

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2018-090
January 2018

TAYLOR COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2017



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Danny Glover Jr. served as Superintendent of the Taylor County Schools from 11-22-16, Paul E. Dyal served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Bonnie Sue Agner from 11-22-16	1
Danny Glover Jr., Vice Chair through 11-21-16	1
Brenda H. Carlton, Chair	2
Jeannie Mathis from 11-22-16	3
Darrell Whiddon through 11-21-16	3
Danny Lundy, Vice Chair from 11-22-16	4
Deidra A. Dunnell from 11-22-16	5
Kenneth R. Dennis through 11-21-16	5

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

The team leader was Maria G. Loar, CPA, and the audit was supervised by Edward A. Waller, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Title I program 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 findings included in our report No. 2017-152.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 25 percent of the assets and 59 percent of the liabilities of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Taylor County District School Board, as of June 30, 2017, 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 **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- In total, net position decreased \$362,038.23, which represents a 1.8 percent decrease over the 2015-16 fiscal year.
- General revenues total \$26,654,631.82, or 84.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,746,127.46, or 15.1 percent of all revenues.
- Expenses total \$31,762,797.51. Only \$4,746,127.46 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$1,603,561.90, which is \$1,021,128.59 less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances totaled \$821,998.63, or 3.5 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities.

Fund Financial Statements

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

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

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

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

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

Proprietary Funds: Proprietary funds, such as internal service funds, may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's health self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position, End of Year

	Governmental Activities	
	6-30-17	6-30-16
Current and Other Assets	\$ 10,983,342.07	\$ 6,104,236.40
Capital Assets	29,127,460.64	29,348,311.85
Total Assets	40,110,802.71	35,452,548.25
Deferred Outflows of Resources	6,494,801.00	2,855,951.00
Long-Term Liabilities	25,027,925.21	15,604,354.72
Other Liabilities	1,087,235.74	985,500.54
Total Liabilities	26,115,160.95	16,589,855.26
Deferred Inflows of Resources	696,027.00	1,562,190.00
Net Position:		
Net Investment in Capital Assets	24,900,367.36	29,348,311.85
Restricted	8,662,997.50	2,674,086.17
Unrestricted (Deficit)	(13,768,949.10)	(11,865,944.03)
Total Net Position	\$ 19,794,415.76	\$ 20,156,453.99

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

The restricted portion of the District's net position (43.8 percent) represents sources that are subject to external restrictions on how they may be used.

GASB Statement No. 68 requires the District to recognize its proportionate share of the unfunded pension obligation of the defined benefit plan and the health insurance subsidy plan administered by the Florida Retirement System. As of June 30, 2017, the unrestricted portion of the District's net position remains negative due to the recognized pension liability.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-17	6-30-16
Program Revenues:		
Charges for Services	\$ 591,704.24	\$ 553,995.68
Operating Grants and Contributions	2,129,919.81	2,185,289.63
Capital Grants and Contributions	2,024,503.41	342,112.65
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,288,244.46	7,951,451.47
Property Taxes, Levied for Capital Projects	1,972,848.88	2,013,436.25
Grants and Contributions Not Restricted to Specific Programs	16,931,911.29	17,024,529.20
Unrestricted Investment Earnings	29,245.31	8,813.75
Miscellaneous	432,381.88	887,774.39
Total Revenues	31,400,759.28	30,967,403.02
Functions/Program Expenses:		
Instruction	15,325,142.39	14,662,341.31
Student Support Services	1,625,420.50	1,734,881.57
Instructional Media Services	286,987.19	275,140.57
Instruction and Curriculum Development Services	1,485,907.65	1,431,681.48
Instructional Staff Training Services	188,162.94	240,260.66
Instruction-Related Technology	242,064.21	287,135.63
Board	312,908.41	262,817.55
General Administration	532,673.34	462,469.02
School Administration	2,033,020.22	1,877,681.46
Facilities Acquisition and Construction	297,569.02	601,055.57
Fiscal Services	337,993.77	327,072.53
Food Services	1,713,743.25	1,698,224.22
Central Services	322,810.80	317,552.09
Student Transportation Services	1,758,123.23	1,748,004.58
Operation of Plant	2,345,277.30	2,292,946.05
Maintenance of Plant	836,057.11	995,023.58
Administrative Technology Services	275,059.13	294,607.31
Community Services	294,473.91	951,531.33
Unallocated Interest on Long-Term Debt	79.42	-
Unallocated Depreciation Expense	1,456,943.15	1,212,022.14
Loss on Disposal of Capital Assets	92,380.57	-
Total Functions/Program Expenses	31,762,797.51	31,672,448.65
Change in Net Position	(362,038.23)	(705,045.63)
Net Position - Beginning	20,156,453.99	20,861,499.62
Net Position - Ending	\$ 19,794,415.76	\$ 20,156,453.99

The largest revenue source is the State of Florida (50.6 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Capital grants and contributions revenue increased by \$1,682,390.76, or 491.8 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The increase in funding is mainly due the Special PECO Facility Construction funding allocation for the new Perry Primary School during the 2016-17 fiscal year.

Property tax revenues decreased by \$703,794.38, or 7.1 percent, as a result of a decrease in taxable assessed values decreased property values as well as lower Required Local Effort millage rates.

