
Total	<u>\$ (1,001.8)</u>

Other Postemployment Benefits

As authorized by the Board, employees who retire in the first year of their eligibility under the FRS Plan can receive up to \$1,200 per year as reimbursement for health insurance cost paid until they reach 65 years of age or until they become eligible for Medicare or Social Security disability. In October 2016, approximately 236 retirees will receive an estimated \$184 thousand in premium reimbursements for the year ended June 30, 2016.

From 1991 through 2005, the District offered retirement incentive programs in an effort to reduce salary costs. The programs include enhanced insurance benefits up to the Board's annual monthly contribution and payments of accrued sick leave at an enhanced rate. Enhanced insurance benefits offered to eligible employees, as defined under the provisions of each program, consist of health and term life insurance subsidies for up to 10 years. Expenditures for the retirement incentive program are recognized in the General Fund each year on a pay-as-you-go basis. The estimated liability for retirees receiving benefits of approximately \$1.5 million is fully accrued and included in the government-wide financial statements.

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, for certain postemployment healthcare benefits provided by the District for the fiscal year ended June 30, 2008.

Plan Description. Effective January 1, 2010, the District changed from a fully-insured health program to a self-insured program for eligible employees and retirees. The Plan operates as a single employer defined benefit plan. Employees who participate in and satisfy the vesting, disability, early or normal retirement provision of FRS may be eligible for Other Postemployment Benefits (OPEB). Retirees and their dependents are permitted to remain covered under the District's respective medical plans as long as they pay the premium charged for the plan and coverage elected. This conforms to the minimum required of Florida governmental employers per Section 112.08, Florida Statutes.

The State of Florida prohibits the District from separately rating retirees and active employees. The District therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, accounting standards require the actuarial amounts presented above to be calculated using age adjusted premiums approximating claims costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability.

Funding Policy. The District is not required by law or contractual agreement to provide funding for OPEB other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible dependents. Currently, the District's OPEB benefits are unfunded. That is, there is not a separate trust

fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation, as it does for its pension plan, FRS. Therefore, the ultimate subsidies which are provided over time are directly financed by general assets of the District, which are invested in short-term fixed income instruments.

Consequently, in accordance with GASB Statement No. 45, the interest discount rate used to calculate the present value and costs of the OPEB must be the long-range expected return on such short-term fixed income instruments. The District selected an interest discount rate of 4.5% for this purpose. In addition to the interest discount rate, the other significant actuarial assumption used is the healthcare cost trend rate and participation assumptions. The valuation used a healthcare trend rate of 7.75% grading down by 0.5% annually to an ultimate rate of 4.50%, and the inflation rate used is 2.5%. The participation assumption of 30% is the assumed percentage of future retirees that participate and enroll in the health plan. The unfunded actuarial accrued liability is being amortized over the period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll.

Annual OPEB and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount that was actuarially determined by using the entry age actuarial cost method (one of the actual cost methods in accordance with GASB Statement No. 45), with an amortization of the Unfunded Actuarial Accrued Liability as a level percent of projected payroll.

The following table shows the District's OPEB cost for the fiscal year ended June 30, 2016 (in thousands):

Annual Required Contribution (ARC)	\$	16,997
Interest on Net OPEB Obligation		1,190
Adjustment to ARC		(1,010)
Annual OPEB Cost (Expense)		17,177
Employer Contributions		(8,734)
Increase in Net OPEB Obligation		8,443
Net OPEB Obligation at Beginning of Year		26,441
Net OPEB Obligation at End of Year	\$	34,884

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for June 30, 2016, were as follows (in thousands):

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 10,391	\$ 14,145	136.1%	14,099
2014	15,385	9,508	61.8%	19,976
2015	15,951	9,486	59.5%	26,441
2016	17,177	8,734	50.8%	34,884

Funded status and funding progress as of June 30, 2016, are as follows (in thousands):

Actuarial Accrued Liability (AAL) (a)	\$ 207,362
Actuarial Value of Plan Assets (b)	-
Unfunded Actuarial Accrued Liability (UAAL) (c)	\$ 207,362
Funded Ratio (b/a)	0%
Covered Payroll (Active Members)	\$ 1,719,598
UAAL as a Percentage of Covered Payroll (c/d)	12.1%

The schedule of funding progress is presented as Required Supplementary Information (RSI) following the notes to the financial statements and presents multi-year trend information about whether the actual value of plan assets is increasing or decreasing over time relative to the accrued actuarial liability for benefits over time.

