

**THE FLORIDA SCHOOL
FOR THE DEAF AND THE BLIND**

For the Fiscal Year Ended
June 30, 2017



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President of the Florida School for the Deaf and the Blind

During the 2016-17 fiscal year, Dr. Jeanne Glidden Prickett served as President of the Florida School for the Deaf and the Blind and the following individuals served as Members of the Board of Trustees.

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Vacant^a

^a Position vacant 7-1-16, through 6-30-17.

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 Nick Druash and the audit was supervised by Randy R. Arend, CPA.

Please address inquiries regarding this report to Kathryn Walker, CPA, Audit Manager, by e-mail at kathrynwalker@aud.state.fl.us or by telephone at (850) 412-2781.

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THE FLORIDA SCHOOL FOR THE DEAF AND THE BLIND

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Florida School for the Deaf and the Blind (a component unit of the State of Florida) 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.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the School'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; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the School's basic financial statements as of and for the fiscal year ended June 30, 2017. We obtained an understanding of the School's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. 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.

An examination of Federal awards administered by the School is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Florida School for the Deaf and the Blind, a component unit of the State of Florida, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School'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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Florida School for the Deaf and the Blind as of June 30, 2017, and the respective changes in financial position 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 Fund**, **Schedule of the School's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of School Contributions – Florida Retirement System Pension Plan**, **Schedule of the School's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of School Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2018, on our consideration of the School'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 School'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 School's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a middle initial.

Sherrill F. Norman, CPA
Tallahassee, Florida
March 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The School first reported its financial information pursuant to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements for the fiscal year ended June 30, 2017. One of the requirements to be presented in the MD&A is certain comparative information between the current year and the prior year. However, GASB Statement No. 34 permits the omission of comparative information in the first year of adoption of the new reporting model; accordingly, comparative information of the previous year is not provided. In subsequent audit reports, when prior-year information is available, a comparative analysis of government-wide data will be presented.

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 exceeded the liabilities and deferred inflows of resources by \$84,747,943.28.
- In total, net position increased \$1,292,382.70, which represented a 1.5 percent increase over the 2015-16 fiscal year.
- General revenues totaled \$51,459,696.24, or 83.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$10,383,312.04, or 16.8 percent of all revenues.
- Expenses totaled \$60,550,625.58. Only \$10,383,312.04 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totaled \$15,772,251.05, which was \$1,659,750.39 more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances totaled \$15,524,229.81, or 33.3 percent of total General Fund revenues.
- The School's capital assets (net of depreciation) decreased \$4,686,175.81, or 5.8 percent, mainly from depreciation expenses in excess of capital assets additions during the 2016-17 fiscal year.

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 School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the School'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 School's financial health. The statement of activities presents information about the change in the School's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating.

All of the School's activities and services are reported in the government-wide financial statements as governmental activities. The School's governmental activities include instruction, student support services, instructional support services, residential services, administrative support services, facility maintenance, transportation, and food services. State revenues finance most of these activities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Fund financial statements provide more detailed information about the School'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 School'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 School's most significant funds. The School's major

funds are the General Fund, Endowment Fund, and Public Education Capital Outlay Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

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

The School uses an agency fund to account for resources held in a custodial capacity for students.

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 School's net pension liability.

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 School's net position as of June 30, 2017:

Net Position, End of Year

	Governmental Activities
	6-30-17
Current and Other Assets	\$ 43,131,877.63
Capital Assets	<u>76,638,659.97</u>
Total Assets	<u>119,770,537.60</u>
Deferred Outflows of Resources	<u>9,725,286.00</u>
Long-Term Liabilities	40,830,808.03
Other Liabilities	<u>3,081,284.29</u>
Total Liabilities	<u>43,912,092.32</u>
Deferred Inflows of Resources	<u>835,788.00</u>
Net Position:	
Net Investment in Capital Assets	76,180,672.51
Restricted	23,499,194.24
Unrestricted (Deficit)	<u>(14,931,923.47)</u>
Total Net Position	<u><u>\$ 84,747,943.28</u></u>