Instruction expenses represent 48.2 percent of total governmental expenses in the 2016-17 fiscal year. Instruction expenses increased by \$662,801.08, or 4.5 percent, from the previous fiscal year due mainly to pension expense charged across this function.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$725,761.20, while the total fund balance is \$1,603,561.90. The unassigned fund balance decreased by \$840,032.21, while the total fund balance decreased by \$1,021,128.59 during the fiscal year. The key factor in this decrease was that the fund continued to operate at a deficit.

The Special Revenue – Other Fund has total revenues and expenditures of \$3,320,782.40. The resources for these special revenue funds were mainly used for instruction. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Public Education Capital Outlay Fund has total fund balances of \$6,686,525.21 which is restricted for the construction of the new primary school. The fund balance increased in the current fiscal year due to the receipt of PECO Special Facilities funding.

Proprietary Funds

Unrestricted net position of the internal service fund totaled \$324,197.94 at June 30, 2017, which represents an increase of \$86,500.99 from the previous fiscal year. This increase occurred primarily because of lower than expected insurance claims and administrative expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2016-17 fiscal year, the District amended its General Fund budget several times, however, final budgeted amounts were in line with original budget amounts.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$870,997.54, or 3.6 percent, less than final budget amounts. The decrease in expenditures was primarily due to

continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,100,874.75.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017, is \$29,127,460.64 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total decrease in capital assets for the current fiscal year was 0.8 percent. Additional information on the District's capital assets can be found in Notes I.F.4. and II.C. to the financial statements.

Long-Term Debt

At June 30, 2017, the District reported a special PECO advance payable totaling \$4,227,093.28. Additional information on the District's long-term debt can be found in Notes I.F.6. and II.H. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Pursuant to Section 1013.64, Florida Statutes, the District will receive a special allocation totaling \$19,206,923 for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account. The District received the first of three encumbrance authorizations in the amount of \$5,881,177 in the 2016-2017 fiscal year. The funding will be used for the construction of the new Perry Primary School.

Approximately 62 percent of total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which in turn will affect the District revenue streams.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Ashley Valentine, Finance Director, Taylor County District School Board, 318 North Clark Street, Perry, Florida 32347.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,772,743.06
Due from Other Agencies	7,068,067.40
Inventories	142,531.61
Capital Assets:	
Nondepreciable Capital Assets	1,631,408.09
Depreciable Capital Assets, Net	27,496,052.55
TOTAL ASSETS	40,110,802.71
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	6,494,801.00
LIABILITIES	
Payroll Deductions and Withholdings	109,255.50
Accounts Payable	466,254.65
Due to Other Agencies	267,503.53
Estimated Insurance Claims Payable	244,222.06
Long-Term Liabilities:	
Portion Due Within One Year	2,552,109.40
Portion Due After One Year	22,475,815.81
TOTAL LIABILITIES	26,115,160.95
DEFERRED INFLOWS OF RESOURCES	
Pensions	696,027.00
NET POSITION	
Net Investment in Capital Assets	24,900,367.36
Restricted for:	
State Required Carryover Programs	694,651.01
Capital Projects	7,505,403.75
Food Service	462,942.74
Unrestricted	(13,768,949.10)
TOTAL NET POSITION	\$ 19,794,415.76

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

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

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 15,325,142.39	\$ 417,495.66	\$ -
Student Support Services	1,625,420.50	-	-
Instructional Media Services	286,987.19	-	-
Instruction and Curriculum Development Services	1,485,907.65	-	-
Instructional Staff Training Services	188,162.94	-	-
Instruction-Related Technology	242,064.21	-	-
Board	312,908.41	-	-
General Administration	532,673.34	-	-
School Administration	2,033,020.22	-	-
Facilities Acquisition and Construction	297,569.02	-	-
Fiscal Services	337,993.77	-	-
Food Services	1,713,743.25	150,216.26	1,616,020.81
Central Services	322,810.80	-	-
Student Transportation Services	1,758,123.23	23,992.32	513,899.00
Operation of Plant	2,345,277.30	-	-
Maintenance of Plant	836,057.11	-	-
Administrative Technology Services	275,059.13	-	-
Community Services	294,473.91	-	-
Unallocated Interest on Long-Term Debt	79.42	-	-
Unallocated Depreciation Expense*	1,456,943.15	-	-
Loss on Disposal of Capital Assets	92,380.57	-	-
Total Governmental Activities	\$ 31,762,797.51	\$ 591,704.24	\$ 2,129,919.81

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

		Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(14,907,646.73)
	-		(1,625,420.50)
	-		(286,987.19)
	-		(1,485,907.65)
	-		(188,162.94)
	-		(242,064.21)
	-		(312,908.41)
	-		(532,673.34)
	-		(2,033,020.22)
2,024,503.41			1,726,934.39
	-		(337,993.77)
	-		52,493.82
	-		(322,810.80)
	-		(1,220,231.91)
	-		(2,345,277.30)
	-		(836,057.11)
	-		(275,059.13)
	-		(294,473.91)
	-		(79.42)
	-		(1,456,943.15)
	-		(92,380.57)
<u>\$</u>	<u>2,024,503.41</u>		<u>(27,016,670.05)</u>

7,288,244.46
1,972,848.88
16,931,911.29
29,245.31
432,381.88
<u>26,654,631.82</u>
(362,038.23)
<u>20,156,453.99</u>
<u>\$ 19,794,415.76</u>