18. COMMITMENTS AND CONTINGENCIES

A. Commitments

As part of its capital outlay program, the District has entered into various construction commitments totaling approximately \$144.3 million as of June 30, 2016 (See Note 4).

The District leases certain facilities and equipment under various cancelable, operating lease agreements with lease terms not extending beyond 1 year. The total lease rent expense for the fiscal year ended June 30, 2016, under these leases was approximately \$7.1 million.

B. Contingencies

Florida Education Finance Program and Federal, State and Local Grants

The School Board receives funding from the State of Florida under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the State and, if found to be in error, could result in refunds to the State or in decreases to future funding allocations. Additionally, the School Board participates in a number of Federal, State, and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the State due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the District.

C. Litigation

The School Board is a defendant in numerous lawsuits as of June 30, 2016. In the opinion of management, the District's estimated aggregate liability, with respect to probable losses, has been provided for in the estimated claim liability accrual in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management and District's legal counsel that the amount of losses resulting, if any, from the above-mentioned litigation in excess of the amount accrued as of June 30, 2016, would not be material to the financial position of the District.

19. FUND BALANCES

In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District reports its fund balance in the following categories:

Nonspendable – The District has \$19.3 million in prepaid items and \$8.6 million in inventories that are considered nonspendable.

Restricted – The District reported restricted fund balances totaling \$350.4 million comprised of \$8.7 million of State required carryover programs, \$26.5 million in food service, \$0.3 million in miscellaneous special revenue, \$44.1 million in debt services, and \$270.8 million in capital projects.

Committed – The District did not have any committed fund balances at June 30, 2016.

Assigned – The District has assigned fund balances totaling \$39.3 million comprised of \$15.2 million for rebudgets and obligations, \$23.4 million for outstanding encumbrances for goods and services, and \$0.7 million for capital projects.

Unassigned – The portion of fund balance that is the residual classification for the General Fund. This balance represents balance amounts that have not been restricted, committed, or assigned for specific purposes. The unassigned fund balance for the General Fund is \$120.4 million.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Board Policy 6220.01 delineates fund balance reserve policies to target 5.5% of the combined assigned and unassigned fund balance, as a percentage of total General Fund revenues at fiscal year-end. At June 30, 2016, the combined assigned and unassigned General Fund fund balance totaled \$158.9 million or 6.95% of General Fund revenues net of charter schools' revenues.

Below is a table of fund balance categories and classifications for the fiscal year ended June 30, 2016, for the Districts' governmental funds (in thousands):

	<u>General Fund</u>	<u>General Obligation School Bonds Funds</u>	<u>Capital Improvement LOML</u>	<u>Other Governmental Funds Nonmajor*</u>	<u>Total</u>
FUND BALANCES					
Nonspendable:					
Inventory	\$ 6,650	\$ -	\$ -	\$ 1,921	\$ 8,571
Prepaid Amounts	1,063	-	18,244	-	19,307
Restricted:					
State Required					
Carryover	8,644	-	-	-	8,644
Special Revenue:					
Food Service	-	-	-	26,582	26,582
Miscellaneous	-	-	-	266	266
Debt Service	-	-	-	44,109	44,109
Capital Projects	-	161,932	46,055	62,832	270,819
Assigned:					
Rebudgets and					
Obligations	15,172	-	-	-	15,172
Encumbrances	23,394	-	-	-	23,394
Capital Projects	-	-	-	697	697
Unassigned	<u>120,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,377</u>
Total Fund Balance	<u>\$ 175,300</u>	<u>\$ 161,932</u>	<u>\$ 64,299</u>	<u>\$ 136,407</u>	<u>\$ 537,938</u>

*Aggregates all of the District's nonmajor fund balances.

20. SUBSEQUENT EVENTS

Tax Anticipation Notes

On July 28, 2016, the District issued \$290 million in Tax Anticipation Notes ("the Notes") with an effective yield of 0.445%. The Notes were issued to pay operating expenditures incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes for the fiscal year commencing July 1, 2016. The Notes matured on February 23, 2017.

General Obligation Bond

On August 18, 2016, the District issued \$200 million of Series 2016 Government Obligation Bonds at a premium, which will provide approximately \$241.5 million of project funding, with a true interest cost of 3.41%. This is the fourth issuance in the \$1.2 billion series approved by County voter residents on November 6, 2012.