The School's investment in capital assets (e.g., land; buildings; infrastructure; furniture and equipment) of \$76,180,672.51 is the largest portion of net position. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the School's net position, \$23,499,194.24, represents resources that are subject to external restrictions on how they may be used. The School's unrestricted net position is a deficit of \$14,931,923.47 and is due mainly to the accrual of \$2,531,019 for compensated absences payable, \$13,759,261.03 for other postemployment benefit obligations, and \$24,540,528 for net pension liability.

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2017, are as follows:

Operating Results for the Fiscal Year Ended June 30, 2017

	Governmental Activities 6-30-17	Percentage
Program Revenues:		
Charges for Services	\$ 223,555.87	0.4%
Operating Grants and Contributions	321,834.05	0.5%
Capital Grants and Contributions	9,837,922.12	15.9%
General Revenues:		
Grants and Contributions Not Restricted to Specific Programs	49,027,319.96	79.2%
Unrestricted Investment Earnings	1,155,563.29	1.9%
Miscellaneous	1,276,812.99	2.1%
Total Revenues	61,843,008.28	100.0%
Functions/Program Expenses:		
Instruction	16,115,987.37	26.6%
Instructional Support Services	3,645,097.38	6.0%
Student Support Services	3,679,714.85	6.1%
Instructional Media Services	357,900.44	0.6%
Instruction-Related Technology	3,224,436.68	5.3%
Board	303,086.50	0.5%
General Administration	308,375.86	0.5%
School Administration	2,542,491.69	4.2%
Fiscal Services	1,261,721.81	2.1%
Food Services	1,522,036.58	2.5%
Central Services	1,794,567.77	3.0%
Residential Services	7,037,971.01	11.6%
Student Transportation Services	3,372,491.42	5.6%
Operation of Plant	3,060,288.50	5.1%
Maintenance of Plant	5,670,126.82	9.3%
Unallocated Depreciation	6,654,330.90	11.0%
Total Functions/Program Expenses	60,550,625.58	100.0%
Change in Net Position	1,292,382.70	
Net Position - Beginning	83,455,560.58	
Net Position - Ending	\$ 84,747,943.28	

The School's largest revenue source is the State of Florida, which provides appropriated State funds through the General Appropriations Act to fund current operations and capital projects. The State general revenue appropriations of \$46,621,107.07 comprise 95.1 percent of grants and contributions not restricted to specific programs and the State capital appropriations comprise 100 percent of the capital grants and contributions.

The School's largest expenses are for instruction, residential services, depreciation, and maintenance of plant, representing 26.6, 11.6, 11.0, and 9.3 percent, respectively, of total governmental expenses in the 2016-17 fiscal year.

Governmental Funds

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School'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 School, 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 \$9,926,287.54 during the fiscal year to \$40,050,593.34 at June 30, 2017. Of the total fund balances, \$8,821,594.73, or 22 percent, is unassigned fund balance, which is available for spending at the School's discretion; \$248,021.24 is nonspendable; \$23,254,061 is restricted; and \$7,726,916.37 is assigned.

Major Governmental Funds

The General Fund is the School's chief operating fund. At the end of the current fiscal year, unassigned fund balance was \$8,821,594.73, while the total fund balance was \$15,772,251.05. 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 33.3 percent of the total General Fund revenues, while total fund balance represents 33.8 percent of total General Fund revenues. The total fund balance increased by \$1,659,750.39 during the fiscal year, comprised of released State general appropriations of \$46,621,107.07 and transfers in of \$905.83 exceeding expenditures of \$44,962,262.51.

