

**STATE OF FLORIDA AUDITOR GENERAL**

Financial and Federal Single Audit

Report No. 2018-149  
March 2018

**PUTNAM 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, Dr. Richard M. Surrency Sr. served as Superintendent of the Putnam County Schools from 11-22-16, Phyllis L. Criswell served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Nichole M. Cummings, Vice Chair from 11-22-16	1
David M. Buckles, Chair through 11-21-16	2
Sandra Gilyard from 11-22-16	3
Terry Wright through 11-21-16	3
Kathleen Jorgensen	4
Jane T. Crawford, Chair from 11-22-16, Vice Chair 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 Sue Granger and the audit was supervised by Randy R. Arend, CPA.

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

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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

#### Additional Matter

**Finding AM 2017-001:** The Board transferred ownership of a District facility and related land to a former direct-support organization of the District without a documented determination that the transfer was in the best interests of the public.

### SUMMARY OF REPORT ON FEDERAL AWARDS

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

**Federal Awards Finding No. 2017-001:** The District charged Federal programs \$478,042 for health insurance premiums for employees who did not participate in the District health insurance program.

### 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 program;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program; and
- Taken corrective actions for findings included in our report No. 2017-182.

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



Sherrill F. Norman, CPA  
Auditor General

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam 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 12 percent of the assets and 34 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam 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**, **Ten-Year Claims Development Information – North East Florida Educational Consortium – Risk Management Property/Casualty Program**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 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  
March 16, 2018

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

The management of the Putnam 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:

- As of June 30, 2017, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$22,585,805.71.
- In total, net position decreased \$333,162.33, which represents a 1.5 percent decrease from the 2015-16 fiscal year.
- General revenues total \$106,407,545.99, or 77.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$30,628,269.75, or 22.4 percent of all revenues.
- Expenses total \$137,368,978.07. Only \$30,628,269.75 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$333,162.33.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$6,831,341.36, which is \$1,781,455.46 more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances, representing the net current financial resources available for general appropriation by the Board was \$4,853,762.04, or 6 percent of total General Fund revenues.

### **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 and business-type 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.

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

- **Governmental activities** - This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Business-type activities** - The District is the fiscal agent for the North East Florida Educational Consortium (NEFEC), which provides various programs and services to 15 members including the school districts of Baker, Bradford, Columbia, Dixie, Flagler, Gilchrist, Hamilton, Lafayette, Levy, Nassau, Putnam, Suwannee, and Union counties as well as the P. K. Yonge Development Research School and the Florida School for the Deaf and the Blind. The NEFEC charges fees to cover the cost of certain services it provides.
- **Component units** - The District presents three separate legal entities in this report. The Children's Reading Center, Inc., which owns and operates the Children's Reading Center Charter School; the Putnam Academy of Arts and Sciences, Inc., which owns and operates the Putnam Academy of Arts and Sciences; and EDGE for Educational Excellence, Inc., which owns and operates the Putnam Edge High School, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

### **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 – Food Service Fund, and Special Revenue – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise funds to account for the NEFEC programs, including the Risk Management (Property/Casualty) as well as other programs and 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 Putnam County District School Board Health Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the NEFEC Risk Management (Property/Casualty) Program Fund and the NEFEC Other Programs Fund.

**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, its progress in funding its obligation to provide other postemployment benefits to its employees, and trend data on revenues and claims development for the NEFEC Risk Management (Property/Casualty) Program.

## 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		Business-Type Activities		Total	
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
Current and Other Assets	\$ 19,519,873.46	\$ 15,157,510.79	\$ 38,599,406.15	\$ 37,139,547.30	\$ 58,119,279.61	\$ 52,297,058.09
Capital Assets	45,409,849.28	46,349,320.95	799,665.30	916,042.90	46,209,514.58	47,265,363.85
<b>Total Assets</b>	<b>64,929,722.74</b>	<b>61,506,831.74</b>	<b>39,399,071.45</b>	<b>38,055,590.20</b>	<b>104,328,794.19</b>	<b>99,562,421.94</b>
Deferred Outflows of Resources	22,544,204.53	10,295,613.99	2,013,752.47	611,912.01	24,557,957.00	10,907,526.00
Long-Term Liabilities	83,417,613.85	64,096,557.84	17,837,168.19	14,761,766.35	101,254,782.04	78,858,324.19
Other Liabilities	2,395,525.84	2,091,953.45	73,881.60	293,554.26	2,469,407.44	2,385,507.71
<b>Total Liabilities</b>	<b>85,813,139.69</b>	<b>66,188,511.29</b>	<b>17,911,049.79</b>	<b>15,055,320.61</b>	<b>103,724,189.48</b>	<b>81,243,831.90</b>
Deferred Inflows of Resources	2,365,462.01	5,953,342.69	211,293.99	353,832.31	2,576,756.00	6,307,175.00
Net Position:						
Net Investment in Capital Assets	43,655,107.01	44,560,583.59	799,665.30	916,042.90	44,454,772.31	45,476,626.49
Restricted	9,408,829.97	8,101,836.74	-	-	9,408,829.97	8,101,836.74
Unrestricted (Deficit)	(53,768,611.41)	(53,001,828.58)	22,490,814.84	22,342,333.39	(31,277,796.57)	(30,659,495.19)
<b>Total Net Position (Deficit)</b>	<b>\$ (704,674.43)</b>	<b>\$ (339,408.25)</b>	<b>\$ 23,290,480.14</b>	<b>\$ 23,258,376.29</b>	<b>\$ 22,585,805.71</b>	<b>\$ 22,918,968.04</b>

The increases in long-term liabilities and deferred outflows of resources, and the decrease in deferred inflows of resources are primarily due to the fluctuation in the net pension liability. As a participating employer in the Florida Retirement System (FRS), the District is required by Governmental Accounting Standards Board (GASB) Statement No. 68 to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. Changes in liabilities are recognized through the statement of activities, or reported as deferred outflows or inflows of resources on the statement of net position, depending on the nature of the change.

The largest portion of the District's net position (\$44,454,772.31) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (\$9,408,829.97) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position is a deficit of \$31,277,796.57 due primarily to the District's proportionate share of the collective net pension liabilities required to be reported by GASB Statement No. 68.

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		Business-Type Activities		Total	
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
Program Revenues:						
Charges for Services	\$ 479,327.48	\$ 454,008.36	\$20,232,357.01	\$20,238,778.98	\$20,711,684.49	\$20,692,787.34
Operating Grants and Contributions	8,904,258.68	8,367,361.73	-	-	8,904,258.68	8,367,361.73
Capital Grants and Contributions	1,012,326.58	875,668.22	-	-	1,012,326.58	875,668.22
General Revenues:						
Property Taxes, Levied for Operational Purposes	18,578,232.35	18,686,302.05	-	-	18,578,232.35	18,686,302.05
Property Taxes, Levied for Capital Projects	5,253,378.30	5,164,837.00	-	-	5,253,378.30	5,164,837.00
Grants and Contributions Not Restricted to Specific Programs	71,962,742.47	71,037,280.67	7,301,007.15	6,730,729.10	79,263,749.62	77,768,009.77
Unrestricted Investment Earnings	102,885.63	44,207.40	222,132.69	190,353.51	325,018.32	234,560.91
Miscellaneous	2,987,167.40	2,291,797.04	-	-	2,987,167.40	2,291,797.04
<b>Total Revenues</b>	<b>109,280,318.89</b>	<b>106,921,462.47</b>	<b>27,755,496.85</b>	<b>27,159,861.59</b>	<b>137,035,815.74</b>	<b>134,081,324.06</b>
Functions/Program Expenses:						
Instruction	56,897,796.15	54,177,215.14	-	-	56,897,796.15	54,177,215.14
Student Support Services	5,076,520.14	4,701,964.05	-	-	5,076,520.14	4,701,964.05
Instructional Media Services	1,235,625.52	1,264,546.16	-	-	1,235,625.52	1,264,546.16
Instruction and Curriculum Development Services	3,968,399.16	3,473,542.57	-	-	3,968,399.16	3,473,542.57
Instructional Staff Training Services	879,940.00	1,337,075.37	-	-	879,940.00	1,337,075.37
Instruction-Related Technology	1,103,185.97	1,250,821.01	-	-	1,103,185.97	1,250,821.01
Board	604,319.76	668,196.21	-	-	604,319.76	668,196.21
General Administration	1,106,430.95	719,055.83	-	-	1,106,430.95	719,055.83
School Administration	6,999,562.56	6,460,531.95	-	-	6,999,562.56	6,460,531.95
Facilities Acquisition and Construction	841,865.33	627,324.33	-	-	841,865.33	627,324.33
Fiscal Services	874,976.89	771,222.56	-	-	874,976.89	771,222.56
Food Services	7,575,510.89	6,779,864.23	-	-	7,575,510.89	6,779,864.23
Central Services	1,293,266.21	1,327,789.73	-	-	1,293,266.21	1,327,789.73
Student Transportation Services	5,387,245.41	5,108,709.72	-	-	5,387,245.41	5,108,709.72
Operation of Plant	7,055,070.12	6,927,968.16	-	-	7,055,070.12	6,927,968.16
Maintenance of Plant	3,262,536.43	2,885,674.84	-	-	3,262,536.43	2,885,674.84
Administrative Technology Services	1,363,298.93	1,513,452.10	-	-	1,363,298.93	1,513,452.10
Community Services	17,950.26	25,094.95	-	-	17,950.26	25,094.95
Unallocated Interest on Long-Term Debt	57,194.52	66,076.99	-	-	57,194.52	66,076.99
Unallocated Depreciation Expense	4,044,889.87	3,926,318.72	-	-	4,044,889.87	3,926,318.72
NEFEC Risk Management Program	-	-	13,887,355.67	14,508,016.07	13,887,355.67	14,508,016.07
NEFEC Other Programs	-	-	13,836,037.33	12,527,839.29	13,836,037.33	12,527,839.29
NEFEC Nonmajor Programs	-	-	-	70,062.91	-	70,062.91
<b>Total Functions/Program Expenses</b>	<b>109,645,585.07</b>	<b>104,012,444.62</b>	<b>27,723,393.00</b>	<b>27,105,918.27</b>	<b>137,368,978.07</b>	<b>131,118,362.89</b>
<b>Change in Net Position</b>	<b>(365,266.18)</b>	<b>2,909,017.85</b>	<b>32,103.85</b>	<b>53,943.32</b>	<b>(333,162.33)</b>	<b>2,962,961.17</b>
Net Position - Beginning (Deficit)	(339,408.25)	(3,248,426.10)	23,258,376.29	23,204,432.97	22,918,968.04	19,956,006.87
<b>Net Position - Ending (Deficit)</b>	<b>\$ (704,674.43)</b>	<b>\$ (339,408.25)</b>	<b>\$23,290,480.14</b>	<b>\$23,258,376.29</b>	<b>\$22,585,805.71</b>	<b>\$22,918,968.04</b>

For the governmental-type activities, the largest revenue source is the State of Florida. 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. FEFP revenues increased by \$1,694,075, or 3.8 percent, primarily from an increase in State per student funding, while other State revenues increased by \$351,950.70, or 2.4 percent, resulting in a net increase in State revenues of \$2,046,025.70, or 3.4 percent. Other State revenues are primarily for required carryover programs and for the acquisition, construction, and maintenance of educational facilities.

Miscellaneous revenues increased by \$695,370.36, or 30.3 percent, from the previous year due to an increase in Federal indirect cost rate revenues. Operating grants and contributions increased by \$536,896.95, or 6.4 percent, resulting from increased participation in the school lunch and breakfast programs due to the continued implementation of the community eligibility provision, in which all students receive free meals.

Total governmental expenses for the 2016-17 fiscal year increased by \$5,633,140.45, or 5.4 percent, from the previous fiscal year. Instruction expenses represent 52.1 and 51.9 percent of total governmental expenses in the 2015-16 and 2016-17 fiscal years, respectively.