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

	General Fund	Special Revenue - Other Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,945,106.54	\$ -
Due from Other Funds	-	-
Due from Other Agencies	384,523.36	747,874.78
Inventories	86,912.26	-
TOTAL ASSETS	\$ 2,416,542.16	\$ 747,874.78
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payroll Deductions and Withholdings	\$ 109,255.50	\$ -
Accounts Payable	195,549.56	73,260.76
Due to Other Funds	284,286.68	646,248.33
Due to Other Agencies	223,888.52	28,365.69
Total Liabilities	812,980.26	747,874.78
Fund Balances:		
Nonspendable:		
Inventories	86,912.26	-
Restricted for:		
State Required Carryover Programs	694,651.01	-
Capital Projects	-	-
Food Service	-	-
Total Restricted Fund Balance	694,651.01	-
Assigned for:		
Purchases on Order	96,237.43	-
Unassigned Fund Balance	725,761.20	-
Total Fund Balances	1,603,561.90	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,416,542.16	\$ 747,874.78

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

Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
\$ 370,761.67	\$ 947,175.43	\$ 3,263,043.64
708,640.24	-	708,640.24
5,619,700.46	311,117.53	7,063,216.13
-	55,619.35	142,531.61
<u>\$ 6,699,102.37</u>	<u>\$ 1,313,912.31</u>	<u>\$ 11,177,431.62</u>
\$ -	\$ -	\$ 109,255.50
-	1,103.98	269,914.30
12,577.16	15,737.73	958,849.90
-	15,249.32	267,503.53
<u>12,577.16</u>	<u>32,091.03</u>	<u>1,605,523.23</u>
-	55,619.35	142,531.61
-	-	694,651.01
6,686,525.21	818,878.54	7,505,403.75
-	407,323.39	407,323.39
<u>6,686,525.21</u>	<u>1,226,201.93</u>	<u>8,607,378.15</u>
-	-	96,237.43
-	-	725,761.20
<u>6,686,525.21</u>	<u>1,281,821.28</u>	<u>9,571,908.39</u>
<u>\$ 6,699,102.37</u>	<u>\$ 1,313,912.31</u>	<u>\$ 11,177,431.62</u>

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

Total Fund Balances - Governmental Funds **\$ 9,571,908.39**

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 29,127,460.64

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 324,197.94

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

Compensated Absences Payable	\$ (2,705,710.93)	
Net Pension Liability	(16,767,944.00)	
Other Postemployment Benefits Payable	(1,327,177.00)	
Special Public Education Capital Outlay Advance Payable	<u>(4,227,093.28)</u>	(25,027,925.21)

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

Deferred Outflows Related to Pensions	\$ 6,494,801.00	
Deferred Inflows Related to Pensions	<u>(696,027.00)</u>	<u>5,798,774.00</u>

Net Position - Governmental Activities **\$ 19,794,415.76**

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

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

	General Fund	Special Revenue - Other Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 61,045.84	\$ 657,396.74
Federal Through State and Local	218,202.31	2,658,036.63
State	13,840,908.89	-
Local:		
Property Taxes	7,288,244.46	-
Charges for Services - Food Service	-	-
Miscellaneous	836,927.28	5,349.03
Total Local Revenues	<u>8,125,171.74</u>	<u>5,349.03</u>
Total Revenues	<u>22,245,328.78</u>	<u>3,320,782.40</u>
Expenditures		
Current - Education:		
Instruction	13,234,681.44	1,714,265.00
Student Support Services	1,314,780.57	283,917.11
Instructional Media Services	279,620.89	-
Instruction and Curriculum Development Services	842,434.29	619,039.87
Instructional Staff Training Services	56,020.88	132,006.68
Instruction-Related Technology	235,952.84	-
Board	308,242.53	-
General Administration	428,769.97	96,999.99
School Administration	1,857,138.99	122,022.48
Facilities Acquisition and Construction	-	-
Fiscal Services	329,571.50	-
Food Services	281.92	35,467.70
Central Services	315,214.12	-
Student Transportation Services	1,325,346.22	68,608.75
Operation of Plant	2,306,776.93	16,391.91
Maintenance of Plant	347,784.23	-
Administrative Technology Services	271,550.24	-
Community Services	67,427.69	225,661.59
Fixed Capital Outlay:		
Facilities Acquisition and Construction	-	-
Other Capital Outlay	118,733.45	6,401.32
Debt Service:		
Interest and Fiscal Charges	-	-
Total Expenditures	<u>23,640,328.70</u>	<u>3,320,782.40</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,394,999.92)</u>	<u>-</u>
Other Financing Sources (Uses)		
Transfers In	338,404.99	-
Proceeds from Special Facility Construction Account	-	-
Loss Recoveries	35,466.34	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>373,871.33</u>	<u>-</u>
Net Change in Fund Balances	(1,021,128.59)	-
Fund Balances, Beginning	2,624,690.49	-
Fund Balances, Ending	<u>\$ 1,603,561.90</u>	<u>\$ 0.00</u>