The Endowment Fund had a total fund balance of \$13,144,467.46. This fund accounts for gifts, donations, and bequests of money or property from donors and is restricted for the use and benefit of the School and its students, as the board of trustees determines to be in the best interest of the School and its students. The Board of Trustees Endowment Fund spending policy provides an annual allocation for current expenditures in an amount no greater than five percent of the average value of the Fund for the 12 trailing quarters, unless a greater amount is approved by a super majority of the Board (i.e., five of its seven members). This fund had revenues of \$2,322,409.18 and expenditures of \$1,655,188.34 for the current fiscal year. The cumulative rate of return on investments was 8.7 percent for the current fiscal year, and expenditures did not exceed the 5 percent annual allocation. The increase in fund balance was primarily from donations and investment income exceeding expenditures during the current fiscal year.

The Public Education Capital Outlay Fund had a total fund balance of \$9,524,649.00. This fund accounts for State Public Education Capital Outlay appropriations and is restricted for the acquisition, construction, and maintenance of capital assets. This fund had revenues of \$9,837,922.12, expenditures of \$2,268,026.95, and encumbrances of \$4,193,247.89 at June 30, 2017. The fund balance increased \$7,569,895.17 during the current fiscal year due to increased State capital appropriations for the Gore Hall renovation project, and for roadway maintenance and bulkhead infrastructure projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund final budgeted revenues and expenditures were in line with original budgeted amounts. Actual revenues were \$164,131.93, or 0.4 percent, less than the final budgeted amounts, while actual expenditures were \$7,729,371.87, or 14.7 percent, less than final budgeted amounts. The decrease in expenditures was primarily due to fixed capital outlay, salaries and benefits, and operating capital outlay expenditures being less than projected. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$8,353,021.51.

CAPITAL ASSETS

Capital Assets

The School's capital assets for governmental activities as of June 30, 2017, was \$76,638,659.97 (net of accumulated depreciation). These capital assets include land; buildings; infrastructure; construction in progress; furniture and equipment; and library resources. The School's capital assets (net of depreciation) decreased \$4,686,175.81, or 5.8 percent, mainly from depreciation expenses in excess of capital assets additions during the 2016-17 fiscal year.

Major capital asset events included construction in progress at June 30, 2017, for the Gore Hall renovation project, and the North Bulkhead and Roadway Maintenance infrastructure projects.

Additional information on the School's capital assets can be found in Notes I.F.5. and II.D. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

For 2017-18 fiscal year, the School's Board of Trustees adopted a General Fund budget with appropriations of \$65,361,207, including unexpended appropriations from previous fiscal years. State general revenue appropriations for current operations are expected to be \$47,892,915 for the 2017-18 fiscal year. To ensure that adequate fund balance is available for financial emergencies, the Board of Trustees has reserved \$6,915,196.43, or approximately 60 days of average annual expenditures, along with and an additional \$1,200,000 for storm-related emergencies and recovery.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Administrator of Business Services, Florida School for the Deaf and the Blind, 207 N. San Marco Avenue, St. Augustine, Florida 32084.

BASIC FINANCIAL STATEMENTS

**Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2017**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 706,004.15
Pooled Cash with State Treasury	2,632,474.50
Unexpended General Revenue	17,468,291.94
Investments	12,958,133.15
Accounts Receivable	54,734.07
Due from State within Department	9,064,218.58
Inventories	248,021.24
Capital Assets:	
Nondepreciable Capital Assets	3,017,945.91
Depreciable Capital Assets, Net	73,620,714.06
TOTAL ASSETS	119,770,537.60
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	9,725,286.00
LIABILITIES	
Salaries and Wages Payable	1,993,801.16
Accounts Payable	618,939.67
Construction Contracts Payable	413,308.71
Construction Contracts - Retainage Payable	44,678.75
Due to Other Departments	10,556.00
Long-Term Liabilities:	
Portion Due Within One Year	1,015,691.49
Portion Due After One Year	39,815,116.54
TOTAL LIABILITIES	43,912,092.32
DEFERRED INFLOWS OF RESOURCES	
Pensions	835,788.00
NET POSITION	
Net Investment in Capital Assets	76,180,672.51
Restricted for:	
Endowment	13,144,467.46
Capital Projects	9,982,636.46
Food Service	221,590.71
Student Activities	150,499.61
Unrestricted (Deficit)	(14,931,923.47)
TOTAL NET POSITION	\$ 84,747,943.28