Equipment Lease

On September 7, 2016, the District authorized the execution of additional schedules to the Master Lease Purchase Agreement with Banc of America Public Capital Corp. for a total of \$78.9 million to be issued in several tranches as needed to purchase digital devices and related equipment as part of the 21st Century Schools Technology Upgrade and Digital Convergence Initiative. The first tranche totaling \$27.9 million was issued as Schedule of Property No. 13 on September 29, 2016, at a true interest cost

of 1.30% for a period of approximately 5 years. Additional tranches will be issued as needed in subsequent fiscal years.

Certificates of Participation

On January 10, 2017, the District successfully remarketed \$50.7 million par value of Certificates of Participation Series 2008C, replacing the previous floating rate mode certificates for the same amount that were scheduled to expire on May 15, 2017. This remarketing will result in interest rate savings of approximately \$493,000 over the five-year term.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Miami-Dade County District School Board Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund For the Fiscal Year Ended June 30, 2016 (amounts expressed in thousands)

	Budget as Originally Adopted	Final Amended Budget	Actual GAAP Basis	Variance With Final Amended Budget
Revenues				
Local:				
Ad Valorem Taxes	\$ 1,472,611	\$ 1,441,335	\$ 1,441,335	\$ -
Interest Income	1,093	1,995	1,995	-
Net Increase (Decrease) in Fair Value of Investments	-	(4)	(4)	-
Local Grants and Others	54,874	69,747	69,747	-
Total Local Revenues	1,528,578	1,513,073	1,513,073	-
State Sources:				
Florida Education Finance Program	677,806	630,034	630,034	-
State Grants and Other	510,792	514,178	514,178	-
Total State Sources	1,188,598	1,144,212	1,144,212	-
Federal Sources:				
Federal Direct	2,015	1,795	1,795	-
Federal Through State and Local	16,729	16,007	16,007	-
Total Federal Sources	18,744	17,802	17,802	-
Total Revenues	2,735,920	2,675,087	2,675,087	-
Expenditures				
Current:				
Instructional Services	1,982,833	1,880,737	1,875,186	5,551
Instructional Support Services:				
Pupil Personnel Services	96,638	108,023	108,000	23
Instructional Media Services	28,706	17,862	17,704	158
Instruction and Curriculum Development Service	24,590	25,169	24,394	775
Instructional Staff Training Services	1,680	3,610	3,587	23
Instruction-Related Technology	33,102	32,200	32,115	85
Total Instructional Support Services	184,716	186,864	185,800	1,064
Student Transportation Services	68,365	73,057	72,443	614
Operation and Maintenance of Plant:				
Operation of Plant	269,074	272,046	264,936	7,110
Maintenance of Plant	91,294	92,409	89,917	2,492
Total Operation and Maintenance of Plant	360,368	364,455	354,853	9,602
School Administration	179,200	160,705	160,374	331
General Administration:				
Central Services	58,221	52,667	51,470	1,197
Board of Education	7,598	7,862	7,677	185
General Administration	4,837	5,654	5,645	9
Administrative Technology Services	2,301	3,196	3,125	71
Fiscal Services	12,401	10,372	9,891	481
Total General Administration	85,358	79,751	77,808	1,943

(Continued)

	Budget as Originally Adopted	Final Amended Budget	Actual GAAP Basis	Variance With Final Amended Budget
Expenditures: (Continued)				
Community Services	\$ 28,950	\$ 28,862	\$ 28,768	\$ 94
Capital Outlay	1,751	11,693	7,498	4,195
Debt Services:				
Principal Retirement	515	515	515	-
Interest and Fiscal Charges	-	479	479	-
Total Debt Services	515	994	994	-
Total Expenditures	2,892,056	2,787,118	2,763,724	23,394
Excess (deficiency of Revenues Over (Under) Expenditures	(156,136)	(112,031)	(88,637)	(23,394)
Other Financing Sources (Uses):				
Transfers In	154,800	154,330	154,330	-
Transfers Out	(15,180)	(15,177)	(15,177)	-
Proceeds from Sale of Capital Assets	-	95	95	-
Proceeds From Loans/Leases	-	135	135	-
Total Other Financing Sources (Uses)	139,620	139,383	139,383	-
Net Change in Fund Balances	\$ (16,516)	\$ 27,352	50,746	\$ 23,394
Fund Balances, Beginning			124,554	
Fund Balances, Ending			\$ 175,300	

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan
(amounts expressed in thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's proportion of the FRS net pension liability	4.656%	4.633%	4.400%
District's proportionate share of the FRS net pension liability	\$ 801,597	\$ 282,715	\$ 568,422
District's covered-employee payroll	\$ 1,743,078	\$ 1,765,382	\$ 1,717,736
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	45.99%	16.01%	33.09%
FRS Plan fiduciary net position as a percentage of the total pension liability	88.54%	96.09%	92.00%

Note: The amounts presented for each fiscal year were determined as of June 30. GASB Statement No. 68 requires the schedule to show information for 10 years. Additional years will be displayed as they become available.