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

Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 718,442.58
-	1,590,139.81	4,466,378.75
1,788,374.72	272,923.67	15,902,207.28
-	1,972,848.88	9,261,093.34
-	150,216.26	150,216.26
-	25,372.52	867,648.83
-	2,148,437.66	10,278,958.43
1,788,374.72	4,011,501.14	31,365,987.04
-	-	14,948,946.44
-	-	1,598,697.68
-	-	279,620.89
-	-	1,461,474.16
-	-	188,027.56
-	-	235,952.84
-	-	308,242.53
-	-	525,769.96
-	-	1,979,161.47
-	297,569.02	297,569.02
-	-	329,571.50
-	1,657,965.94	1,693,715.56
-	-	315,214.12
-	-	1,393,954.97
-	-	2,323,168.84
162,801.93	317,065.94	827,652.10
-	-	271,550.24
-	-	293,089.28
297,140.31	360,404.05	657,544.36
2,133.39	880,711.98	1,007,980.14
-	79.42	79.42
462,075.63	3,513,796.35	30,936,983.08
1,326,299.09	497,704.79	429,003.96
1,079,401.91	-	1,417,806.90
4,227,093.28	-	4,227,093.28
-	-	35,466.34
-	(1,417,806.90)	(1,417,806.90)
5,306,495.19	(1,417,806.90)	4,262,559.62
6,632,794.28	(920,102.11)	4,691,563.58
53,730.93	2,201,923.39	4,880,344.81
\$ 6,686,525.21	\$ 1,281,821.28	\$ 9,571,908.39

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

Net Change in Fund Balances - Governmental Funds \$ 4,691,563.58

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (128,470.64)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (92,380.57)

Special facility construction advances provide current financial resources to the governmental funds, but increase long-term liabilities in the statement of net position. (4,227,093.28)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 154,714.79

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (131,930.00)

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$	1,027,456.00	
HIS Pension Contribution		274,477.00	
FRS Pension Expense		(1,472,234.00)	
HIS Pension Expense		(543,948.00)	
		(714,249.00)	(714,249.00)

Certain funds due from other agencies were not available and, therefore, not recognized as revenue in the governmental fund statements in the prior year. However, these funds were recognized as revenue under the full accrual basis of accounting in the statement of activities in the prior year. This is the amount of revenues that became available in the current year. (694.10)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 86,500.99

Change in Net Position - Governmental Activities **\$ (362,038.23)**

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

**Taylor County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2017**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 509,699.42
Due from Other Funds	250,209.66
Due from Other Agencies	4,851.27
TOTAL ASSETS	764,760.35
LIABILITIES	
Current Liabilities:	
Accounts Payable	196,340.35
Estimated Insurance Claims Payable	244,222.06
TOTAL LIABILITIES	440,562.41
NET POSITION	
Unrestricted	\$ 324,197.94

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

**Taylor County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2017**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 3,015,107.78
OPERATING EXPENSES	
Insurance Claims	2,133,832.35
Purchased Services	780,124.80
Administrative Expenses	15,164.00
Total Operating Expenses	<u>2,929,121.15</u>
Operating Income	<u>85,986.63</u>
NONOPERATING REVENUES	
Interest	<u>514.36</u>
Change in Net Position	86,500.99
Total Net Position - Beginning	<u>237,696.95</u>
Total Net Position - Ending	<u><u>\$ 324,197.94</u></u>

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

**Taylor County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2017**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 3,027,739.16
Cash Payments to Suppliers for Goods and Services	(738,924.10)
Cash Payments for Insurance Claims	(2,136,073.49)
Net Cash Provided by Operating Activities	<u>152,741.57</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>514.36</u>
Net Cash Provided by Investing Activities	<u>514.36</u>
Net Increase in Cash and Cash Equivalents	153,255.93
Cash and Cash Equivalents, Beginning	<u>356,443.49</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 509,699.42</u></u>

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

Operating Income	\$ 85,986.63
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due from Other Funds	12,631.38
Decrease in Due from Other Agencies	2,536.35
Increase Accounts Payable	53,828.35
Decrease in Estimated Insurance Claims Payable	(2,241.14)
Total Adjustments	<u>66,754.94</u>
Net Cash Provided by Operating Activities	<u><u>\$ 152,741.57</u></u>

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	<u>\$ 682,826.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 682,826.00</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

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

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

C. Basis of Presentation: Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

- Internal Service Fund – to account for the District's individual self-insurance programs.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal yearend are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

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

donations are recognized as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds

in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

Investments made locally consist of amounts placed in intergovernmental investment pools and are reported at fair value, which is amortized cost.

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

3. Inventories

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

6. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by adoption of Board Policy 9.10, authorized the Superintendent and Finance Director to assign fund balance. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the

District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2016 tax levy on September 13, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The

procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Taylor County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	39 Day Average	\$ 270,794.68
Florida Fixed Income Trust (FIT):		
Florida FIT Cash Pool (1)	0.25 Years	<u>1,811,441.59</u>
Total Investments		<u>\$ 2,082,236.27</u>

Note: (1) These investments are reported as cash equivalents for financial statement reporting purposes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments to shares in open-end, no-load mutual funds which invest primarily in short-term government bonds. The mutual fund investment objective must see a high level of income over the long-term consistent with preservation of capital.

Florida PRIME and Florida FIT use a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2017, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as

provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's formal investment policy does not limit its investment choices with respect to credit risk.