For the business-type activities, grants and contributions not restricted to specific programs increased by \$570,278.05, or 8.5 percent, mainly from an increase in Federal and State grants. The NEFEC Risk Management (Property/Casualty) Program Fund expenses decreased by \$620,660.40, due mainly to decreases in expenses for excess insurance and self-insurance claims; however, overall business-type activities expenses increased by \$617,474.73.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### **Governmental Funds**

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

The total fund balances of governmental funds increased by \$2,509,157.61 during the fiscal year to \$14,727,276.47 at June 30, 2017. Of the total fund balance, \$4,376,055.32, or 29.7 percent, is unassigned; \$747,704.24 is nonspendable; \$9,125,810.19 is restricted; and \$477,706.72 is assigned.

### **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 \$4,376,055.32, while the total fund balance is \$6,831,341.36. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is \$4,853,762.04, or 6 percent of the total General Fund revenues, while total fund balance represents 8.5 percent of total General Fund revenues.

The assigned and unassigned fund balance increased by \$1,203,602.69, or 33 percent, while the total fund balance increased by \$1,781,455.46, or 35.3 percent, during the fiscal year. The key factor impacting the change in fund balance was an increase in revenues of \$2,511,214.84, or 3.2 percent, mainly as a result of increased FEFP revenues and Federal indirect cost rate revenues.

The Special Revenue – Food Service Fund accounts for and reports all food service activities. This fund had revenues and expenditures of \$9,167,312.46 and \$8,832,005.41, respectively, and ended the fiscal year with a fund balance of \$5,077,284.67, including inventories of \$158,506.53 that represent the nonspendable fund balance, while the remaining \$4,918,778.14 fund balance is restricted for food service operations. The total fund balance increased \$335,307.05, or 7.1 percent during the fiscal year, mainly from additional revenues resulting from increased participation in the school lunch and breakfast programs due to the continued implementation of the community eligibility provision, in which all students receive free meals.

The Special Revenue – Other Fund has total revenues and expenditures of \$10,705,937.91 each and the funding was mainly used for instruction. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund decreased primarily due to the expiration of Federal funding for the Teacher Incentive Fund grant.

### **Proprietary Funds**

The Enterprise Funds have combined net position of \$23,290,480.14, representing an increase of \$32,103.85 in net position as compared to the prior fiscal year.

- The NEFEC Risk Management (Property/Casualty) Program Fund net position decreased \$243,888.80, or 1.4 percent, from the prior fiscal year. Operating revenues decreased \$524,699.66, while nonoperating revenues were comparable to the 2015-16 fiscal year. Operating expenses decreased \$620,660.40, due mainly to decreases in expenses for excess insurance and self-insurance claims.
- The NEFEC Other Programs Fund net position increased \$319,890.34, or 5.7 percent, from the prior fiscal year. Operating revenues increased \$696,875.21, mainly from an increase in charges for services, while nonoperating revenues increased \$560,424.67, mainly from increases in Federal and State grant funding. Operating expenses increased \$1,308,198.04, due mainly to an increase in salaries and benefits.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund final budgeted revenues and expenditures were in line with original budget amounts. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues were \$218,544.99, or less than 1 percent more than the final budgeted amounts. Actual expenditures are \$4,342,702.39, or 5 percent, less than final budget amounts. The decrease in expenditures was primarily due to instruction and instruction-related expenses that were less than anticipated. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$3,631,247.38.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017, is \$46,209,514.58 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software.

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 has outstanding bonds payable of \$1,234,000 and a note payable of \$520,742.27. During the current fiscal year, the District retired bonds payable debt of \$110,000 and note payable debt of \$341,995.09 through scheduled principal payments. In addition, the District was included

in the State Board of Education's (SBE) issuance of Capital Outlay Refunding Bonds, Series 2017A, of which the District's share was \$418,000 and was used to advance refund the District's outstanding State School Bonds, Series 2008A, on January 1, 2018.

Additional information on the District's long-term debt can be found in Notes II.I.1. through II.I.3. to the financial statements.

## REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Rhonda Odom, Chief Financial Officer/Assistant Superintendent for Business & Finance, Putnam County District School Board, 200 Reid Street, Palatka, Florida 32177.

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# BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,953,909.08	\$ 5,556,223.40	\$ 14,510,132.48	\$ 1,056,332.00
Cash with Fiscal Agent	487,009.08	100,000.00	587,009.08	-
Investments	6,118,121.83	30,385,063.97	36,503,185.80	-
Accounts Receivable	2,803.05	146,046.07	148,849.12	43,493.00
Internal Balances	(303,959.89)	303,959.89	-	-
Due from Other Agencies	3,638,799.32	1,445,221.66	5,084,020.98	2,912.00
Due from Excess Insurer	-	662,891.16	662,891.16	-
Prepaid Items	-	-	-	159,324.00
Inventories	623,190.99	-	623,190.99	-
Capital Assets:				
Nondepreciable Capital Assets	2,216,997.59	45,000.00	2,261,997.59	192,000.00
Depreciable Capital Assets, Net	43,192,851.69	754,665.30	43,947,516.99	693,151.00
<b>TOTAL ASSETS</b>	<b>64,929,722.74</b>	<b>39,399,071.45</b>	<b>104,328,794.19</b>	<b>2,147,212.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	22,544,204.53	2,013,752.47	24,557,957.00	729,032.00
<b>LIABILITIES</b>				
Salaries and Benefits Payable	1,054,611.29	34,948.23	1,089,559.52	52,843.00
Accounts Payable	223,838.48	38,933.37	262,771.85	223,532.00
Construction Contracts Payable - Retained Percentage	15,813.59	-	15,813.59	-
Unearned Revenues	1,101,262.48	-	1,101,262.48	-
Long-Term Liabilities:				
Portion Due Within One Year	3,850,392.07	3,850,537.58	7,700,929.65	57,306.00
Portion Due After One Year	79,567,221.78	13,986,630.61	93,553,852.39	1,222,557.00
<b>TOTAL LIABILITIES</b>	<b>85,813,139.69</b>	<b>17,911,049.79</b>	<b>103,724,189.48</b>	<b>1,556,238.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	2,365,462.01	211,293.99	2,576,756.00	83,368.00
<b>NET POSITION</b>				
Net Investment in Capital Assets	43,655,107.01	799,665.30	44,454,772.31	481,137.00
Restricted for:				
State Required Carryover Programs	1,397,781.27	-	1,397,781.27	-
Debt Service	499,549.06	-	499,549.06	-
Capital Projects	2,187,799.56	-	2,187,799.56	-
Food Service	5,077,284.67	-	5,077,284.67	-
Permanent Funds - Expendable	6,788.57	-	6,788.57	-
Permanent Funds - Nonexpendable	124,513.25	-	124,513.25	-
Other Purposes	115,113.59	-	115,113.59	7,550.00
Unrestricted	(53,768,611.41)	22,490,814.84	(31,277,796.57)	747,951.00
<b>TOTAL NET POSITION (Deficit)</b>	<b>\$ (704,674.43)</b>	<b>\$ 23,290,480.14</b>	<b>\$ 22,585,805.71</b>	<b>\$ 1,236,638.00</b>

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

**Putnam 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	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 56,897,796.15	\$ 242,135.20	\$ -	\$ -
Student Support Services	5,076,520.14	-	-	-
Instructional Media Services	1,235,625.52	-	-	-
Instruction and Curriculum Development Services	3,968,399.16	-	-	-
Instructional Staff Training Services	879,940.00	-	-	-
Instruction-Related Technology	1,103,185.97	-	-	-
Board	604,319.76	-	-	-
General Administration	1,106,430.95	-	-	-
School Administration	6,999,562.56	-	-	-
Facilities Acquisition and Construction	841,865.33	-	-	856,059.55
Fiscal Services	874,976.89	-	-	-
Food Services	7,575,510.89	237,192.28	8,904,258.68	-
Central Services	1,293,266.21	-	-	-
Student Transportation Services	5,387,245.41	-	-	-
Operation of Plant	7,055,070.12	-	-	-
Maintenance of Plant	3,262,536.43	-	-	-
Administrative Technology Services	1,363,298.93	-	-	-
Community Services	17,950.26	-	-	-
Unallocated Interest on Long-Term Debt	57,194.52	-	-	156,267.03
Unallocated Depreciation Expense*	4,044,889.87	-	-	-
<b>Total Governmental Activities</b>	<b>109,645,585.07</b>	<b>479,327.48</b>	<b>8,904,258.68</b>	<b>1,012,326.58</b>
<b>Business-Type Activities:</b>				
NEFEC Risk Management (Property/Casualty) Program	13,887,355.67	13,469,007.50	-	-
NEFEC Other Programs	13,836,037.33	6,763,349.51	-	-
NEFEC Nonmajor Programs	-	-	-	-
<b>Total Business-Type Activities</b>	<b>27,723,393.00</b>	<b>20,232,357.01</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 137,368,978.07</b>	<b>\$ 20,711,684.49</b>	<b>\$ 8,904,258.68</b>	<b>\$ 1,012,326.58</b>
<b>Component Units</b>				
Charter Schools	\$ 3,623,521.00	\$ 14,665.00	\$ 90,194.00	\$ 153,408.00

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 (Deficit)

**Net Position - Ending (Deficit)**

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

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

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (56,655,660.95)	\$ -	\$ (56,655,660.95)	\$ -
(5,076,520.14)	-	(5,076,520.14)	-
(1,235,625.52)	-	(1,235,625.52)	-
(3,968,399.16)	-	(3,968,399.16)	-
(879,940.00)	-	(879,940.00)	-
(1,103,185.97)	-	(1,103,185.97)	-
(604,319.76)	-	(604,319.76)	-
(1,106,430.95)	-	(1,106,430.95)	-
(6,999,562.56)	-	(6,999,562.56)	-
14,194.22	-	14,194.22	-
(874,976.89)	-	(874,976.89)	-
1,565,940.07	-	1,565,940.07	-
(1,293,266.21)	-	(1,293,266.21)	-
(5,387,245.41)	-	(5,387,245.41)	-
(7,055,070.12)	-	(7,055,070.12)	-
(3,262,536.43)	-	(3,262,536.43)	-
(1,363,298.93)	-	(1,363,298.93)	-
(17,950.26)	-	(17,950.26)	-
99,072.51	-	99,072.51	-
(4,044,889.87)	-	(4,044,889.87)	-
<u>(99,249,672.33)</u>	<u>-</u>	<u>(99,249,672.33)</u>	<u>-</u>
-	(418,348.17)	(418,348.17)	-
-	(7,072,687.82)	(7,072,687.82)	-
-	-	-	-
-	<u>(7,491,035.99)</u>	<u>(7,491,035.99)</u>	<u>-</u>
<u>(99,249,672.33)</u>	<u>(7,491,035.99)</u>	<u>(106,740,708.32)</u>	<u>-</u>
-	-	-	(3,365,254.00)
18,578,232.35	-	18,578,232.35	-
5,253,378.30	-	5,253,378.30	-
71,962,742.47	7,301,007.15	79,263,749.62	3,540,239.00
102,885.63	222,132.69	325,018.32	341.00
2,987,167.40	-	2,987,167.40	87,875.00
<u>98,884,406.15</u>	<u>7,523,139.84</u>	<u>106,407,545.99</u>	<u>3,628,455.00</u>
(365,266.18)	32,103.85	(333,162.33)	263,201.00
<u>(339,408.25)</u>	<u>23,258,376.29</u>	<u>22,918,968.04</u>	<u>973,437.00</u>
<u>\$ (704,674.43)</u>	<u>\$ 23,290,480.14</u>	<u>\$ 22,585,805.71</u>	<u>\$ 1,236,638.00</u>