**Schedule of District Contributions –
Florida Retirement System Pension Plan
(amounts expressed in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required FRS contribution	\$ 101,495	\$ 107,295	\$ 100,527
FRS contributions in relation to the contractually required contribution	(101,495)	(107,295)	(100,527)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,765,382	\$ 1,717,736	\$ 1,719,598
FRS contributions as a percentage of covered-employee payroll	5.75%	6.25%	5.85%

Note: The amounts presented for each fiscal year were determined as of June 30. GASB Statement No. 68 requires the schedule to show information for 10 years. Additional years will be displayed as they become available.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan
(amounts expressed in thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's proportion of the HIS net pension liability	5.881%	5.830%	5.576%
District's proportionate share of the HIS net pension liability	\$ 512,051	\$ 545,094	\$ 568,680
District's covered-employee payroll	\$ 1,743,078	\$ 1,765,382	\$ 1,717,736
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	29.38%	30.88%	33.11%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.78%	0.99%	0.50%

Note: The amounts presented for each fiscal year were determined as of June 30. GASB Statement No. 68 requires the schedule to show information for 10 years. Additional years will be displayed as they become available. The municipal bond rate used to determine total pension liability decreased from 4.29% to 3.8%.

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan
(amounts expressed in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required HIS contribution	\$ 19,971	\$ 21,316	\$ 28,170
HIS contributions in relation to the contractually required contribution	(19,971)	(21,316)	(28,170)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,765,382	\$ 1,717,736	\$ 1,719,598
HIS contributions as a percentage of covered-employee payroll	1.13%	1.24%	1.64%

Note: The amounts presented for each fiscal year were determined as of June 30. GASB Statement No. 68 requires the schedule to show information for 10 years. Additional years will be displayed as they become available.

**Schedule of Changes in Net Pension
Liability and Related Ratios –
Supplemental Early Retirement Pension Trust Fund
(amounts expressed in thousands)**

	2015	2016
Total Pension Liability:		
Interest Cost	\$ 2,662	\$ 2,467
Differences Between Expected and Actual Experience	-	(969)
Changes of Assumptions	-	2,651
Benefit Payments, Including Refunds of Member Contributions	(4,147)	(4,098)
Net Change in Total Pension Liability	(2,917)	51
Total Pension Liability, Beginning	41,510	38,593
Total Pension Liability, Ending	<u><u>\$ 38,593</u></u>	<u><u>\$ 38,644</u></u>
Plan Fiduciary Net Position:		
Employer Contributions	\$ 2,276	\$ 2,276
Net Investment Income	4,476	864
Benefit Payments, Including Refunds of Member Contributions	(4,147)	(4,098)
Administrative Expense	(42)	(87)
Net Change in Plan Fiduciary Net Position	2,563	(1,045)
Plan Fiduciary Net Position, Beginning	24,632	27,195
Plan Fiduciary Net Position, Ending	<u><u>\$ 27,195</u></u>	<u><u>\$ 26,150</u></u>
Net Pension Liability, Ending	<u><u>\$ 11,398</u></u>	<u><u>\$ 12,494</u></u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	70.47%	67.67%
Covered Employee Payroll	Not Applicable*	Not Applicable*
Net Pension Liability As a Percentage of Covered Employee Payroll	Not Applicable*	Not Applicable*

*The School Board closed the Supplemental Early Retirement Plan to new employees on July 1, 2000, with no additional employees vesting after July 1, 2003.

Note: The amounts presented for each fiscal year were determined as of June 30. GASB Statement No. 68 requires the schedule to show information for 10 years. Additional years will be displayed as they become available.

**Schedule of Investment Returns –
Supplemental Early Retirement Pension Trust Fund**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	7.53%	14.85%	(6.16)%	(15.06)%	8.60%	14.10%	2.39%	13.37%	18.53%	3.29%

The annual money-weighted rate of return, net of investment expense information for 2016 was not available.