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

The District's investment in Florida FIT is rated AAAf/S1+ by Standard & Poor's.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,096,195.37	\$ -	\$ -	\$ 1,096,195.37
Land Improvements	238,072.41	-	-	238,072.41
Construction in Progress	65,032.20	297,140.31	65,032.20	297,140.31
Total Capital Assets Not Being Depreciated	1,399,299.98	297,140.31	65,032.20	1,631,408.09
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	668,315.76	-	-	668,315.76
Buildings and Fixed Equipment	42,961,737.27	425,436.25	74,291.86	43,312,881.66
Furniture, Fixtures, and Equipment	5,562,743.37	365,442.14	818,827.45	5,109,358.06
Motor Vehicles	4,866,338.40	642,538.00	63,900.00	5,444,976.40
Audio Visual Materials and Computer Software	62,564.57	-	15,001.35	47,563.22
Total Capital Assets Being Depreciated	54,121,699.37	1,433,416.39	972,020.66	54,583,095.10
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	123,545.10	33,415.79	-	156,960.89
Buildings and Fixed Equipment	19,244,168.81	922,703.54	46,060.95	20,120,811.40
Furniture, Fixtures, and Equipment	3,763,545.58	493,617.19	763,152.80	3,494,009.97
Motor Vehicles	2,978,863.44	344,258.62	55,424.99	3,267,697.07
Audio Visual Materials and Computer Software	62,564.57	-	15,001.35	47,563.22
Total Accumulated Depreciation	26,172,687.50	1,793,995.14	879,640.09	27,087,042.55
Total Capital Assets Being Depreciated, Net	27,949,011.87	(360,578.75)	92,380.57	27,496,052.55
Governmental Activities Capital Assets, Net	<u>\$ 29,348,311.85</u>	<u>\$ (63,438.44)</u>	<u>\$ 157,412.77</u>	<u>\$ 29,127,460.64</u>

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	337,051.99
Unallocated	1,456,943.15
Total Depreciation Expense - Governmental Activities	<u>\$ 1,793,995.14</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$2,016,182 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 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	7.52
FRS, Elected County Officers	3.00	42.47
DROP – Applicable to Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

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

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

The District's contributions to the Plan totaled \$1,027,456 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$10,266,335 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.040658629 percent, which was a decrease of 0.00390656 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$1,472,234. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 786,070	\$ 95,587
Change of assumptions	621,083	-
Net difference between projected and actual earnings on FRS pension plan investments	2,653,723	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	14,968	499,491
District FRS contributions subsequent to the measurement date	1,027,456	-
Total	<u><u>\$ 5,103,300</u></u>	<u><u>\$ 595,078</u></u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$1,027,456, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 453,034
2019	453,034
2020	1,487,620
2021	996,178
2022	74,193
Thereafter	16,707
Total	\$ 3,480,766

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
District's proportionate share of the net pension liability	\$ 18,901,019	\$ 10,266,335	\$ 3,079,102

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

HIS Pension Plan

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

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

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

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

The District's contributions to the HIS Plan totaled \$274,477 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of \$6,501,609 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.055785842 percent, which was a decrease of 0.00101202 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of \$543,948. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,808
Change of assumptions	1,020,268	-
Net difference between projected and actual earnings on HIS pension plan investments	3,287	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	93,469	86,141
District contributions subsequent to the measurement date	274,477	-
Total	\$ 1,391,501	\$ 100,949

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$274,477, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 184,383
2019	184,383
2020	183,757
2021	183,456
2022	160,043
Thereafter	120,053
Total	\$ 1,016,075

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension liability	\$ 7,458,822	\$ 6,501,609	\$ 5,707,174

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

2. FRS – Defined Contribution Pension Plan

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

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

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$101,281.48 for the fiscal year ended June 30, 2017.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 45 retirees received other postemployment benefits. The District provided required contributions of \$188,783 toward the annual OPEB cost, net of retiree contributions totaling \$288,336, which represents 3.72 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 102,416
Amortization of Unfunded Actuarial Accrued Liability	<u>277,860</u>
Annual Required Contribution	380,276
Interest on Net OPEB Obligation	40,041
Adjustment to Annual Required Contribution	<u>(99,604)</u>
Annual OPEB Cost (Expense)	320,713
Contribution Toward the OPEB Cost	<u>(188,783)</u>
Increase in Net OPEB Obligation	131,930
Net OPEB Obligation, Beginning of Year	<u>1,195,247</u>
Net OPEB Obligation, End of Year	<u>\$ 1,327,177</u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 353,591	54.91%	\$ 1,026,037
2015-16	361,471	53.19%	1,195,247
2016-17	320,713	58.86%	1,327,177

Funded Status and Funding Progress. As of October 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$3,279,842, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,279,842 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$7,745,168, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 42.35 percent.

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

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

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

The District's OPEB actuarial valuation as of October 1, 2016, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.35 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.35 percent per year, projected salary increases of 3.7 to 7.8 percent, and an annual healthcare cost trend rate of 7.25 percent initially beginning October 1, 2016, reduced to an ultimate rate of 4.24 percent on October 1, 2040. The investment rate of return and payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2017, was 12 years.

F. Construction and Other Significant Commitments

Construction Contracts. Encumbrances include the following major construction contract commitments at fiscal year end:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
New Perry Primary School Architect	<u>\$ 901,937.25</u>	<u>\$ 297,140.31</u>	<u>\$ 604,796.94</u>

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

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

<u>Major Funds</u>				
<u>General</u>	<u>Special Revenue - Other</u>	<u>Capital Projects - Public Education Capital Outlay</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 96,237.43</u>	<u>\$ 4,070.00</u>	<u>\$ 604,796.94</u>	<u>\$ 86,998.62</u>	<u>\$ 792,102.99</u>

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District's covered risks relating to property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and

machinery, and other coverage deemed necessary by the members are included in the group program. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts.