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

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Special Revenue - Other Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,772,401.84	\$ 484,717.52	\$ -
Cash with Fiscal Agent	-	-	-
Investments	-	4,662,366.90	-
Accounts Receivable	2,803.05	-	-
Due from Other Funds	2,213,026.25	-	-
Due from Other Agencies	540,025.00	101,439.87	1,632,376.26
Inventories	464,684.46	158,506.53	-
<b>TOTAL ASSETS</b>	<b>\$ 7,992,940.60</b>	<b>\$ 5,407,030.82</b>	<b>\$ 1,632,376.26</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 835,225.25	\$ 63,246.31	\$ 155,054.57
Accounts Payable	22,414.10	73,897.83	56,897.45
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Funds	303,959.89	192,602.01	1,420,424.24
Unearned Revenues	-	-	-
<b>Total Liabilities</b>	<b>1,161,599.24</b>	<b>329,746.15</b>	<b>1,632,376.26</b>
Fund Balances:			
Nonspendable:			
Inventories	464,684.46	158,506.53	-
Permanent Fund Principal	-	-	-
Total Nonspendable Fund Balance	<b>464,684.46</b>	<b>158,506.53</b>	<b>-</b>
Restricted for:			
State Required Carryover Programs	1,397,781.27	-	-
Other State and Local Projects	115,113.59	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	4,918,778.14	-
Permanent Funds	-	-	-
Total Restricted Fund Balance	<b>1,512,894.86</b>	<b>4,918,778.14</b>	<b>-</b>
Assigned for:			
Industry Certified Career Education	113,256.84	-	-
Wellness Initiatives	107,681.02	-	-
Purchase Obligations	74,239.12	-	-
Maintenance and Repairs	73,843.70	-	-
Other Purposes	108,686.04	-	-
Total Assigned Fund Balance	<b>477,706.72</b>	<b>-</b>	<b>-</b>
Unassigned Fund Balance	<b>4,376,055.32</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>6,831,341.36</b>	<b>5,077,284.67</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,992,940.60</b>	<b>\$ 5,407,030.82</b>	<b>\$ 1,632,376.26</b>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,190,968.42	\$ 7,448,087.78
487,009.08	487,009.08
558,137.01	5,220,503.91
-	2,803.05
-	2,213,026.25
1,332,547.80	3,606,388.93
-	623,190.99
<b>\$ 4,568,662.31</b>	<b>\$ 19,601,009.99</b>
\$ -	\$ 1,053,526.13
32,935.80	186,145.18
15,813.59	15,813.59
600,000.00	2,516,986.14
1,101,262.48	1,101,262.48
<b>1,750,011.87</b>	<b>4,873,733.52</b>
-	623,190.99
124,513.25	124,513.25
<b>124,513.25</b>	<b>747,704.24</b>
-	1,397,781.27
-	115,113.59
499,549.06	499,549.06
2,187,799.56	2,187,799.56
-	4,918,778.14
6,788.57	6,788.57
<b>2,694,137.19</b>	<b>9,125,810.19</b>
-	113,256.84
-	107,681.02
-	74,239.12
-	73,843.70
-	108,686.04
-	477,706.72
-	4,376,055.32
<b>2,818,650.44</b>	<b>14,727,276.47</b>
<b>\$ 4,568,662.31</b>	<b>\$ 19,601,009.99</b>

**Putnam 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** \$ 14,727,276.47

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. 45,409,849.28

An internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. 2,397,071.15

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:

Note Payable	\$	(520,742.27)	
Bonds Payable		(1,234,000.00)	
Compensated Absences Payable		(11,479,648.25)	
Net Pension Liability		(58,300,029.42)	
Other Postemployment Benefits Payable		(11,883,193.91)	(83,417,613.85)

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	\$	22,544,204.53	
Deferred Inflows Related to Pensions		(2,365,462.01)	20,178,742.52

**Net Position - Governmental Activities** **\$ (704,674.43)**

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

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**Putnam 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 - Food Service Fund	Special Revenue - Other Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 196,829.41	\$ -	\$ 49,235.37
Federal Through State and Local	633,554.05	8,765,255.68	10,656,702.54
State	59,611,834.90	139,003.00	-
Local:			
Property Taxes	18,578,232.35	-	-
Charges for Services - Food Service	-	237,192.28	-
Miscellaneous	1,663,616.62	25,861.50	-
Total Local Revenues	<u>20,241,848.97</u>	<u>263,053.78</u>	<u>-</u>
<b>Total Revenues</b>	<u>80,684,067.33</u>	<u>9,167,312.46</u>	<u>10,705,937.91</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	48,401,477.23	-	6,244,897.00
Student Support Services	3,836,185.77	-	1,030,465.90
Instructional Media Services	1,185,624.13	-	-
Instruction and Curriculum Development Services	1,792,775.08	-	2,009,789.67
Instructional Staff Training Services	64,528.05	-	753,201.73
Instruction-Related Technology	1,081,690.86	-	-
Board	571,327.57	-	-
General Administration	510,067.29	-	565,266.59
School Administration	6,727,764.84	-	-
Facilities Acquisition and Construction	84,004.52	-	-
Fiscal Services	821,496.86	-	-
Food Services	25,496.93	7,416,829.83	-
Central Services	1,230,631.89	-	-
Student Transportation Services	4,628,332.54	-	52,633.80
Operation of Plant	6,908,554.61	-	-
Maintenance of Plant	3,180,385.63	-	-
Administrative Technology Services	1,327,013.39	-	-
Community Services	3,654.26	-	14,296.00
Fixed Capital Outlay:			
Facilities Acquisition and Construction	258,851.78	1,027,067.62	-
Other Capital Outlay	179,032.02	388,107.96	35,387.22
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<u>82,818,895.25</u>	<u>8,832,005.41</u>	<u>10,705,937.91</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,134,827.92)</u>	<u>335,307.05</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	3,909,223.97	-	-
Refunding Bonds Issued	-	-	-
Premium on Refunding Bonds Issued	-	-	-
Loss Recoveries	7,059.41	-	-
Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>3,916,283.38</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,781,455.46	335,307.05	-
Fund Balances, Beginning	5,049,885.90	4,741,977.62	-
<b>Fund Balances, Ending</b>	<u>\$ 6,831,341.36</u>	<u>\$ 5,077,284.67</u>	<u>\$ 0.00</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 246,064.78
-	20,055,512.27
1,826,912.78	61,577,750.68
5,253,378.30	23,831,610.65
-	237,192.28
22,227.05	1,711,705.17
<u>5,275,605.35</u>	<u>25,780,508.10</u>
<u>7,102,518.13</u>	<u>107,659,835.83</u>
203,310.30	54,849,684.53
-	4,866,651.67
-	1,185,624.13
-	3,802,564.75
25,999.69	843,729.47
-	1,081,690.86
-	571,327.57
-	1,075,333.88
-	6,727,764.84
757,860.81	841,865.33
-	821,496.86
-	7,442,326.76
-	1,230,631.89
115.60	4,681,081.94
-	6,908,554.61
-	3,180,385.63
-	1,327,013.39
-	17,950.26
1,528,307.05	2,814,226.45
257,906.98	860,434.18
451,995.09	451,995.09
57,194.52	57,194.52
<u>3,282,690.04</u>	<u>105,639,528.61</u>
<u>3,819,828.09</u>	<u>2,020,307.22</u>
-	3,909,223.97
418,000.00	418,000.00
63,790.98	63,790.98
-	7,059.41
<u>(3,909,223.97)</u>	<u>(3,909,223.97)</u>
<u>(3,427,432.99)</u>	<u>488,850.39</u>
392,395.10	2,509,157.61
<u>2,426,255.34</u>	<u>12,218,118.86</u>
<u>\$ 2,818,650.44</u>	<u>\$ 14,727,276.47</u>

**Putnam 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** \$ 2,509,157.61

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.

Fixed Capital Outlay - Facilities Acquisition and Construction	\$ 2,814,226.45	
Fixed Capital Outlay - Other Capital Outlay	860,434.18	
Depreciation Expense	<u>(4,614,132.30)</u>	(939,471.67)

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

Refunding Bonds Issued	\$ (418,000.00)	
Note Principal Payments	341,995.09	
Bonds Principal Payments	<u>110,000.00</u>	33,995.09

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current fiscal year. (560,280.99)

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. (502,261.50)

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	\$ 3,560,248.18	
HIS Pension Contribution	973,701.49	
FRS Pension Expense	(5,140,135.36)	
HIS Pension Expense	<u>(1,849,851.70)</u>	(2,456,037.39)

An internal service fund is used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 1,549,632.67

**Change in Net Position - Governmental Activities** \$ (365,266.18)

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

**Putnam County District School Board**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>NEFEC Risk Management (Property/Casualty) Program</b>	<b>NEFEC Other Programs</b>	<b>NEFEC Nonmajor Programs</b>	<b>Total</b>	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 3,452,495.18	\$ 2,103,728.22	\$ -	\$ 5,556,223.40	\$ 1,505,821.30
Cash with Fiscal Agent	100,000.00	-	-	100,000.00	-
Investments	25,449,340.40	4,935,723.57	-	30,385,063.97	897,617.92
Accounts Receivable	-	146,046.07	-	146,046.07	-
Due from Other Funds	175,914.25	128,045.64	-	303,959.89	-
Due from Other Agencies	596.00	1,444,625.66	-	1,445,221.66	32,410.39
Due from Excess Insurer	662,891.16	-	-	662,891.16	-
<b>Total Current Assets</b>	<b>29,841,236.99</b>	<b>8,758,169.16</b>	<b>-</b>	<b>38,599,406.15</b>	<b>2,435,849.61</b>
Noncurrent Assets:					
Nondepreciable Capital Assets	-	45,000.00	-	45,000.00	-
Depreciable Capital Assets, Net	-	754,665.30	-	754,665.30	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>799,665.30</b>	<b>-</b>	<b>799,665.30</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>29,841,236.99</b>	<b>9,557,834.46</b>	<b>-</b>	<b>39,399,071.45</b>	<b>2,435,849.61</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pensions	74,120.58	1,939,631.89	-	2,013,752.47	-
<b>LIABILITIES</b>					
Current Liabilities:					
Salaries and Benefits Payable	153.95	34,794.28	-	34,948.23	1,085.16
Accounts Payable	683.73	38,249.64	-	38,933.37	37,693.30
Compensated Absences Payable	12,723.79	137,615.44	-	150,339.23	-
Estimated Liability for Self-Insurance Program	3,643,000.00	-	-	3,643,000.00	-
Net Pension Liability	2,287.93	54,910.42	-	57,198.35	-
<b>Total Current Liabilities</b>	<b>3,658,849.40</b>	<b>265,569.78</b>	<b>-</b>	<b>3,924,419.18</b>	<b>38,778.46</b>
Noncurrent Liabilities:					
Compensated Absences Payable	50,895.15	550,462.14	-	601,357.29	-
Estimated Liability for Self-Insurance Program	8,602,000.00	-	-	8,602,000.00	-
Net Pension Liability	183,716.15	4,003,351.08	-	4,187,067.23	-
Other Postemployment Benefits Payable	48,358.65	547,847.44	-	596,206.09	-
<b>Total Noncurrent Liabilities</b>	<b>8,884,969.95</b>	<b>5,101,660.66</b>	<b>-</b>	<b>13,986,630.61</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>12,543,819.35</b>	<b>5,367,230.44</b>	<b>-</b>	<b>17,911,049.79</b>	<b>38,778.46</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pensions	9,081.85	202,212.14	-	211,293.99	-
<b>NET POSITION</b>					
Investment in Capital Assets	-	799,665.30	-	799,665.30	-
Unrestricted	17,362,456.37	5,128,358.47	-	22,490,814.84	2,397,071.15
<b>TOTAL NET POSITION</b>	<b>\$ 17,362,456.37</b>	<b>\$ 5,928,023.77</b>	<b>\$ 0.00</b>	<b>\$ 23,290,480.14</b>	<b>\$ 2,397,071.15</b>