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

**Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
Statement of Activities
For the Fiscal Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 16,115,987.37	\$ 137,730.92	\$ -
Instructional Support Services	3,645,097.38	85,824.95	-
Student Support Services	3,679,714.85	-	-
Instructional Media Services	357,900.44	-	-
Instruction-Related Technology	3,224,436.68	-	-
Board	303,086.50	-	-
General Administration	308,375.86	-	-
School Administration	2,542,491.69	-	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	1,261,721.81	-	-
Food Services	1,522,036.58	-	321,834.05
Central Services	1,794,567.77	-	-
Residential Services	7,037,971.01	-	-
Student Transportation Services	3,372,491.42	-	-
Operation of Plant	3,060,288.50	-	-
Maintenance of Plant	5,670,126.82	-	-
Unallocated Depreciation Expense	6,654,330.90	-	-
Total Governmental Activities	60,550,625.58	223,555.87	321,834.05

General Revenues:

Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(15,978,256.45)
	-		(3,559,272.43)
	-		(3,679,714.85)
	-		(357,900.44)
	-		(3,224,436.68)
	-		(303,086.50)
	-		(308,375.86)
	-		(2,542,491.69)
	6,834,094.12		6,834,094.12
	-		(1,261,721.81)
	-		(1,200,202.53)
	-		(1,794,567.77)
	-		(7,037,971.01)
	-		(3,372,491.42)
	-		(3,060,288.50)
	3,003,828.00		(2,666,298.82)
	-		(6,654,330.90)
	<u>9,837,922.12</u>		<u>(50,167,313.54)</u>

49,027,319.96
1,155,563.29
<u>1,276,812.99</u>
<u>51,459,696.24</u>
1,292,382.70
<u>83,455,560.58</u>
<u>\$ 84,747,943.28</u>

Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Endowment Fund	Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 554,917.18	\$ -
Pooled Cash with State Treasury	-	-	1,289,838.69
Unexpended General Revenue	17,468,291.94	-	-
Investments	-	12,958,133.15	-
Accounts Receivable	-	50,973.07	-
Due from State within Department	5,530.00	-	8,845,530.93
Due from Other Funds	265,057.04	-	-
Inventories	248,021.24	-	-
TOTAL ASSETS	\$ 17,986,900.22	\$ 13,564,023.40	\$ 10,135,369.62
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Wages Payable	\$ 1,913,727.40	\$ -	\$ -
Accounts Payable	290,365.77	154,498.90	152,733.16
Construction Contracts Payable	-	-	413,308.71
Construction Contracts - Retainage Payable	-	-	44,678.75
Due to Other Funds	-	265,057.04	-
Due to Other Departments	10,556.00	-	-
Total Liabilities	2,214,649.17	419,555.94	610,720.62
Fund Balances:			
Nonspendable:			
Inventories	248,021.24	-	-
Restricted for:			
Endowment	-	13,144,467.46	-
Capital Projects	-	-	9,524,649.00
Food Service	-	-	-
Student Activities	-	-	-
Total Restricted Fund Balance	-	13,144,467.46	9,524,649.00
Assigned for:			
2017-18 Fiscal Year Projects	6,509,006.54	-	-
Student Health Programs	-	-	-
State and Other Programs	-	-	-
Purchase Obligations	193,628.54	-	-
Technology	-	-	-
Total Assigned Fund Balance	6,702,635.08	-	-
Unassigned Fund Balance	8,821,594.73	-	-
Total Fund Balances	15,772,251.05	13,144,467.46	9,524,649.00
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,986,900.22	\$ 13,564,023.40	\$ 10,135,369.62