The District has established self-insurance programs for its employee health and hospitalization coverage. The District's health and hospitalization insurance program is being provided on a self-insurance basis up to specified limits. The District has entered into an agreement with a commercial insurance company to provide specific excess coverage of amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims exceed a loss limit established by the policy. The District has also contracted with a commercial insurance company to administer the terms of the programs under an agreement wherein the claims for benefits are paid by the insurance company, which is subsequently reimbursed by the District for claims paid plus an administrative expense. The District reports the financial transactions of its employee group insurance programs in an internal service fund.

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

A liability in the amount of \$244,222.06 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2017.

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

<u>Fiscal Year</u>	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2015-16	\$ 256,654.36	\$ 2,172,677.09	\$ (2,182,868.25)	\$ 246,463.20
2016-17	246,463.20	2,133,832.35	(2,136,073.49)	244,222.06

H. Long-Term Liabilities

1. Special Public Education Capital Outlay Advance Payable

The liability at June 30, 2017, of \$4,277,093.28 represents the amount of the Public Education Capital Outlay (PECO) Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2018-19 fiscal year.

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 2,860,425.72	\$ 96,408.97	\$ 251,123.76	\$ 2,705,710.93	\$ 251,123.76
Net Pension Liability	11,548,682.00	8,641,348.00	3,422,086.00	16,767,944.00	187,439.00
Other Postemployment Benefits Payable	1,195,247.00	320,713.00	188,783.00	1,327,177.00	-
Special PECO Advance Payable	-	5,306,495.19	1,079,401.91	4,227,093.28	2,113,546.64
Total Governmental Activities	\$ 15,604,354.72	\$ 14,364,965.16	\$ 4,941,394.67	\$ 25,027,925.21	\$ 2,552,109.40

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

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note 1.F.10., fund balances may be classified as follows:

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

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ -	\$ 284,286.68
Special Revenue:		
Other	-	646,248.33
Capital Projects:		
Public Education Capital Outlay	708,640.24	12,577.16
Nonmajor Governmental	-	15,737.73
Internal Service	250,209.66	-
Total	\$ 958,849.90	\$ 958,849.90

The receivables and payables generally occurred during the normal course of District operations, except that amounts due to the Capital Projects PECO Fund represent temporary loans to cover cash deficits. These amounts are expected to be repaid within 1 year.

K. Revenues

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,349,545.00
Categorical Educational Program - Class Size Reduction	2,754,904.00
Gross Receipts Tax (Public Education Capital Outlay)	1,788,374.72
Workforce Development Program	959,615.00
Voluntary Prekindergarten Program	318,016.82
Classrooms First Program	130,743.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	106,079.79
Miscellaneous	494,928.95
Total	\$ 15,902,207.28

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

2. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	4.543	\$ 6,178,638.32
Basic Discretionary Local Effort	0.748	1,017,305.81
Voted School Tax:		
Additional Operating	0.250	340,010.24
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,040,051.75
Total	7.041	\$ 9,576,006.12

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 338,404.99	\$ -
Capital Projects:		
Public Education Capital Outlay	1,079,401.91	-
Nonmajor Governmental	-	1,417,806.90
Total	\$ 1,417,806.90	\$ 1,417,806.90

The transfer to the General Fund was made to move restricted revenues to offset property and casualty insurance premiums. The transfer to the Public Education Capital Outlay Fund was made to provide for the repayment of the Special PECO Advance for the construction of the New Perry Primary School.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 58,000.00	\$ 58,000.00	\$ 61,045.84	\$ 3,045.84
Federal Through State and Local	211,500.00	211,500.00	218,202.31	6,702.31
State	13,470,404.00	13,883,237.90	13,840,908.89	(42,329.01)
Local:				
Property Taxes	7,203,059.00	7,191,360.00	7,288,244.46	96,884.46
Miscellaneous	740,500.00	745,225.00	836,927.28	91,702.28
Total Local Revenues	7,943,559.00	7,936,585.00	8,125,171.74	188,586.74
Total Revenues	21,683,463.00	22,089,322.90	22,245,328.78	156,005.88
Expenditures				
Current - Education:				
Instruction	13,338,201.42	13,822,755.85	13,234,681.44	588,074.41
Student Support Services	1,374,309.87	1,318,425.87	1,314,780.57	3,645.30
Instructional Media Services	292,224.81	287,413.73	279,620.89	7,792.84
Instruction and Curriculum Development Services	905,601.39	969,003.50	842,434.29	126,569.21
Instructional Staff Training Services	45,429.49	84,583.21	56,020.88	28,562.33
Instruction-Related Technology	264,392.64	235,952.84	235,952.84	-
Board	280,283.76	308,242.53	308,242.53	-
General Administration	355,613.53	444,298.74	428,769.97	15,528.77
School Administration	1,863,613.92	1,857,138.99	1,857,138.99	-
Facilities Acquisition and Construction	10,550.00	-	-	-
Fiscal Services	338,909.03	329,571.50	329,571.50	-
Food Services	28.75	281.92	281.92	-
Central Services	317,120.61	315,214.12	315,214.12	-
Student Transportation Services	1,329,873.47	1,347,343.22	1,325,346.22	21,997.00
Operation of Plant	2,431,181.02	2,346,491.02	2,306,776.93	39,714.09
Maintenance of Plant	293,201.08	347,784.23	347,784.23	-
Administrative Technology Services	279,826.01	271,550.24	271,550.24	-
Community Services	105,726.43	106,541.28	67,427.69	39,113.59
Fixed Capital Outlay:				
Other Capital Outlay	-	118,733.45	118,733.45	-
Total Expenditures	23,826,087.23	24,511,326.24	23,640,328.70	870,997.54
Excess (Deficiency) of Revenues Over Expenditures	(2,142,624.23)	(2,422,003.34)	(1,394,999.92)	1,027,003.42
Other Financing Sources				
Transfers In	300,000.00	300,000.00	338,404.99	38,404.99
Loss Recoveries	-	-	35,466.34	35,466.34
Total Other Financing Sources	300,000.00	300,000.00	373,871.33	73,871.33
Net Change in Fund Balances	(1,842,624.23)	(2,122,003.34)	(1,021,128.59)	1,100,874.75
Fund Balances, Beginning	2,624,690.49	2,624,690.49	2,624,690.49	-
Fund Balances, Ending	\$ 782,066.26	\$ 502,687.15	\$ 1,603,561.90	\$ 1,100,874.75