**Schedule of Contributions –
Supplemental Early Retirement Pension Trust Fund
(amounts expressed in thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,942	\$ 2,276	\$ 2,276
Contributions in Relation to the Actuarially Determined Contribution	(1,942)	(2,276)	(2,276)
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	Not Applicable*	Not Applicable*	Not Applicable*
Contributions as a Percentage of Covered- Employee Payroll	Not Applicable*	Not Applicable*	Not Applicable*

Notes to Schedule:

Valuation Date: July 1, 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Cost of Living Increase	3%
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation
Retirement Age	None

Mortality rates were based on the mortality rates used by the FRS – (Healthy Female – RP 2000 Generational, 100% Annuitant White Collar, Scale BB and Healthy Males – RP 2000 Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB).

*The School Board closed the Supplemental Early Retirement Plan to new employees on July 1, 2000, with no additional employees vesting after July 1, 2003.

GASB Statement No. 68 requires the schedule to show information for 10 years. Additional years will be displayed as they become available.

**Schedule of Funding Progress –
Other Postemployment Benefits**
(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
10/1/2006	\$ 322,766	\$ -	\$ 322,766	0.00%	\$ 1,619,403	19.93%
6/30/2009	322,766	-	322,766	0.00%	1,734,316	18.61%
6/30/2010	89,069	-	89,069	0.00%	1,822,042	4.89%
6/30/2011	86,600	-	86,600	0.00%	1,823,966	4.75%
6/30/2012	153,759	-	153,759	0.00%	1,715,231	8.96%
6/30/2013	152,835	-	152,835	0.00%	1,709,167	8.94%
6/30/2014	193,240	-	193,240	0.00%	1,521,809	12.70%
6/30/2015	200,340	-	200,340	0.00%	1,717,736	11.66%
6/30/2016	207,362	-	207,362	0.00%	1,719,598	12.10%

**Schedule of Employer Contributions –
Other Postemployment Benefits**
(amounts expressed in thousands)

Fiscal Year	Annual Required Contribution (ARC)	Amount Contributed	Percentage of Contribution	Net OPEB Obligation
2011	\$ 5,934	\$ 10,313	173.8%	\$ 19,171
2012	10,127	11,576	114.31%	17,853
2013	10,270	14,145	137.73%	14,099
2014	15,289	9,508	62.2%	19,976
2015	15,815	9,486	60%	26,441
2016	16,997	8,734	51.4%	34,884

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Miami-Dade County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	15002, 16002	\$ 25,926,162	\$ -
National School Lunch Program	10.555	15001, 15003, 16001, 16003	105,332,814	-
Summer Food Service Program for Children	10.559	15006, 15007, 16006, 16007	2,016,296	-
Total Child Nutrition Cluster			133,275,272	-
Florida Department of Health:				
Child and Adult Care Food Program	10.558	I-1591, I-1592, I-790, A-4091	16,184,279	-
Florida Department of Agriculture and Consumer Services:				
Healthier US School Challenge: Smarter Lunchrooms	10.543	None	88,500	-
Child Nutrition Discretionary Grants Limited Availability	10.579	15013	67,492	-
Fresh Fruit and Vegetable Program	10.582	15004, 16004	809,652	-
Total United States Department of Agriculture			150,425,195	-
United States Department of Justice:				
Direct:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	N/A	1,033,287	-
Public Safety Partnership and Community Policing Grants	16.710	N/A	350,120	-
Total Direct			1,383,407	-
Indirect:				
Close Up Foundation:				
Juvenile Mentoring Program	16.726	None	76,192	-
Florida Department of Law Enforcement:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JAGC-DADE-17-R3-244	60,005	-
Total Indirect			136,197	-
Total United States Department of Justice			1,519,604	-
United States Department of Transportation:				
Indirect:				
Florida Department of Transportation Highway Safety:				
State and Community Highway Safety	20.600	436603-1-14-01	2,465	-
National Endowment of the Arts:				
Direct:				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	N/A	20,061	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	157,886	-
Federal Pell Grant Program	84.063	N/A	5,098,321	-
Total Student Financial Assistance Cluster			5,256,207	-
Impact Aid	84.041	N/A	26,021	-
Magnet Schools Assistance	84.165	N/A	1,963,703	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	581,747	-
Fund for the Improvement of Education	84.215	N/A	737,425	-
Arts in Education	84.351	N/A	15,327	-
School Leadership	84.363	N/A	315,414	-
Teacher Incentive Fund	84.374	N/A	5,680,388	-
School Improvement Grants	84.377	N/A	701,630	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396	N/A	15,481	-
Race to the Top - District Grants	84.416	N/A	3,848,940	-
Total Direct			19,142,283	-