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

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

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	NEFEC Risk Management (Property/Casualty) Program	NEFEC Other Programs	NEFEC Nonmajor Programs		
<b>OPERATING REVENUES</b>					
Charges for Services	\$ -	\$ 6,206,226.31	\$ -	\$ 6,206,226.31	\$ -
Charges for Sales	-	126,197.88	-	126,197.88	-
Premiums	13,469,007.50	-	-	13,469,007.50	11,007,480.81
Other	-	430,925.32	-	430,925.32	-
<b>Total Operating Revenues</b>	<u>13,469,007.50</u>	<u>6,763,349.51</u>	<u>-</u>	<u>20,232,357.01</u>	<u>11,007,480.81</u>
<b>OPERATING EXPENSES</b>					
Salaries	232,574.54	5,009,349.51	-	5,241,924.05	51,500.00
Employee Benefits	70,262.54	1,421,741.24	-	1,492,003.78	14,653.97
Purchased Services	451,329.33	5,363,379.09	-	5,814,708.42	9,363,786.48
Energy Services	-	43,154.39	-	43,154.39	-
Materials and Supplies	1,991.00	305,531.83	-	307,522.83	-
Capital Outlay	2,265.23	934,630.79	-	936,896.02	-
Insurance Claims	6,910,889.00	-	-	6,910,889.00	-
Excess Insurance Premiums	6,028,101.70	-	-	6,028,101.70	-
Other	189,942.33	526,928.47	-	716,870.80	31,108.28
Depreciation	-	231,322.01	-	231,322.01	-
<b>Total Operating Expenses</b>	<u>13,887,355.67</u>	<u>13,836,037.33</u>	<u>-</u>	<u>27,723,393.00</u>	<u>9,461,048.73</u>
<b>Operating Income (Loss)</b>	<u>(418,348.17)</u>	<u>(7,072,687.82)</u>	<u>-</u>	<u>(7,491,035.99)</u>	<u>1,546,432.08</u>
<b>NONOPERATING REVENUES</b>					
Interest	174,459.37	47,673.32	-	222,132.69	3,200.59
Federal Grants	-	5,470,951.30	-	5,470,951.30	-
State Grants	-	1,830,055.85	-	1,830,055.85	-
<b>Total Nonoperating Revenues</b>	<u>174,459.37</u>	<u>7,348,680.47</u>	<u>-</u>	<u>7,523,139.84</u>	<u>3,200.59</u>
<b>Income (Loss) Before Transfers</b>	<u>(243,888.80)</u>	<u>275,992.65</u>	<u>-</u>	<u>32,103.85</u>	<u>1,549,632.67</u>
Transfers In	-	43,897.69	-	43,897.69	-
Transfers Out	-	-	(43,897.69)	(43,897.69)	-
<b>Change in Net Position</b>	<u>(243,888.80)</u>	<u>319,890.34</u>	<u>(43,897.69)</u>	<u>32,103.85</u>	<u>1,549,632.67</u>
Total Net Position - Beginning	17,606,345.17	5,608,133.43	43,897.69	23,258,376.29	847,438.48
<b>Total Net Position - Ending</b>	<u>\$ 17,362,456.37</u>	<u>\$ 5,928,023.77</u>	<u>\$ 0.00</u>	<u>\$ 23,290,480.14</u>	<u>\$ 2,397,071.15</u>

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

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	NEFEC Risk Management (Property/Casualty) Program	NEFEC Other Programs	NEFEC Nonmajor Programs	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Board Funds and Participants	\$ 13,469,007.50	\$ -	\$ -	\$ 13,469,007.50	\$ 11,007,480.81
Cash Payments to Suppliers for Goods and Services	(6,471,172.05)	(7,411,147.86)	-	(13,882,319.91)	(9,407,459.76)
Cash Payments to Employees for Services	(282,235.88)	(6,139,523.50)	-	(6,421,759.38)	(65,213.81)
Cash Payments for Insurance Claims	(5,689,889.00)	-	-	(5,689,889.00)	-
Cash Received from Other Operating Activities	-	6,753,909.62	-	6,753,909.62	-
Cash Payments for Other Operating Activities	(238,163.09)	-	-	(238,163.09)	(32,410.39)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>787,547.48</u>	<u>(6,796,761.74)</u>	<u>-</u>	<u>(6,009,214.26)</u>	<u>1,502,396.85</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash Received from Federal and State Grants	-	7,182,160.55	-	7,182,160.55	-
Transfers from (to) Other Funds	-	43,897.69	(43,897.69)	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>-</u>	<u>7,226,058.24</u>	<u>(43,897.69)</u>	<u>7,182,160.55</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and Construction of Capital Assets	-	(114,944.41)	-	(114,944.41)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Investments	(25,460,011.49)	(4,938,329.83)	-	(30,398,341.32)	(897,617.92)
Interest Income	185,130.46	50,279.58	-	235,410.04	3,200.59
<b>Net Cash Used by Investing Activities</b>	<u>(25,274,881.03)</u>	<u>(4,888,050.25)</u>	<u>-</u>	<u>(30,162,931.28)</u>	<u>(894,417.33)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(24,487,333.55)</u>	<u>(4,573,698.16)</u>	<u>(43,897.69)</u>	<u>(29,104,929.40)</u>	<u>607,979.52</u>
Cash and Cash Equivalents, Beginning	28,039,828.73	6,677,426.38	43,897.69	34,761,152.80	897,841.78
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 3,552,495.18</u>	<u>\$ 2,103,728.22</u>	<u>\$ 0.00</u>	<u>\$ 5,656,223.40</u>	<u>\$ 1,505,821.30</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (418,348.17)	\$ (7,072,687.82)	\$ -	\$ (7,491,035.99)	\$ 1,546,432.08
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	-	231,322.01	-	231,322.01	-
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:					
Accounts Receivable	202,420.31	(15,695.01)	-	186,725.30	-
Due from Other Funds	(175,914.25)	(9,439.89)	-	(185,354.14)	-
Due from Excess Insurer	(61,652.84)	-	-	(61,652.84)	-
Due from Other Agencies	(596.00)	-	-	(596.00)	(32,410.39)
Salaries and Benefits Payable	(1,879.09)	3,997.48	-	2,118.39	940.16
Accounts Payable	37.23	(221,828.28)	-	(221,791.05)	(12,565.00)
Estimated Liability for Self-Insurance Program	1,221,000.00	-	-	1,221,000.00	-
Compensated Absences Payable	3,001.04	66,225.91	-	69,226.95	-
Net Pension Liability	70,688.90	1,693,074.49	-	1,763,763.39	-
Other Postemployment Benefits Payable	1,831.32	19,607.18	-	21,438.50	-
Deferred Outflows of Resources Related to Pensions	(45,678.78)	(1,356,161.68)	-	(1,401,840.46)	-
Deferred Inflows of Resources Related to Pensions	(7,362.19)	(135,176.13)	-	(142,538.32)	-
<b>Total Adjustments</b>	<u>1,205,895.65</u>	<u>275,926.08</u>	<u>-</u>	<u>1,481,821.73</u>	<u>(44,035.23)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 787,547.48</u>	<u>\$ (6,796,761.74)</u>	<u>\$ 0.00</u>	<u>\$ (6,009,214.26)</u>	<u>\$ 1,502,396.85</u>
<b>Noncash Investing Activities</b>					
Net Decrease in Fair Value of Investments	\$ (10,671.09)	(2,606.26)	\$ 0.00	\$ (13,277.35)	\$ 0.00

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

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 918,507.00
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ 918,507.00

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

# **NOTES TO FINANCIAL STATEMENTS**

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

### **A. 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 primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

### **B. Reporting Entity**

The Putnam 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 Putnam 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 the application of these criteria, the following component units are included within the District's reporting entity:

**Discretely Presented Component Units.** The component units' columns in the government-wide financial statements include the financial data of the District's component units. A separate column is used to emphasize that they are legally separate from the District.

The District's charter schools are the Children's Reading Center Charter School, the Putnam Academy of Arts and Sciences, and the Putnam Edge High School. The Children's Reading Center, Inc., which owns and operates the Children's Reading Center Charter School; the Putnam Academy of Arts and Sciences, Inc., which owns and operates the Putnam Academy of Arts and Sciences; and the EDGE for Educational Excellence, Inc., which owns and operates the Putnam Edge High School are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Putnam County District School Board. The District may choose not to renew the charters under grounds specified in the charters. During the term of the charters, the District may terminate the charters if good cause is shown. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2017. The audit reports are filed in the District's administrative offices at 200 Reid Street, Palatka, Florida 32177.

### **C. Basis of Presentation: Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and the internal service fund, while business-type activities incorporate data from the government's enterprise funds. 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 and net residual amounts between governmental and business-type activities.

### **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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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 – Food Service Fund – to account for Federal grants and related program charges for the Food and Nutrition Services program.

- Special Revenue – Other Fund – to account for certain Federal grant program resources.

The District reports the following major enterprise funds:

- NEFEC Risk Management (Property/Casualty) Program Fund – to account for the NEFEC property/casualty self-insurance program (including workers' compensation), for which the District is fiscal agent.
- NEFEC Other Programs Fund – to account for the financial activities of the NEFEC cooperative programs and services provided to member districts other than the self-insurance program.

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

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

During the course of operations, the District had activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type 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 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The Children's Reading Center Charter School is accounted for as a not-for-profit organization and uses the not-for-profit accounting model. The Putnam Academy of Arts and Sciences and Putnam Edge High School are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

## **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. The statement of cash flows also considers as cash and cash equivalents those amounts on deposit with fiscal agents.

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

### **2. Investments**

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys and those made locally.

Investments made locally consist of amounts placed in intergovernmental investment pools and are reported at fair value.

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

### 3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the moving-average basis, except that General Fund instructional materials and transportation inventories are stated at cost based on the last invoice, which approximates the first-in, first-out method, and 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 \$1,000. 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the unweighted average composite method for governmental activities and the straight-line method for business-type activities over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
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. Debt premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

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, pensions. 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, pensions. 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. On August 17, 2010, the Board, by resolution, authorized the Chief Financial Officer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

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

### **2. State Revenue Sources**

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

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

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 Putnam County Property Appraiser, and property taxes are collected by the Putnam 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 Putnam 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 Funds 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 funds' principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for information technology services, and premiums for property, casualty, and workers' compensation insurance. Operating expenses include purchased services, salaries and benefits, materials and supplies, capital outlay, and depreciation, related to information technology services provided; and purchased services, insurance claims, excess insurance premiums, and salaries and benefits, related to insurance programs. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses consist primarily of 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:		
Debt Service Accounts	6 Months	\$ 12,525.02
Florida Fixed Income Trust (FIT):		
Florida FIT Cash Pool (1)	0.25 Years	12,085,141.12
Florida FIT Enhanced Cash Pool	0.51 Years	<u>36,490,660.78</u>
<b>Total Investments</b>		<u>\$ 48,588,326.92</u>

Note: (1) This investment is reported as cash equivalents for financial statement reporting purposes.

### **Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments in SBA debt service accounts are valued using Level 1 inputs, and the District's investments in the Florida FIT Enhanced Cash Pool are valued using Level 2 inputs.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission 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 Board has adopted an investment policy that authorizes investing in qualified depositories, certificates of deposit, time deposits, securities of the United States Government, investment pools managed and directed by an approved agency of the State, and certain forms of investments authorized in accordance with Section 218.415, Florida Statutes.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The District's investments in the Florida FIT are both rated AA+ by Standard & Poor's.