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 643,257.87	\$ 765,229.27	\$ 657,396.74	\$ (107,832.53)
2,962,739.26	3,189,470.29	2,658,036.63	(531,433.66)
-	-	-	-
-	-	-	-
5,338.03	5,349.03	5,349.03	-
5,338.03	5,349.03	5,349.03	-
3,611,335.16	3,960,048.59	3,320,782.40	(639,266.19)
1,447,239.69	2,107,662.80	1,714,265.00	393,397.80
256,431.58	346,320.03	283,917.11	62,402.92
-	-	-	-
679,143.64	684,262.18	619,039.87	65,222.31
169,556.71	168,539.97	132,006.68	36,533.29
-	-	-	-
-	-	-	-
143,642.04	119,805.86	96,999.99	22,805.87
49,180.34	132,384.44	122,022.48	10,361.96
1,799.00	1,799.00	-	1,799.00
-	-	-	-
26,499.15	35,467.70	35,467.70	-
-	-	-	-
72,575.80	85,221.86	68,608.75	16,613.11
106,013.15	41,098.70	16,391.91	24,706.79
-	-	-	-
-	-	-	-
659,254.06	231,084.73	225,661.59	5,423.14
-	6,401.32	6,401.32	-
3,611,335.16	3,960,048.59	3,320,782.40	639,266.19
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/12	\$ -	\$ 3,274,375	\$ 3,274,375	0.0%	\$ 9,902,727	33.07%
10/01/14	-	3,656,161	3,656,161	0.0%	9,432,318	38.76%
10/01/16	-	3,279,842	3,279,842	0.0%	7,745,168	42.35%

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

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

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.040658629%	0.044565189%	0.044424615%	0.044814914%
District's proportionate share of the FRS net pension liability	\$ 10,266,335	\$ 5,756,193	\$ 2,710,555	\$ 7,714,641
District's covered-employee payroll	\$ 17,224,584	\$ 17,237,152	\$ 16,448,410	\$ 16,119,693
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	59.60%	33.39%	16.48%	47.86%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 1,027,456	\$ 991,526	\$ 1,086,537	\$ 973,088
FRS contributions in relation to the contractually required contribution	(1,027,456)	(991,526)	(1,086,537)	(973,088)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 16,540,077	\$ 17,224,584	\$ 17,237,152	\$ 16,448,410
FRS contributions as a percentage of covered-employee payroll	6.21%	5.76%	6.30%	5.92%

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

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

	2016	2015	2014	2013
District's proportion of the HIS net pension liability	0.055785842%	0.056797862%	0.055361961%	0.055446742%
District's proportionate share of the HIS net pension liability	\$ 6,501,609	\$ 5,792,489	\$ 5,176,478	\$ 4,827,368
District's covered-employee payroll	\$ 17,224,584	\$ 17,237,152	\$ 16,448,410	\$ 16,119,693
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	37.75%	33.60%	31.47%	29.95%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