(continued)

**Miami-Dade County District School Board
Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
Indirect:				
Special Education Cluster:				
Special Education - Grants to States:	84.027			
Florida Department of Education		262, 263	\$ 71,036,060	\$ 134,135
University of South Florida		None	7,500	-
Total Special Education - Grants to States	84.027		71,043,560	134,135
Florida Department of Education:				
Special Education - Preschool Grants	84.173	266, 267	1,365,478	-
Total Special Education Cluster			72,409,038	134,135
Education Research, Development and Dissemination:	84.305			
The Pennsylvania State University		5261-MDCPS-IES-0047	23,562	-
University of Miami		663221	55,659	-
Total Education Research, Development and Dissemination	84.305		79,221	-
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	4,761,635	-
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	128,791,032	7,636,825
Migrant Education - State Grant Program	84.011	217	1,131,524	-
Career and Technical Education - Basic Grants to States	84.048	161	5,233,472	-
Education for Homeless Children and Youth	84.196	127	128,200	-
Charter Schools	84.282	298	1,127,230	1,102,538
Twenty-First Century Community Learning Centers	84.287	244	2,065,010	424,572
Special Education - State Personnel Development	84.323	ORSP-12041-26576-MD	42,133	-
English Language Acquisition State Grants	84.365	102, 104	12,017,268	137,019
Improving Teacher Quality State Grants	84.367	224	11,474,256	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RS511	585,360	-
Total Indirect			239,845,379	9,435,089
Total United States Department of Education			258,987,662	9,435,089
United States Department of Health and Human Services:				
Direct:				
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	N/A	234,535	-
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	N/A	342,040	-
Youth @ Work - Talking Safety	93.Unknown	N/A	9,442	-
Total Direct			586,017	-
Indirect:				
Florida Department of Health:				
Environmental Public Health and Emergency Response	93.070	None	3,900	-
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State Administered Programs	93.566	XK040	3,132,663	-
Miami Dade Board of County Commissioners:				
Head Start	93.600	None	14,702,814	-
Florida Developmental Disabilities Council, Incorporated:				
Developmental Disabilities Basic Support and Advocacy Grants	93.630	945CD15	100,908	-
University of South Florida:				
Children's Health Insurance Program	93.767	6414-1078-00-D	552	-
Total Indirect			17,940,837	-
Total United States Department of Health and Human Services			18,526,854	-

(continued)

**Miami-Dade County District School Board
Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
Corporation for National and Community Service:				
Direct:				
Volunteers in Service to America	94.013	N/A	\$ 4,204	\$ -
United States Department of Homeland Security:				
Direct:				
Citizenship Education and Training	97.010	N/A	138,896	-
Indirect:				
Florida Division of Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	08-PA-C2-11-23-13-578	101,292	-
Total United States Department of Homeland Security			240,188	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	12.Unknown	N/A	1,793,651	-
Total Expenditures of Federal Awards			\$ 431,519,884	\$ 9,435,089

The following 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 Miami-Dade 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. Includes \$10,768,367 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Head Start. Expenditures include \$2,200,959 for grant number/program year 48000000/15; \$11,436,152 for grant number/program year 48010000/15; \$185,333 for grant number/program year 48100000/15; \$368,738 for grant number/program year 38410000/14; and \$511,632 for grant number/program year 38420000/14.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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

INDEPENDENT AUDITOR'S REPORT 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Miami-Dade 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 27, 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 a certain additional matter that is discussed in Finding 2016-001 in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The results of our operational audit of the District will be presented in a separate report.

District's Response to Finding

The District's response to the finding identified in our audit is included as District Response in Finding No. 2016-001 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of 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 27, 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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Miami-Dade 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**.

The District's basic financial statements include the operations of The Downtown Miami Charter School, Inc.; Miami Community Charter School, Inc.; and The Charter School at Waterstone, Inc. (charter schools) as part of the aggregate discretely presented component units on the accompanying basic financial statements. Each of the charter schools expended in excess of \$750,000 in Federal awards for the fiscal year ended June 30, 2016. Our audit, described below, did not include the operations of the charter schools because, pursuant to Section 218.39(1), Florida Statutes, the charter schools engaged other auditors to perform the audits in accordance with Uniform Guidance.