### C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,058,861.74	\$ -	\$ -	\$ 2,058,861.74
Construction in Progress	1,717,857.85	2,814,226.45	4,373,948.45	158,135.85
Total Capital Assets Not Being Depreciated	<u>3,776,719.59</u>	<u>2,814,226.45</u>	<u>4,373,948.45</u>	<u>2,216,997.59</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	7,650,268.46	326,294.72	-	7,976,563.18
Buildings and Fixed Equipment	130,363,423.12	4,047,653.73	-	134,411,076.85
Furniture, Fixtures, and Equipment	12,647,371.00	499,629.11	1,541,683.66	11,605,316.45
Motor Vehicles	10,578,042.58	360,805.07	329,043.00	10,609,804.65
Computer Software	1,325,295.51	-	-	1,325,295.51
Total Capital Assets Being Depreciated	<u>162,564,400.67</u>	<u>5,234,382.63</u>	<u>1,870,726.66</u>	<u>165,928,056.64</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	5,900,233.37	245,236.53	-	6,145,469.90
Buildings and Fixed Equipment	93,699,465.58	3,199,062.65	-	96,898,528.23
Furniture, Fixtures, and Equipment	10,624,243.21	600,590.69	1,541,683.66	9,683,150.24
Motor Vehicles	8,442,561.64	569,242.43	329,043.00	8,682,761.07
Computer Software	1,325,295.51	-	-	1,325,295.51
Total Accumulated Depreciation	<u>119,991,799.31</u>	<u>4,614,132.30</u>	<u>1,870,726.66</u>	<u>122,735,204.95</u>
Total Capital Assets Being Depreciated, Net	<u>42,572,601.36</u>	<u>620,250.33</u>	<u>-</u>	<u>43,192,851.69</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,349,320.95</u>	<u>\$ 3,434,476.78</u>	<u>\$ 4,373,948.45</u>	<u>\$ 45,409,849.28</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 45,000.00	\$ -	\$ -	\$ 45,000.00
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,688.00	-	-	6,688.00
Buildings and Fixed Equipment	2,293,784.62	10,250.00	-	2,304,034.62
Furniture, Fixtures, and Equipment	1,539,037.34	104,694.41	121,218.96	1,522,512.79
Motor Vehicles	55,793.60	-	-	55,793.60
Computer Software	3,588,867.93	-	-	3,588,867.93
Total Capital Assets Being Depreciated	<u>7,484,171.49</u>	<u>114,944.41</u>	<u>121,218.96</u>	<u>7,477,896.94</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	6,150.00	269.00	-	6,419.00
Buildings and Fixed Equipment	1,681,311.33	82,548.63	-	1,763,859.96
Furniture, Fixtures, and Equipment	1,353,695.02	88,881.51	121,218.96	1,321,357.57
Motor Vehicles	41,520.16	7,136.72	-	48,656.88
Computer Software	3,530,452.08	52,486.15	-	3,582,938.23
Total Accumulated Depreciation	<u>6,613,128.59</u>	<u>231,322.01</u>	<u>121,218.96</u>	<u>6,723,231.64</u>
Total Capital Assets Being Depreciated, Net	<u>871,042.90</u>	<u>(116,377.60)</u>	<u>-</u>	<u>754,665.30</u>
Business-Type Activities Capital Assets, Net	<u>\$ 916,042.90</u>	<u>\$ (116,377.60)</u>	<u>\$ 0.00</u>	<u>\$ 799,665.30</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
<b>GOVERNMENTAL ACTIVITIES</b>	
Student Transportation Services	\$ 569,242.43
Unallocated	<u>4,044,889.87</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,614,132.30</u>
<b>BUSINESS-TYPE ACTIVITIES</b>	
NEFEC Other Programs	<u>\$ 231,322.01</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](http://www.dms.myflorida.com)).

The District's FRS and HIS pension expense totaled \$7,614,365 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:

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. 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>
<b>Regular members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	3.00
<b>Senior Management Service</b>	2.00
<b>Special Risk</b>	
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member was 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 was 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
FRS, Senior Management Service	3.00	21.77
FRS, Special Risk	3.00	22.57
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 \$3,878,266 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 \$38,349,033 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 0.151876888 percent, which was a decrease of 0.011609138 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 \$5,599,276. 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	\$ 2,936,297	\$ 357,055
Change of assumptions	2,320,002	-
Net difference between projected and actual earnings on FRS pension plan investments	9,912,757	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	345,229	1,797,902
District FRS contributions subsequent to the measurement date	3,878,266	-
<b>Total</b>	<b>\$ 19,392,551</b>	<b>\$ 2,154,957</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$3,878,266, 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	\$ 1,792,141
2019	1,792,141
2020	5,656,749
2021	3,719,890
2022	309,734
Thereafter	<u>88,673</u>
<b>Total</b>	<b><u>\$ 13,359,328</u></b>

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%
<b>Total</b>	<u>100%</u>			
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:

	<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
District's proportionate share of the net pension liability	\$ 70,603,167	\$ 38,349,033	\$ 11,501,727

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 \$1,060,677 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 \$24,195,262 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 0.207602932 percent, which was a decrease of 0.001954977 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 \$2,015,089. 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	\$ -	\$ 55,108
Change of assumptions	3,796,852	-
Net difference between projected and actual earnings on HIS pension plan investments	12,234	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	295,643	366,691
District contributions subsequent to the measurement date	1,060,677	-
<b>Total</b>	<u>\$ 5,165,406</u>	<u>\$ 421,799</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,060,677, 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	\$ 676,987
2019	676,987
2020	674,657
2021	673,539
2022	527,044
Thereafter	453,716
<b>Total</b>	<b>\$ 3,682,930</b>

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:

	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
District's proportionate share of the net pension liability	\$ 27,757,463	\$ 24,195,262	\$ 21,238,830

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:

<b><u>Class</u></b>	<b><u>Percent of Gross Compensation</u></b>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 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 \$643,589.72 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, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retirees healthcare costs are generally greater than active employees healthcare costs. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to negotiated union bargaining agreements. Eligible employees are entitled to receive benefits provided under this defined benefit plan from the time of retirement until eligible to enroll in the Federal Medicare program for their primary 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, 711 retirees received life insurance other postemployment benefits and 136 retirees received health and hospitalization other postemployment benefits. The District provided required contributions of \$569,400 toward the annual OPEB cost, net of retiree contributions totaling \$495,200, which represents 0.8 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)	\$ 415,200
Amortization of Unfunded Actuarial Accrued Liability	708,711
Interest on Normal Cost and Amortization	<u>39,689</u>
Annual Required Contribution	1,163,600
Interest on Net OPEB Obligation	418,400
Adjustment to Annual Required Contribution	<u>(488,900)</u>
Annual OPEB Cost (Expense)	1,093,100
Contribution Toward the OPEB Cost	<u>(569,400)</u>
Increase in Net OPEB Obligation	523,700
Net OPEB Obligation, Beginning of Year	<u>11,955,700</u>
Net OPEB Obligation, End of Year	<u>\$ 12,479,400</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	\$ 1,806,400	32.6%	\$ 11,384,800
2015-16	1,106,700	48.4%	11,955,700
2016-17	1,093,100	52.1%	12,479,400

**Funded Status and Funding Progress.** As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$18,192,808, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$18,192,808 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$65,958,216, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27.6 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 July 1, 2015, used the projected unit credit cost 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 3.5 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 percent per year, and an annual healthcare cost trend rate of 6.1 percent for the 2016-17 fiscal year, reduced to an ultimate rate of 4.5 percent in 2071. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis with an amortization period of 27.7297 years.

**F. 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 fiscal 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:

<b>Major Funds</b>				
<b>General</b>	<b>Special Revenue - Food Service</b>	<b>Special Revenue - Other</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 612,742.56	\$ 1,295,682.44	\$ 134,174.87	\$ 200,893.05	\$ 2,243,492.92

**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 is a member of the North East Florida Educational Consortium (NEFEC) (see Note III.) and participates in the NEFEC Risk Management Program (NEFEC RMP) relating to property and casualty insurance, under which several district school boards have established a combined limited self-insurance program for 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 of the NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management programs. The NEFEC RMP for property and casualty insurance is a risk sharing public entity pool that is self-sustaining through member assessments (premiums). Coverage is purchased through commercial companies

for claims in excess of specified amounts. Activities applicable to the NEFEC RMP are included in the business-type activities on the financial statements.

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

The employee group health insurance plans are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. In addition, the Board provides life insurance equivalent to each employee's salary rounded to the next \$1,000. The Board also offers a cafeteria plan to its employees, in which the employees select among a variety of plan benefits.

## **H. Public Entity Risk Pool**

**Fund Description.** The NEFEC RMP public entity risk pool was organized on July 1, 1982, to provide property and casualty insurance coverage for its member districts. The NEFEC RMP was established under the authority of Sections 1001.42(12)(k), 111.072, 1001.42(11)(d), 1011.18(6), 440.38(6), and 768.28, Florida Statutes. The NEFEC RMP was established to formulate, develop, and administer, on behalf of the member districts, a program of group self-insurance for achieving lower costs through the development of a comprehensive loss control program. If the assets of the NEFEC RMP were to be exhausted, members would be responsible for their allocable portion of the NEFEC RMP liabilities. The NEFEC RMP members currently include 12 districts and the Florida Virtual School. Members may withdraw from the NEFEC RMP by providing a 60-day written notice of intent to withdraw and may withdraw on the next anniversary date of the program. Annual assessments and increases are based on the assessment formula developed by the member districts.

### **Summary of Significant Accounting Policies**

- **Unpaid Claims Liabilities.** The NEFEC RMP establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards. Accordingly, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability and workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect settlements, claim frequency, and other economic and social factors.
- **Excess Insurance.** The NEFEC RMP has entered into agreements with various insurance companies to provide specific excess coverage for claim amounts above a stated amount on an individual claim basis and aggregate excess coverage when total claims minus specific excess coverage exceed the loss fund. The amount of \$662,891.16 in excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2017.
- **Investment Income.** Investment income is not treated as an offset to reserves.

### **Unpaid Claims Liabilities**

The following schedule presents the changes in claims liability for the past 2 years in the NEFEC RMP:

	<b>Reconciliation of Claims Liability</b>	
	<b>2015-16</b>	<b>2016-17</b>
Estimated Insurance Claims Payable, Beginning of Fiscal Year	\$ 9,781,000	\$ 11,024,000
Incurring Claims and Claims Adjustment Expenses:		
Provision for Insured Events of Current Fiscal Year	6,048,000	7,270,000
Increase (Decrease) in Provision for Insured Events of Prior Fiscal Years	665,000	(442,000)
Increase in Estimated Incurred Claims Assigned	361,668	82,889
Total Incurred Claims and Claims Adjustment Expenses	7,074,668	6,910,889
Payments:		
Claims and Claims Adjustment Expenses Attributable to:		
Insured Events of the Current Fiscal Year	2,261,000	2,040,000
Insured Events of Prior Fiscal Years	3,194,000	3,630,000
Adjustments for Payments from Excess Insurers and Subrogation	376,668	19,889
Total Payments	5,831,668	5,689,889
<b>Estimated Insurance Claims Payable, End of Fiscal Year</b>	<b>\$ 11,024,000</b>	<b>\$ 12,245,000</b>

## I. Long-Term Liabilities

### 1. Note Payable

On July 29, 2013, the District entered into a Master Tax-Exempt Lease-Purchase Agreement, to fund the purchase of school buses. The agreement was entered into pursuant to Section 1011.14, Florida Statutes, and established a note payable to be repaid from certain ad valorem taxes and other legally available revenues. The note was issued at par for \$1,700,000, with a fixed interest rate of 1.2 percent.

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, note payable are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 351,344.46	\$ 346,119.94	\$ 5,224.52
2019	175,672.25	174,622.33	1,049.92
<b>Total</b>	<b>\$ 527,016.71</b>	<b>\$ 520,742.27</b>	<b>\$ 6,274.44</b>

### 2. Bonds Payable

Bonds payable at June 30, 2017, are as follows:

<b>Bond Type</b>	<b>Amount Outstanding</b>	<b>Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
State School Bonds:			
Series 2008A	\$ 490,000.00	4.25 - 5	2028
Series 2009A, Refunding	40,000.00	5	2019
Series 2014A, Refunding	246,000.00	3 - 5	2025
Series 2014B, Refunding	40,000.00	2 - 5	2020
Series 2017A, Refunding	418,000.00	3 - 5	2028
<b>Total Bonds Payable</b>	<b>\$ 1,234,000.00</b>		

The various bonds were issued to finance capital outlay projects of the District. These bonds are issued by the SBE on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
State School Bonds:			
2018	\$ 606,304.23	\$ 568,000.00	\$ 38,304.23
2019	112,900.00	81,000.00	31,900.00
2020	93,850.00	66,000.00	27,850.00
2021	91,670.00	67,000.00	24,670.00
2022	94,320.00	73,000.00	21,320.00
2023-2027	373,190.00	321,000.00	52,190.00
2028	59,740.00	58,000.00	1,740.00
<b>Total State School Bonds</b>	<b>\$ 1,431,974.23</b>	<b>\$ 1,234,000.00</b>	<b>\$ 197,974.23</b>

### 3. Debt Refunding

On April 27, 2017, the FDOE issued SBE, Capital Outlay Refunding Bonds, Series 2017A. The District's portion of the SBE, Capital Outlay Refunding Bonds, Series 2017A, was \$418,000. The refunding bonds were issued, in part, to establish a trust account for the defeasance of the SBE Capital Outlay Bonds, Series 2008A, maturing January 1, 2018, and later. The District's pro rata share of the net proceeds of the Series 2017A bonds totaled \$487,009.08 (including premium of \$63,790.98 and accrued interest of \$7,486.41, less \$2,268.31 for the District's pro rata share of underwriting fees, insurance, and other issuance costs) were placed in the irrevocable trust account. As the trust account established pursuant to the funding was not considered to be risk-free in accordance with GASB Statement No. 7, the District's portion of the Series 2008A bonds was considered an economic defeasance and not a legal defeasance. Therefore, the SBE Capital Outlay Bonds, Series 2008A, were not removed from the government-wide financial statements and the assets held in the trust account are reported as cash with fiscal agent at June 30, 2017.