	2017	2016	2015	2014
Contractually required HIS contribution	\$ 274,477	\$ 285,938	\$ 217,117	\$ 189,651
HIS contributions in relation to the contractually required contribution	(274,477)	(285,938)	(217,117)	(189,651)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 16,540,077	\$ 17,224,584	\$ 17,237,152	\$ 16,448,410
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State statutes and State Board of Education (SBE) rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent year's appropriations.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The October 1, 2016, unfunded actuarial accrued liability of \$3,279,842 was slightly lower than the October 1, 2014, liability of \$3,656,161 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- **Population Changes:** The number of enrolled retirees currently receiving postemployment health benefits increased from 43 in the previous valuation to 45 in the current valuation. At the same time, the number of active employees eligible for future postemployment benefits decreased from 264 to 246. These combined population changes had a decreasing effect on the cost and liabilities.
- **Initial Cost of Coverage:** Total cost of coverage increased from \$609 per employee per month (as expected from the year beginning October 1, 2014) to \$730 per employee per month for the year beginning October 1, 2016. This is higher than the projected \$701 per employee per month. This change had a modest increasing effect on the cost and liabilities.
- **Aging Factors:** The age grading factors used in the development of the Per Capita Cost to reflect rates at which medical costs increase with age of the member has been revised to be based on the results of the study published (June 2013) in *Health Care Costs – From Birth to Death* sponsored by the Society of Actuaries and authored by Mr. Dale H. Yamamoto. This change had a decreasing effect on the cost and liabilities.
- **Medical Trend Assumptions:** It was assumed previously that costs and premiums would increase at a rate of 6.5 percent, 6.25 percent, 6 percent and 5.84 percent for plan years beginning in 2017, 2018, 2019, and 2020, respectively. Trend rates for cost and premiums charged to retirees were revised for the years beginning in 2017, 2018, 2019, and 2020 to be 7.25 percent, 7 percent, 6.75 percent, and 6.5 percent, respectively. Long term trend rates follow the same model as used before declining over a 20-year period from 6.5 percent assumed for the year 2020 to the ultimate level of 4.24 percent. This change had a modest increasing effect on the cost and liabilities.
- **Retiree Medical Coverage Assumptions:** With the most recent data furnished for this year's valuation, assumptions were refined pertaining to the coverage acceptance rate. It is now assumed that 50 percent of employees who were covered at the time of retirement would continue coverage (40 percent single, 10 percent dual coverage) under the core District plan, increased from 45 percent in the previous valuation. This change had an increasing effect on the cost and liabilities.
- **Valuation Discount Rate:** At District management's direction, the discount rate used to calculate the present values and cost of the OPEB was decreased. According to GASB Statement No. 45, this rate must be the long-range expected return on such short-term fixed income instruments. Given the recent trend in long term forecasts, the discount rate used in this valuation was lowered from 3.4 percent used previously to 3.35 percent. This change had an increasing effect on the cost and liabilities.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.60 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 3.80 percent to 2.85 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 378,779.04
National School Lunch Program	10.555	17001	-	1,211,360.77
Total Child Nutrition Cluster			-	1,590,139.81
Student Financial Assistance Cluster				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	225,610.40
Special Education Cluster:				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	-	816,894.77
Columbia County District School Board		None	-	3,625.00
University of South Florida		None	-	1,724.03
Total Special Education - Grants to States	84.027		-	822,243.80
Special Education - Preschool Grants:	84.173			
Florida Department of Education		267		59,040.29
Leon County District School Board		None		27,975.48
Total Special Education - Preschool Grants	84.173		-	87,015.77
Total Special Education Cluster			-	909,259.57
Child Care and Development Fund Cluster:				
United States Department of Health and Human Services:				
Early Learning Coalition of the Big Bend Region				
Child Care and Development Block Grant	93.575	None	-	63,637.41
Not Clustered				
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	61,045.84
United States Department of Education:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	-	77,836.13
Title I Grants to Local Educational Agencies	84.010	212	-	819,444.89
Career and Technical Education - Basic Grants to States	84.048	161	-	95,998.51
Education for Homeless Children and Youth	84.196	127	-	20,095.75
Twenty-First Century Community Learning Centers	84.287	244	540,730.68	540,730.68
Rural Education	84.358	110	-	53,647.54
Improving Teacher Quality State Grants	84.367	224	-	146,372.59
Total United States Department of Education			540,730.68	1,754,126.09
United States Department of Health and Human Services:				
Head Start	93.600	N/A	-	431,786.34
Total Expenditures of Federal Awards			\$ 540,730.68	\$ 5,035,605.46

The accompanying notes are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Taylor County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following 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 \$131,118.85 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 \$431,786.34 for grant number/program year 04CH0506/22.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taylor County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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*.

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
January 16, 2018



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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 16, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(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 Federal programs:

CFDA Numbers:

10.553 and 10.555

84.010

Name of Federal Program or Cluster:

Child Nutrition Cluster

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the financial statement and Federal awards audit findings included in our report No. 2017-152.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



THE DISTRICT SCHOOL BOARD OF TAYLOR COUNTY

318 North Clark Street
Perry, Florida 32347
(850) 838-2500 – Telephone
(850) 838-2501 – Fax
Taylor.k12.fl.us

Danny Glover Jr., Superintendent

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2014-124 (Federal Awards Finding No. 1)	Federal Pell Grant Program (CFDA No. 84.063)	Controls over the Federal Pell Grant Program were not adequate, resulting in \$21,606 of questioned costs.	Partially Corrected	Questioned costs were restored to the Program. Corrective action to fully implement control procedures will be completed in the 2017-18 fiscal year.
2016-091 (2015-001)	Federal Pell Grant Program (CFDA No. 84.063)	The District did not always timely report Federal Pell Grant Program enrollment data or accurately calculate the return of Program funds, resulting in \$686 of questioned costs.	Partially Corrected	Questioned costs were restored to the Program. Corrective action to fully implement control procedures will be completed in the 2017-18 fiscal year.
2017-152 (2016-001)	School Internal Funds	District accountability over school internal funds needs improvement.	Fully Corrected	
2017-152 (2016-002)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)	District did not always purchase food products from a Board-approved contract with a vendor that had been competitively selected.	Fully Corrected	

School Board Members

Bonnie Sue Agner Residence Area One	Brenda H. Carlton Residence Area Two	Jeannie Mathis Residence Area Three	Danny Lundy Residence Area Four	Deidra Dunnell Residence Area Five
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An Equal Opportunity – Equal Access Employer – Veterans' Preference Employer