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,

A handwritten signature in blue ink, reading "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and a distinct "F" and "N".

Sherrill F. Norman, CPA
Tallahassee, Florida
March 27, 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
84.048	Career and Technical Education – Basic Grants to States
84.365	English Language Acquisition State Grants
84.374	Teacher Incentive Fund
84.416	Race-to-the-Top – District Grants
93.566	Refugee and Entrant Assistance – State Administered Program
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low risk auditee? Yes

FINANCIAL REPORTING

Finding Number	2016-001
Opinion Unit	Aggregate Discretely Presented Component Units
Financial Statements Account Titles	Various
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable
Finding	District financial reporting procedures need improvement to ensure consistent, proper reporting of charter schools as discretely presented component units.
Criteria	State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR). Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). GAAP provides that the financial reporting entity consists of the primary government and its component units. GAAP further defines component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. In October 2012 and January 2014, the FDOE provided guidance directing school districts to report charter schools as discretely presented component units (DPCUs), unless the charter schools were reported as component units of other governmental entities in accordance with GAAP. In addition, in November 2013, the FDOE General Counsel concluded that excluding the charter schools from financial reporting would cause the districts' financial statements to be misleading as, pursuant to the Article IX, Section 4 of the State Constitution, charter schools are public schools and each school district has constitutional responsibility for all public schools within the school district.
Condition	Pursuant to guidance from the FDOE, the District was responsible for reporting 119 charter schools as DPCUs on the District's financial statements for the 2013-14 and 2014-15 fiscal years, and 118 charter schools as DPCUs on the District's financial statements for the 2015-16 fiscal year. Although the District appropriately reported the charter schools as DPCUs on the AFRs presented for audit for the 2013-14, 2014-15, and 2015-16 fiscal years, the District did not report the charter schools as DPCUs on the District's Comprehensive Annual Financial Reports (CAFRs) for those fiscal years.
Cause	In response to our inquiries, District personnel indicated that the District implemented Governmental Accounting Standards Board (GASB) Statement No. 61 for the 2012-13 fiscal year, and determined that charter schools did not meet the criterion to be considered component units because: • Charter schools, although financially dependent, are not fiscally dependent on the District. District personnel indicated that their understanding is corroborated by GASB question and answer guidance which provides, in part, that the charter school would be fiscally dependent on the sponsoring district if the charter school could not levy taxes without the approval of the sponsoring district. However, the District's charter schools have no tax levy

of its own that would be subject to the approval of the District. Instead, the District provides funding for the charter school, in part, through its own levy, which places a financial burden on the District, but is not an indication of fiscal dependency.

- Charter schools are not fiscally dependent on the District and a financial benefit/ burden relationship does not exist as:
 - o The District is not entitled to or can otherwise access the charter school's resources.
 - o The District is not legally obligated or can otherwise assume the obligations to finance the deficits of, or provide financial support to the charter schools.
 - o The District is not obligated in some manner for the debt of charter schools, as Section 1002.33, Florida Statutes, explicitly precludes the District from being responsible for any and all liabilities of a charter school.

Charter schools are not misleading to exclude from the District financial statements because charter schools do not meet all GASB requirements of the "Misleading to Exclude" provisions as follows:

- The District does not have the ability to access the economic resources received or held by a charter school. Charter schools are separate legal entities with independent boards.
- The District is not legally entitled and cannot otherwise access the charter school resources unless the charter schools are closed.

Notwithstanding this response, the District's inconsistent financial reporting of the charter schools is contrary to the FDOE's conclusion that charter schools are component units of their respective school districts, unless the charter schools were reported as component units of other governmental entities in accordance with GAAP.

Effect

Excluding charter schools as DPCUs from school district financial statements may cause financial statement users to misunderstand the reporting entity's financial activities and incorrectly assess the reporting entity's financial position. In addition, inconsistent financial reporting of charter schools between the various financial reports (AFR and CAFR) does not provide for comparable financial statements.

For the 2015-16 fiscal year, the financial activities of the 118 charter schools comprise 100 percent of the respective deferred outflows of resources, liabilities, deferred inflows of resources, and expenses; 99 percent of the respective assets and revenues; and 98 percent of net position for the financial activities reported for aggregate DPCUs.

Recommendation

The District should improve financial reporting procedures to ensure consistent, proper reporting of DPCUs on the District's financial statements.