The Series 2017A bonds were issued to reduce the total debt service over the next 11 years by \$66,707 and to obtain an economic gain of \$58,620.

#### 4. 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
<b>GOVERNMENTAL ACTIVITIES</b>					
Note Payable	\$ 862,737.36	\$ -	\$ 341,995.09	\$ 520,742.27	\$ 346,119.94
Bonds Payable	926,000.00	418,000.00	110,000.00	1,234,000.00	568,000.00
Compensated Absences Payable	10,919,367.26	2,880,743.44	2,320,462.45	11,479,648.25	2,295,929.65
Net Pension Liability	40,007,520.81	29,534,191.60	11,241,682.99	58,300,029.42	640,342.48
Other Postemployment Benefits Payable	11,380,932.41	1,049,376.00	547,114.50	11,883,193.91	-
<b>Total Governmental Activities</b>	<b>\$64,096,557.84</b>	<b>\$33,882,311.04</b>	<b>\$ 14,561,255.03</b>	<b>\$83,417,613.85</b>	<b>\$ 3,850,392.07</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Estimated Insurance Claims Payable	\$ 11,024,000.00	\$ 6,910,889.00	\$ 5,689,889.00	\$ 12,245,000.00	\$ 3,643,000.00
Compensated Absences Payable	682,469.57	274,521.39	205,294.44	751,696.52	150,339.23
Net Pension Liability	2,480,502.19	2,638,130.40	874,367.01	4,244,265.58	57,198.35
Other Postemployment Benefits Payable	574,767.59	43,724.00	22,285.50	596,206.09	-
<b>Total Business-Type Activities</b>	<b>\$ 14,761,739.35</b>	<b>\$ 9,867,264.79</b>	<b>\$ 6,791,835.95</b>	<b>\$ 17,837,168.19</b>	<b>\$ 3,850,537.58</b>

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds.

#### J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.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.

## K. 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	\$ 2,213,026.25	\$ 303,959.89
Special Revenue:		
Food Service	-	192,602.01
Other	-	1,420,424.24
Enterprise:		
NEFEC Risk Management (Property/Casualty) Program	175,914.25	-
NEFEC Other Programs	128,045.64	-
Nonmajor Governmental	-	600,000.00
<b>Total</b>	<b>\$ 2,516,986.14</b>	<b>\$ 2,516,986.14</b>

The outstanding interfund balances resulted mainly from expenditure and reimbursement timing differences between funds. The interfund amounts represent temporary loans and are expected to be repaid within 1 fiscal year.

## L. 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:

Source	Amount
Governmental Funds:	
Florida Education Finance Program	\$ 46,755,283.00
Categorical Educational Program - Class Size Reduction	11,474,732.00
Miscellaneous	3,347,735.68
Subtotal Governmental Funds	61,577,750.68
Enterprise Funds:	
State Grants and Contracts	1,830,055.85
<b>Total State</b>	<b>\$ 63,407,806.53</b>

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>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.552	\$ 16,659,786.53
Basic Discretionary Local Effort	0.748	2,737,607.96
 <b>Capital Projects - Local Capital Improvement Fund</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	5,490,047.97
<b>Total</b>	<u>6.800</u>	<u>\$ 24,887,442.46</u>

## M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 3,909,223.97	\$ -
Enterprise:		
NEFEC Other Programs	43,897.69	-
Nonmajor Governmental	-	3,909,223.97
Nonmajor Enterprise	-	43,897.69
<b>Total</b>	<u>\$ 3,953,121.66</u>	<u>\$ 3,953,121.66</u>

Transfers from the nonmajor governmental funds to the General Fund were for facilities maintenance work, property and casualty insurance premiums, and charter school capital outlay. The transfer from the nonmajor enterprise funds was to transfer the assets of the NEFEC short-term disability employee benefit program to the NEFEC Other Programs Fund.

## III. CONSORTIUM

The District is a member of, and fiscal agent for, the NEFEC. The NEFEC offers risk management programs for property and casualty (including workers' compensation) and information technology and other contracted services. The NEFEC also provides for the purchase of certain materials, supplies, equipment, and services to be used by member districts. The NEFEC is governed by a board of directors composed of the superintendents of the participating districts. As fiscal agent, the District has established enterprise funds to account for the NEFEC's resources and operations.

#### **IV. SUBSEQUENT EVENTS**

The District received Federal financial assistance through State agencies from Federal grant programs. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination by the applicable Federal and State agencies. Any disallowed claims should become a liability of the General Fund or other applicable funds. The District received determination letters from the FDOE and the Florida Department of Agriculture and Consumer Services, dated January 4, 2018, and January 10, 2018, requiring the District to restore questioned costs identified in the audits for the fiscal years ended June 30, 2015, and June 30, 2016, totaling of \$575,364.52, during the 2017-18 fiscal year. The District restored the \$575,364.52, along with an additional \$478,042 for the 2016-17 fiscal year, from its Internal Service Funds in January 2018.

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# 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	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 195,000.00	\$ 195,000.00	\$ 196,829.41	\$ 1,829.41
Federal Through State and Local	735,000.00	735,000.00	633,554.05	(101,445.95)
State	59,149,669.00	59,581,140.00	59,611,834.90	30,694.90
Local:				
Property Taxes	18,550,614.00	18,550,614.00	18,578,232.35	27,618.35
Charges for Services - Food Service	-	-	-	-
Miscellaneous	1,315,000.00	1,403,768.34	1,663,616.62	259,848.28
Total Local Revenues	<u>19,865,614.00</u>	<u>19,954,382.34</u>	<u>20,241,848.97</u>	<u>287,466.63</u>
<b>Total Revenues</b>	<u>79,945,283.00</u>	<u>80,465,522.34</u>	<u>80,684,067.33</u>	<u>218,544.99</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	49,109,800.58	50,425,420.97	48,401,477.23	2,023,943.74
Student Support Services	4,018,810.62	4,067,043.96	3,836,185.77	230,858.19
Instructional Media Services	1,356,692.15	1,379,003.51	1,185,624.13	193,379.38
Instruction and Curriculum Development Services	1,593,302.58	1,846,766.24	1,792,775.08	53,991.16
Instructional Staff Training Services	147,586.94	141,790.23	64,528.05	77,262.18
Instruction-Related Technology	874,398.40	1,236,136.35	1,081,690.86	154,445.49
Board	678,906.00	684,933.19	571,327.57	113,605.62
General Administration	419,308.50	543,815.29	510,067.29	33,748.00
School Administration	6,584,768.00	6,857,086.72	6,727,764.84	129,321.88
Facilities Acquisition and Construction	194.63	84,120.15	84,004.52	115.63
Fiscal Services	793,735.00	858,665.89	821,496.86	37,169.03
Food Services		25,496.93	25,496.93	-
Central Services	1,225,561.89	1,305,941.14	1,230,631.89	75,309.25
Student Transportation Services	4,899,981.76	4,697,927.01	4,628,332.54	69,594.47
Operation of Plant	8,634,878.43	7,139,394.72	6,908,554.61	230,840.11
Maintenance of Plant	3,456,969.00	3,364,409.47	3,180,385.63	184,023.84
Administrative Technology Services	2,537,904.63	2,052,625.36	1,327,013.39	725,611.97
Community Services	1,611.78	13,136.71	3,654.26	9,482.45
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	258,851.78	258,851.78	-
Other Capital Outlay	-	179,032.02	179,032.02	-
<b>Total Expenditures</b>	<u>86,334,410.89</u>	<u>87,161,597.64</u>	<u>82,818,895.25</u>	<u>4,342,702.39</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(6,389,127.89)</u>	<u>(6,696,075.30)</u>	<u>(2,134,827.92)</u>	<u>4,561,247.38</u>
<b>Other Financing Sources</b>				
Transfers In	4,660,815.97	4,814,223.97	3,909,223.97	(905,000.00)
Loss Recoveries	25,000.00	32,059.41	7,059.41	(25,000.00)
<b>Total Other Financing Sources</b>	<u>4,685,815.97</u>	<u>4,846,283.38</u>	<u>3,916,283.38</u>	<u>(930,000.00)</u>
<b>Net Change in Fund Balances</b>	<u>(1,703,311.92)</u>	<u>(1,849,791.92)</u>	<u>1,781,455.46</u>	<u>3,631,247.38</u>
Fund Balances, Beginning	<u>5,049,885.90</u>	<u>5,049,885.90</u>	<u>5,049,885.90</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 3,346,573.98</u>	<u>\$ 3,200,093.98</u>	<u>\$ 6,831,341.36</u>	<u>\$ 3,631,247.38</u>

Special Revenue - Food Service				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 60,314.51	\$ 91,794.51	\$ 49,235.37	\$ (42,559.14)
8,424,409.00	8,424,409.00	8,765,255.68	340,846.68	1,821,501.17	13,954,165.61	10,656,702.54	(3,297,463.07)
119,000.00	119,000.00	139,003.00	20,003.00	-	-	-	-
-	-	-	-	-	-	-	-
254,000.00	254,000.00	237,192.28	(16,807.72)	-	-	-	-
3,000.00	3,000.00	25,861.50	22,861.50	-	-	-	-
257,000.00	257,000.00	263,053.78	6,053.78	-	-	-	-
8,800,409.00	8,800,409.00	9,167,312.46	366,903.46	1,881,815.68	14,045,960.12	10,705,937.91	(3,340,022.21)
-	-	-	-	835,737.90	7,951,632.23	6,244,897.00	1,706,735.23
-	-	-	-	88,377.32	1,180,660.94	1,030,465.90	150,195.04
-	-	-	-	-	-	-	-
-	-	-	-	755,581.99	3,037,929.48	2,009,789.67	1,028,139.81
-	-	-	-	183,136.44	1,108,820.43	753,201.73	355,618.70
-	-	-	-	-	-	-	-
-	-	-	-	-	649,531.76	565,266.59	84,265.17
-	-	-	-	-	-	-	-
-	-	-	-	-	100.00	-	100.00
-	-	-	-	-	-	-	-
10,192,066.55	10,276,890.97	7,416,829.83	2,860,061.14	-	-	-	-
-	-	-	-	6,690.00	94,281.29	52,633.80	41,647.49
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	14,296.00	14,296.00	-
-	1,027,067.62	1,027,067.62	-	-	-	-	-
-	388,107.96	388,107.96	-	-	35,387.22	35,387.22	-
10,192,066.55	11,692,066.55	8,832,005.41	2,860,061.14	1,869,523.65	14,072,639.35	10,705,937.91	3,366,701.44
(1,391,657.55)	(2,891,657.55)	335,307.05	3,226,964.60	12,292.03	(26,679.23)	-	26,679.23
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,391,657.55)	(2,891,657.55)	335,307.05	3,226,964.60	12,292.03	(26,679.23)	-	26,679.23
4,741,977.62	4,741,977.62	4,741,977.62	-	-	-	-	-
\$ 3,350,320.07	\$ 1,850,320.07	\$ 5,077,284.67	\$ 3,226,964.60	\$ 12,292.03	\$ (26,679.23)	\$ 0.00	\$ 26,679.23

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
07/01/11	\$ -	\$ 24,980,500	\$ 24,980,500	0.0%	\$ 61,564,800	40.6%
07/01/13	-	24,342,849	24,342,849	0.0%	63,252,781	38.5%
07/01/15	-	18,192,808	18,192,808	0.0%	65,958,216	27.6%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
District's proportion of the FRS net pension liability	0.151876888%	0.163486026%	0.167413025%	0.163584420%
District's proportionate share of the FRS net pension liability	\$ 38,349,033	\$ 21,116,413	\$ 10,214,656	\$ 28,160,159
District's covered payroll	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570	\$ 60,196,665
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	59.83%	33.24%	16.20%	46.78%
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)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required FRS contribution	\$ 3,878,266	\$ 3,703,760	\$ 3,985,928	\$ 3,667,056
FRS contributions in relation to the contractually required contribution	(3,878,266)	(3,703,760)	(3,985,928)	(3,667,056)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 63,895,894	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570
FRS contributions as a percentage of covered payroll	6.07%	5.78%	6.27%	5.82%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.207602932%	0.209557909%	0.212762540%	0.206941296%
District's proportionate share of the HIS net pension liability	\$ 24,195,262	\$ 21,371,610	\$ 19,893,817	\$ 18,016,961
District's covered payroll	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570	\$ 60,196,665
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.75%	33.64%	31.55%	29.93%
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)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 1,060,677	\$ 1,064,097	\$ 801,061	\$ 728,853
HIS contributions in relation to the contractually required contribution	(1,060,677)	(1,064,097)	(801,061)	(728,853)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 63,895,894	\$ 64,098,700	\$ 63,535,875	\$ 63,055,570
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.16%

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

**Ten-Year Claims Development Information –  
North East Florida Educational Consortium – Risk Management Property/Casualty Program  
For the Fiscal Year ended June 30**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Earned Required Contribution and Investment Revenues				
Earned	\$ 17,082,175	\$ 15,303,151	\$ 15,304,938	\$ 14,363,068
Excess Insured	7,996,481	6,850,872	6,805,867	6,676,729
 Total Net Earned Required Contribution and Investment Revenues	 9,085,694	 8,452,279	 8,499,071	 7,686,339
 Unallocated Expenses	 1,642,152	 1,602,246	 1,069,895	 2,131,357
Estimated Incurred Claims Expenses, End of Policy Year:				
Incurred	6,551,000	5,026,000	5,163,000	5,101,000
Net Paid (Cumulative) as of:				
End of Policy Year	2,178,000	1,554,000	1,650,000	1,952,000
One Year Later	3,554,000	3,309,000	3,305,000	3,632,000
Two Years Later	4,360,000	3,879,000	3,913,000	4,204,000
Three Years Later	4,695,000	4,473,000	4,525,000	4,559,000
Four Years Later	4,982,000	4,869,000	4,763,000	4,703,000
Five Years Later	5,109,000	5,017,000	4,906,000	4,810,000
Six Years Later	5,156,000	5,087,000	4,960,000	4,855,000
Seven Years Later	5,213,000	5,097,000	5,046,000	-
Eight Years Later	5,265,000	5,108,000	-	-
Nine Years Later	5,312,000	-	-	-
Reestimated Excess Insured Claims and Expense	(1)	(1)	(1)	(1)
Reestimated Excess Insured Claims and Expense:				
End of Policy Year	6,551,000	5,026,000	5,163,000	5,101,000
One Year Later	5,529,000	5,490,000	4,947,000	5,234,000
Two Years Later	5,771,000	5,032,000	4,964,000	5,413,000
Three Years Later	5,327,000	5,146,000	5,169,000	5,123,000
Four Years Later	5,417,000	5,238,000	5,086,000	5,111,000
Five Years Later	5,337,000	5,190,000	5,125,000	5,126,000
Six Years Later	5,282,000	5,254,000	5,218,000	5,151,000
Seven Years Later	5,383,000	5,235,000	5,187,000	-
Eight Years Later	5,399,000	5,217,000	-	-
Nine Years Later	5,479,000	-	-	-
Increase (Decrease) in Estimated Incurred Claims and Expenses from End of Policy Year	(1,072,000)	191,000	24,000	50,000

Note: (1) Information relating to excess insured not available.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	\$ 13,578,330	\$ 15,016,589	\$ 14,825,362	\$ 14,493,892	\$ 14,124,757	\$ 13,643,467
	6,428,422	7,583,300	7,403,686	7,067,800	6,239,140	6,028,102
	<u>7,149,908</u>	<u>7,433,289</u>	<u>7,421,676</u>	<u>7,426,092</u>	<u>7,885,617</u>	<u>7,615,365</u>
	3,585,429	4,066,334	4,269,391	1,967,078	1,194,208	948,365
	<u>5,701,000</u>	<u>5,606,000</u>	<u>6,937,000</u>	<u>5,421,000</u>	<u>6,048,000</u>	<u>7,270,000</u>
	2,002,000	1,956,000	2,346,000	1,684,000	2,261,000	2,040,000
	3,603,000	3,746,000	4,286,000	2,721,000	3,770,000	-
	4,616,000	4,425,000	5,574,000	3,362,000	-	-
	5,432,000	4,826,000	6,117,000	-	-	-
	5,529,000	5,248,000	-	-	-	-
	5,712,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	(1)	(1)	(1)	(1)	(1)	
	5,701,000	5,606,000	6,937,000	5,421,000	6,048,000	7,270,000
	5,558,000	6,118,000	6,920,000	4,881,000	6,255,000	-
	5,898,000	5,735,000	7,501,000	4,509,000	-	-
	6,180,000	6,103,000	7,234,000	-	-	-
	6,148,000	5,958,000	-	-	-	-
	6,124,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	423,000	352,000	297,000	(912,000)	207,000	-

## 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 July 1, 2015, unfunded actuarial accrued liability of \$18,192,808 was significantly lower than the July 1, 2013, liability of \$24,342,849 as a result of an actuarial gain due to lower than expected increase in medical premiums, demographic changes in the covered population, updated retirement rates, and implementation of a cap on the employer contribution toward premiums.

## 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 7.6 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 3.8 percent to 2.85 percent.

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# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Putnam 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
<b>Clustered</b>				
<b>Child Nutrition Cluster:</b>				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 2,721,890.40
National School Lunch Program	10.555	17001, 17003	-	5,603,550.92
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007	-	146,700.78
<b>Total Child Nutrition Cluster</b>			-	8,472,142.10
<b>Special Education Cluster:</b>				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	86,393.64	5,357,066.99
Special Education - Preschool Grants	84.173	266, 267	-	242,723.17
<b>Total Special Education Cluster</b>			86,393.64	5,599,790.16
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	17004	-	201,461.61
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	-	13,203.83
<b>Total United States Department of Agriculture</b>			-	214,665.44
<b>United States Department of Defense:</b>				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	196,829.41
<b>United States Department of Labor:</b>				
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	-	153,085.67
<b>United States Department of Education:</b>				
Teacher Incentive Fund	84.374	N/A	-	36,000.00
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	-	5,480,413.76
Migrant Education - State Grant Program	84.011	217	-	228,943.45
Career and Technical Education - Basic Grants to States	84.048	161	-	226,493.93
Education for Homeless Children and Youth	84.196	127	-	74,387.20
Special Education - State Personnel Development	84.323	170	402,500.00	461,008.18
Rural Education	84.358	110	-	205,245.20
English Language Acquisition State Grants	84.365	102	-	62,590.15
Mathematics and Science Partnerships	84.366	235	-	199,934.99
Improving Teacher Quality State Grants	84.367	224	-	669,519.16
School Improvement Grants	84.377	126	-	957,824.14
<b>Total United States Department of Education</b>			402,500.00	8,602,360.16
<b>United States Department of Health and Human Services:</b>				
Children's Health Insurance Program	93.767	N/A	-	401,040.24
<b>Total Expenditures of Federal Awards</b>			\$ 488,893.64	\$ 23,639,913.18

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 Putnam 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 as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance: National School Lunch Program – Includes \$508,051.52 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Putnam 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 March 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 and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine 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*.

We noted an additional matter finding on pages 76 through 78.

### **District's Response to Finding**

The District's response to the finding identified in our audit is described on page 78 in Finding AM 2017-001. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 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 THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Report on Compliance for the Major Federal Program

We have audited the Putnam County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2017. The District's major Federal program is 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 the District's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

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

### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2017-001. Our opinion on the major Federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** in Federal Awards Finding No. 2017-001 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2017-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** in Federal Awards Finding No. 2017-001 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



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

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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## **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 the major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor’s report issued on compliance for the major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of the major Federal program:	
CFDA Numbers: 10.553, 10.555, and 10.559	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reported.

## SECTION III – FEDERAL AWARDS FINDING AND QUESTIONED COSTS

### U.S. DEPARTMENT OF AGRICULTURE U.S. DEPARTMENT OF EDUCATION

<b>Finding Number</b>	<b>2017-001</b>
<b>CFDA Number</b>	10.553, 10.555, and 10.559; 84.010; and 84.027 and 84.173
<b>Program Title</b>	<b>Major Program:</b> <b>Child Nutrition Cluster (CNC)</b> <b>Nonmajor Programs:</b> <b>Title I Grants to Local Educational Agencies (Title I)</b> <b>Special Education Cluster (SEC)</b>
<b>Compliance Requirement</b>	Allowable Costs/Cost Principles
<b>Pass-Through Entities</b>	Florida Department of Agriculture and Consumer Services (FDACS) Florida Department of Education (FDOE)
<b>Federal Grants/Contract Numbers and Grant Years</b>	FDACS/CNC: 18244 - 2017 FDOE/Title I: S010A160009 – 2017 FDOE/SEC: H173A160027 – 2017, H027A160024 - 2017
<b>Statistically Valid Sample</b>	No
<b>Finding Type</b>	CNC: Noncompliance and Significant Deficiency; and Questioned Costs Greater Than \$25,000 Title I and SEC: Questioned Costs Greater Than \$25,000
<b>Questioned Costs</b>	CNC: \$267,255 Title I: \$140,082 SEC: \$70,705
<b>Prior Year Findings</b>	Report No. 2016-170, Finding No. 2015-001; and Report No. 2017-182, Finding No. 2016-002
<b>Finding</b>	The District charged Federal programs \$478,042 for health insurance premiums of employees who did not participate in the District health insurance program.
<b>Criteria</b>	Title 2, Section 200.403, Code of Federal Regulations, provides that, for an expenditure to be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and must be adequately documented.
<b>Condition</b>	<p>The District provides employee health insurance as an employee fringe benefit and the Board authorized a District annual contribution of \$4,500 per employee, including employees in positions funded by Federal programs, toward the payment of premiums for insurance programs including health, disability, and hospital indemnity programs. Employees who elect not to participate in the District health insurance program are required to participate in either a self-insured short-term disability program or a self-insured hospital indemnity program. The District's annual cost of participating in those insurance programs, based on average claims over the previous 5 years, was \$30,000, or \$48 per employee.</p> <p>The District requested and received approval from the FDACS and FDOE to annually budget for its Federal programs \$4,500 per full-time equivalent employee for health insurance benefits. During the 2016-17 fiscal year, District contributions to the self-insured short-term disability and hospital indemnity programs totaled \$454,480 for the 138 employees in positions funded by various Federal programs. However, the District's actual cost of participating in those insurance programs, calculated at \$48 per employee, was \$6,624, or \$447,856 less than the amount contributed by the District and charged to the Federal programs.</p>

Based on our discussions with District personnel and examination of District records, we determined that the District had established controls to generally monitor the necessity and reasonableness of Federal awards expenditures for the proper and efficient performance and administration of Federal programs. However, as the costs of the self-insured short-term disability and hospital indemnity programs were less than the costs of the Board-approved health insurance premiums charged to the Federal programs, District records did not evidence that these insurance premiums were necessary and reasonable Federal awards expenditures. The calculation of the questioned costs, totaling \$478,042, including indirect costs totaling \$30,186, are illustrated in the following table.

Federal Program	CFDA Nos.	Number of Employees	Premium Contributions (A)	Allowable Insurance Costs <sup>a</sup> (B)	Net		Questioned Costs (C)+(D)
					Unallowable Premium Contributions (C)=(A)-(B)	Indirect Costs (D)	
Child Nutrition Cluster	10.553, 10.555 and 10.559	71	\$253,787	\$3,408	\$250,379	\$16,876	\$267,255
Title I Grants to Local Educational Agencies	84.010	44	133,349	2,112	131,237	8,845	140,082
Special Education Cluster	84.027 and 84.173	23	67,344	1,104	66,240	4,465	70,705
<b>Totals</b>		<b><u>138</u></b>	<b><u>\$454,480</u></b>	<b><u>\$6,624</u></b>	<b><u>\$447,856</u></b>	<b><u>\$30,186</u></b>	<b><u>\$478,042</u></b>

<sup>a</sup> Allowable insurance costs based on \$48 per employee.