District Response

Management does not agree with the finding. The Governmental Accounting Standards Board (GASB) issued Statement No. 61 The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34 in November 2010. The Statement modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity. The District has been consistent in the application of GASB Statement No. 61 since its adoption.

The District implemented GASB Statement No. 61 for the fiscal year ended June 30, 2013. As part of the implementation of that GASB pronouncement we thoroughly reviewed GASB Statements No. 14, 39 and 61, the GASB Codification of Governmental Accounting and Financial Reporting Standards, the GASB Comprehensive Implementation Guide and consulted with the District's independent auditors. Specifically, GASB 61, paragraph 6, states that, in addition

to meeting the fiscal dependency requirement, there also needs to be a financial benefit or burden relationship present. The pronouncement cites that an organization has a financial benefit or burden relationship with the primary government if any of the following conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources or assets;
- The primary government is legally obligated or has otherwise assumed the obligations to finance the deficits of, or provide financial support to the organization; or
- The primary government is obligated in some manner for the debt of the organization.

Based on the aforementioned requirements, Management believes the District as primary government does not meet any of the criterion. In fact, statutory law precludes the District from the above requirements. Consequently, we have concluded that the charter schools are not deemed to be component units and therefore were excluded from the Comprehensive Annual Financial Reports for the fiscal years ended June 30, 2013, 2014, 2015 and 2016. The District has received an unmodified opinion from our independent auditors since the first year of implementation.

Management reviews and assesses all applicable GASB pronouncements along with technical guidance issued by the Florida Department of Education to ensure District's compliance. State requirements determined to be non-GAAP issued by the Florida Department of Education are reported in the unaudited Annual Financial Report and the Audited Comprehensive Annual Financial Report is then adjusted to comply with GAAP.

The Auditor General's finding fails to cite the specific departure from Generally Accepted Accounting Principles (GAAP) and also fails to cite where the District's assessment is inconsistent with GASB Statements Nos. 14, 39 and 61 in the District's conclusion that charter schools do not meet the criteria to qualify as component units. Instead the finding cites requirements from the Florida Department of Education with which the District is in compliance by including the charter schools in the state required unaudited Annual Financial Reports.

**Estimated Corrective
Action Date**

Not applicable

**District Contact and
Telephone Number**

Judith M. Marte, Chief Financial Officer
(305) 995-1225

Auditor's Remarks

The District's response indicates that the Auditor General fails to cite the specific departure from GAAP or where the District's assessment is inconsistent with the GASB statements that charter schools do not meet the criteria to qualify as component units. Notwithstanding this response, the District is required to follow SBE rules and related FDOE guidance for financial reporting. In addition, the FDOE considered the GASB requirements and concluded that excluding the charter schools from financial reporting would cause the districts' financial statements to be misleading as, pursuant to the Article IX, Section 4 of the State Constitution, charter schools are public schools and each school district has constitutional responsibility for all public schools within the school district. As inconsistent financial reporting of charter schools from year to year does not provide for comparable financial statements and is contrary to the FDOE's conclusion that excluding the charter schools from school district financial reporting would cause the District's financial statements to be misleading, we continue to recommend that the District ensure consistent, proper reporting of DPCUs on the District's financial statements.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the Federal Awards findings included in the previous audit report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Listed below is the District's summary of the status of prior audit findings required to be reported under 2 CFR 200.511:

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
RSM US LLP (2015-001)	Student Financial Assistance Cluster (CFDA Nos. 84.007 and 84.063)	The credit balances due to recipients of SFA program funds were not disbursed to the student or parent within 14 days after the credit balance occurred.	Fully corrected.	District management has established and implemented internal controls and protocol for all schools participating in the Federal Student Aid program when monitoring student credit balances to ensure timely disbursement of student funds.
RSM US LLP (2015-002)	Student Financial Assistance Cluster (CFDA Nos. 84.007 and 84.063)	Changes in student enrollment information were not reported to the Department of Education.	Fully corrected.	In May 2016, District management developed new reporting templates to assist technical colleges/specialized centers with the submission of Enrollment Status Reports per established policies and mandates. As of February 2017, templates were modified to reflect the accurate reporting of student enrollment status.

CORRECTIVE ACTION PLAN

**Miami-Dade County District School Board
Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2016**

Finding Number: 2016-001

Planned Corrective Action: See District Response in the finding.

Anticipated Completion Date: Not applicable

Responsible Contact Person: Judith M. Marte, Chief Financial Officer