**Cause**

According to District personnel, employee benefits costs for employee insurance programs were recorded in the District's general ledger without respect to the specific insurance program selected by each employee. In addition, District records indicated that the Chief Financial Officer prepared a calculation that identified differences between the employee insurance program costs charged to Federal programs and the costs based on the specific insurance program selected by each employee. However, because the Federal grantors had not provided a resolution to the prior year questioned costs, corrective action had not been taken. District personnel also indicated that corrective action will include a documented supervisory verification and reconciliation process to ensure that employee insurance benefit costs are based on the specific insurance program selected by each employee.

**Effect**

The recorded employee benefits costs for the respective Federal programs exceeded the related costs of the employee insurance programs. When this occurs, the additional amounts charged do not represent reasonable and necessary charges to the respective Federal programs.

Similar findings were noted in our report Nos. 2017-182 and 2016-170. The District received FDOE and FDACS determination letters dated January 4, 2018, and January 10, 2018, respectively, which waived certain costs questioned by those findings but required the District to restore the remaining questioned costs totaling \$575,364.52 to the programs. The questioned costs were restored to the Federal programs in January 2018.

**Recommendation**

The District should implement procedures to ensure that the costs charged to Federal programs for employee insurance benefits are consistent with the costs of those benefits. Such procedures should include documented supervisory verification and a reconciliation performed to ensure that employee insurance

benefit costs are based on the specific insurance program selected by each employee.

Also, the District should document to the respective grantors (FDACS and FDOE) the allowability of questioned costs of \$478,042 (including \$30,186 in indirect costs) or restore these moneys to the appropriate Federal programs.

**District Response**

The District has talked with FDACS and FDOE and has restored the questioned costs to the appropriate Federal programs, although the District contends that the methodology used was not in error. The District has written procedures that have been approved by FDACS and FDOE for years moving forward that will ensure that the costs charged to Federal programs for employee health insurance benefits are consistent with the methodology determined to be correct by the AG staff. This finding has been completely corrected.

## ***ADDITIONAL MATTER***

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### **FORMER DIRECT-SUPPORT ORGANIZATION**

<b>Finding Number</b>	<b>AM 2017-001</b>
<b>Opinion Unit</b>	Not Applicable
<b>Financial Statements</b>	
<b>Account Titles</b>	Not Applicable
<b>Fund Name</b>	Not Applicable
<b>Adjustment Amounts</b>	Not Applicable
<b>Statistically Valid Sample</b>	Not Applicable
<b>Prior Year Finding</b>	Not Applicable

**Finding** The Board transferred ownership of a District facility and related land to a former direct-support organization (DSO) of the District without a documented determination that the transfer was in the best interests of the public.

**Criteria** Section 1013.28(1)(a), Florida Statutes, provides that the District may dispose of any land or real property to which the Board holds title which is, by resolution of the Board, determined to be unnecessary for educational purposes as recommended in an educational plant survey, and shall take diligent measures to dispose of educational property only in the best interests of the public. However, appraisals may be obtained by the Board prior to or simultaneously with the receipt of bids.

To evidence the Board's determination that the disposition of educational property by transfer or donation is in the best interests of the public, it is necessary to document in the Board's public records the facts and circumstances considered in the determination.

The FDOE Office of Educational Facilities *State Requirements for Educational Facilities – 2014 (SREF)*, Section 1.4(4), provides that, upon disposal of any land or real property, funds received shall be deposited into a depository account and credited to the fund source used for the original acquisition. If the original fund source cannot be determined, proceeds of the sale shall be expended only on capital outlay projects.

Section 1001.453(1)(a)3., Florida Statutes, provides that a district school board DSO is an organization organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, and for the benefit of, public kindergarten through 12th grade education and adult career and community education programs. Section 1001.453(2), Florida Statutes, authorizes the Board to permit a DSO to use District property, facilities, and personal services, subject to the provisions in State law.

**Condition**

Our discussions with District personnel and examination of District records related to the transfer of a District facility and related land to a former District DSO disclosed the following sequence of events:

- In May 2013, the Board approved acquiring a building and related land to be used as the District's new administrative facility. In addition, the Board approved an amendment to its educational plant survey indicating that the building was of historical significance and, after the facility is vacated, the District will lease the facility to another entity or sell it.
- In February 2015, the Board approved placing the District's former administrative facility and land for sale. The Board agenda item also included an appraisal providing an as is market value of \$1,060,000 for the facility and land as of September 4, 2014.
- In May 2015, the District obtained a second appraisal providing a market value of \$390,000.
- In July 2015, the Board approved an amendment to its educational plant survey indicating that the District's former administrative facility and land were no longer needed for educational purposes, and that the District would sell the facility and land.
- The Board approved a nonprofit organization (Foundation) as a DSO in January 2016 and the Foundation routinely received and used charitable contributions for the benefit of District programs.
- In January 2017, the Board contracted with a real estate broker to market the former administrative facility and land for \$995,000.
- In June 2017, the Board received a cash offer of \$162,500, with an additional \$162,500 in incentives. The Board approved moving forward with the potential buyer to expeditiously sell the former administrative facility and land.
- In September 2017, the Foundation's Board of Directors voted to transition from a DSO to an independent local education foundation. The Board later approved a memorandum of understanding with the Foundation to acknowledge that the Foundation had transitioned from a District DSO to a local education foundation.
- Notwithstanding Board action to sell the former administrative facility and land, in September 2017 the Board approved the transfer of ownership of the property to the Foundation without documenting how the transfer was in the best interests of the public.
- As of January 2018, the facility and related land were listed for sale by the Foundation for an asking price of \$595,000.
- As of February 2018, contrary to Section 1001.453(2), Florida Statutes, the Foundation continued to utilize approximately 156 square feet of office space within the District's new administrative facility without a written agreement and at no cost to the Foundation. Based on the Foundation's 2018 Florida Not For Profit Corporation Annual Report filed with the Florida Secretary of State on January 19, 2018, the Foundation continued to utilize the District's mailing address as the Foundation's current mailing address, although the Foundation had transitioned from a District DSO to a local education foundation. In addition, according to District personnel, a District employee also serves as the Foundation's secretary and treasurer and performs services for the Foundation during the regular work day when time permits.

**Cause**

According to District personnel, since the Foundation was no longer a District DSO and had become an independent local education foundation, ownership of

the property could be transferred to that organization, pursuant to Section 1013.28(1)(a), Florida Statutes, on the basis that the transfer was in the best interests of the public. In addition, the District's contracted Board attorney and former Board attorney were members of the Foundation's Board of Directors and, as such, the District and the Foundation were related organizations.

District personnel also indicated that they were concerned that the provisions of Section 1002.333(7)(d), Florida Statutes (effective October 1, 2017), would require the District to make the unused facility available to charter schools, instead of allowing the District to dispose of the property. Notwithstanding these explanations, the District had not established procedures to document the determination that the property ownership transfer was in the best interests of the public.

**Effect**

Absent a documented determination of the basis for the property transfer, there is an increased risk that the transfer was not in the best interests of the public.

Should the Foundation sell the property, the FDOE may require the proceeds from the sale be restored to the District and credited to the fund source used for the original acquisition or, if the original fund source cannot be determined, expended only on District capital outlay projects pursuant to the *SREF*.

As the Foundation is no longer a District DSO, we are unaware of any specific authority permitting the District to provide office space and personal services to the Foundation.

**Recommendation**

To evidence the Board's determination that the property ownership transfer was in the best interests of the public, the Board should document in the Board's public records the facts and circumstances considered in the determination. In addition, the District should establish procedures to ensure that, before future property transfers or donations are made, District records evidence that such actions are in the best interests of the public.

The District should also contact the FDOE to determine the propriety of the property transfer to the former DSO and, if the property is sold by the Foundation, the appropriate disposition of the proceeds from the sale, and, as directed by the FDOE, take appropriate timely actions.

Further, the District should discontinue the practice of providing property, facilities, and personal services to an organization, such as the Foundation, not recognized as a District DSO.

**District Response**

The Board approved a resolution at the March 6<sup>th</sup>, 2018 board meeting that documents again their determination that the transfer of the property ownership was in the best interests of the District, the children of Putnam County, and the citizens (public) of Putnam County. In the future, all possible property transfers will be fully vetted with the Board, Superintendent, and Finance Staff and a Resolution will be presented for approval at the same time as the transfer.

The District has been in contact with FDOE and the Inspector General's Office regarding the propriety of the property transfer and is waiting on an opinion regarding the matter.

The District will take the final recommendation under advisement, relying on the expertise of the Board attorney.

**Estimated Corrective Action Date**

December 31, 2018

**District Contact and Telephone Number**

Dr. Richard Surrency Sr., Superintendent  
(386) 329-0602

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

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Except as noted in Federal Awards Finding No. 2017-001, the District had taken corrective actions for the financial statement and Federal awards audit findings included in our report No. 2017-182.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Putnam County School District**  
 200 Reid Street Palatka, Florida 32177  
 www.putnamschools.org

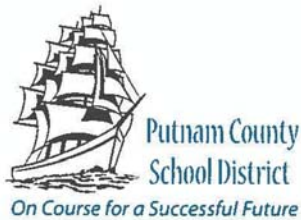
<u>Audit Report No. (Finding No.)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
2016-170 (2015-001) 2017-182 (2016-002)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and School Improvement Grants (CFDA No. 84.377)	The District charged Federal programs \$355,063 and \$408,813 for the 2014-15 and 2015-16 fiscal years, respectively, for health insurance premiums of employees who did not participate in the District's health insurance program.	Partially Corrected.	The District provided requested documentation to the grantors and was required to restore \$575,364.52 in questioned costs to the programs. The grantors did not require restoration of the remaining questioned costs.
2016-170 (2015-003)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)	The District maintained excess net cash resources for its food service program.	Partially Corrected.	The District has an approved spending plan with the Florida Department of Agriculture and has several projects in process.
2017-182 (2016-001)	Aggregate Discretely Presented Component Unit - Audit	District procedures did not always help ensure timely completion of charter school audits.	Fully Corrected.	
2017-182 (2016-003)	Title I Grants to Local Educational Agencies (CFDA No. 84.010)	District procedures did not always ensure that teachers who taught core academic subjects in Title I Schoolwide Program schools were highly qualified, resulting in questioned costs of \$52,991.	Fully Corrected.	The grantor sustained the finding but did not require the repayment of questioned costs.
2017-182 (2016-004)	Title I Grants to Local Educational Agencies (CFDA No. 84.010)	The District did not maintain required documentation to support the adjustments to the high school graduation rate cohort.	Fully Corrected.	The District established procedures, protocols, and training for documenting adjustments to the high school graduation rate cohort, and provided documentation to the grantor to resolve the finding.

Nikki Cummings, District I  
 David Buckles, District II  
 Sandra Gilyard, District III



Kathy Jorgensen, District IV  
 Jane Crawford, District V  
 Dr. Rick Surency, Superintendent

# CORRECTIVE ACTION PLAN



200 Reid Street Palatka, Florida 32177  
www.putnamschools.org

March 13, 2018

## Putnam County District School Board Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2017

Federal Awards Finding  
Number:

2017-001.

Planned Corrective Action:

The District has talked with FDACS and FDOE and has restored the questioned costs to the appropriate Federal programs. The District has written procedures that have been approved by FDACS and FDOE for years moving forward.

Anticipated Completion Date: Completed

Responsible Contact Person: Rhonda D. Odom, CPA, Assistant Superintendent of Business & Finance

Nikki Cummings District I

David Buckles District II

Sandra Gilvard District III

Kathy Jorgensen District IV

Jane Crawford District V

Dr. Rick Surrency Superintendent

*On Course For a Successful Future*