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

Other Governmental Funds	Total Governmental Funds
\$ 151,086.97	\$ 706,004.15
1,342,635.81	2,632,474.50
-	17,468,291.94
-	12,958,133.15
3,761.00	54,734.07
213,157.65	9,064,218.58
22,772.32	287,829.36
-	248,021.24
<u>\$ 1,733,413.75</u>	<u>\$ 43,419,706.99</u>
\$ 80,073.76	\$ 1,993,801.16
21,341.84	618,939.67
-	413,308.71
-	44,678.75
22,772.32	287,829.36
-	10,556.00
<u>124,187.92</u>	<u>3,369,113.65</u>
-	248,021.24
-	13,144,467.46
212,854.22	9,737,503.22
221,590.71	221,590.71
150,499.61	150,499.61
<u>584,944.54</u>	<u>23,254,061.00</u>
-	6,509,006.54
574,620.66	574,620.66
407,346.30	407,346.30
-	193,628.54
<u>42,314.33</u>	<u>42,314.33</u>
<u>1,024,281.29</u>	<u>7,726,916.37</u>
-	8,821,594.73
<u>1,609,225.83</u>	<u>40,050,593.34</u>
<u>\$ 1,733,413.75</u>	<u>\$ 43,419,706.99</u>

**Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017**

Total Fund Balances - Governmental Funds	\$ 40,050,593.34
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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.	76,638,659.97
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences Payable	\$ 2,531,019.00	
Other Postemployment Benefits Payable	13,759,261.03	
Net Pension Liability	24,540,528.00	(40,830,808.03)

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	\$ 9,725,286.00	
Deferred Inflows Related to Pensions	(835,788.00)	8,889,498.00

Net Position - Governmental Activities	\$ 84,747,943.28
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The accompanying notes to financial statements are an integral part of this statement.

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Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Endowment Fund	Public Education Capital Outlay Fund
Revenues			
Released General Revenue Appropriations	\$ 46,621,107.07	\$ -	\$ -
State Capital Appropriations	-	-	9,837,922.12
Federal Grants and Contracts	-	-	-
State and Local Grants and Donations	-	1,149,523.89	-
Interest	-	1,155,563.29	-
Fees	-	17,322.00	-
Total Revenues	<u>46,621,107.07</u>	<u>2,322,409.18</u>	<u>9,837,922.12</u>
Expenditures			
Current - Education:			
Instruction	12,255,525.62	1,655,188.34	-
Instructional Support Services	3,062,988.62	-	-
Student Support Services	3,136,434.84	-	-
Instructional Media Services	314,721.38	-	-
Instruction-Related Technology	2,384,772.77	-	-
Board	202,855.49	-	-
General Administration	272,391.67	-	-
School Administration	2,304,041.87	-	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	796,631.61	-	-
Food Services	1,151,282.37	-	-
Central Services	1,650,864.47	-	-
Residential Services	6,407,913.46	-	-
Student Transportation Services	3,211,044.71	-	-
Operation of Plant	2,799,529.98	-	-
Maintenance of Plant	3,857,948.90	-	1,592,764.75
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	675,262.20
Other Capital Outlay	1,153,314.75	-	-
Total Expenditures	<u>44,962,262.51</u>	<u>1,655,188.34</u>	<u>2,268,026.95</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,658,844.56</u>	<u>667,220.84</u>	<u>7,569,895.17</u>
Other Financing Sources (Uses)			
Transfers In	905.83	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>905.83</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,659,750.39	667,220.84	7,569,895.17
Fund Balances, Beginning	14,112,500.66	12,477,246.62	1,954,753.83
Fund Balances, Ending	<u>\$ 15,772,251.05</u>	<u>\$ 13,144,467.46</u>	<u>\$ 9,524,649.00</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 46,621,107.07
-	9,837,922.12
1,681,668.95	1,681,668.95
1,046,377.99	2,195,901.88
-	1,155,563.29
206,233.87	223,555.87
<u>2,934,280.81</u>	<u>61,715,719.18</u>
833,889.24	14,744,603.20
317,035.00	3,380,023.62
263,426.85	3,399,861.69
14,288.19	329,009.57
662,849.19	3,047,621.96
100,208.62	303,064.11
-	272,391.67
23,972.03	2,328,013.90
-	-
367,725.82	1,164,357.43
248,457.71	1,399,740.08
476.82	1,651,341.29
-	6,407,913.46
-	3,211,044.71
-	2,799,529.98
47,953.00	5,498,666.65
-	675,262.20
23,671.37	1,176,986.12
<u>2,903,953.84</u>	<u>51,789,431.64</u>
<u>30,326.97</u>	<u>9,926,287.54</u>
176,189.82	177,095.65
(177,095.65)	(177,095.65)
(905.83)	-
29,421.14	9,926,287.54
1,579,804.69	30,124,305.80
<u>\$ 1,609,225.83</u>	<u>\$ 40,050,593.34</u>

Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
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 \$ 9,926,287.54

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 capital outlay expenditures and donated assets in excess of depreciation expense in the current fiscal year.

Capital Outlay Expenditures	\$	1,852,248.32	
Depreciation Expense		(6,654,330.90)	
Donated Assets		127,289.10	(4,674,793.48)

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

(11,382.33)

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.

(239,139.00)

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.

(2,526,494.03)

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

FRS Pension Contribution	\$	1,462,112.00	
HIS Pension Contribution		417,694.00	
FRS Pension Expense		(2,240,350.00)	
HIS Pension Expense		(821,552.00)	(1,182,096.00)

Change in Net Position - Governmental Activities \$ 1,292,382.70

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

**Florida School for the Deaf and the Blind
A Component Unit of the State of Florida
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 39,152.30</u>
LIABILITIES	
Accounts Payable	<u>\$ 39,152.30</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

The School, a component unit of the State of Florida, was established by an act of the Florida Legislature, as specified under Section 1002.36, Florida Statutes, to provide educational programs and support services appropriate to meet the education, related evaluation, and counseling needs of deaf/hearing-impaired and blind/visually impaired students in the State who meet enrollment criteria. The School is a State-supported residential public school for deaf/hearing-impaired and blind/visually impaired students in preschool through 12th grade and is funded through the Department of Education. The School operates under the leadership and direction of a Board of Trustees (Board). The Board is composed of seven members appointed by the Governor and confirmed by the Senate. The Board must include one blind person and one deaf person and each member is required to have been a Florida resident for at least 10 years. The Board exercises control of the School through a Board-appointed President, who serves as the chief executive officer and is responsible for the operation, control, and supervision of the School and its programs. Unless otherwise provided by law, the School is required to comply with all State laws and rules applicable to State agencies.

Criteria for determining if other entities are potential component units that should be reported within the School'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 School's basic financial statements to be misleading. Based on these criteria, no component units are included within the School's reporting entity.

C. Basis of Presentation: Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental 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.

D. Basis of Presentation: Fund Financial Statements

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

The School 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.
- Endowment Fund – to account for and administer cash, securities, and real property received by the School through bequests; solicited and unsolicited contributions by donors; or contributions from the Theodore R. and Vivian M. Johnson Scholarship Foundation.
- Public Education Capital Outlay Fund – to account for the financial resources generated by the Public Educational Capital Outlay and Debt Service Trust Fund to be used for facilities maintenance and construction.

Additionally, the School reports the following fiduciary fund type:

- Agency Fund – to account for resources held in a custodial capacity for students.

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. 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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, 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.

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

1. Cash and Cash Equivalents

The School'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. Cash received from student activities at the School is deposited with a bank qualified as a public depository under Florida Law. School deposits are insured by Federal depository insurance, up to specific limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes, except for a portion of the School's Endowment Fund investments classified as cash equivalents, which are held by a safekeeping agent in the name of the School. All other funds, including funds appropriated by the State, are held in the State Treasury's general pool of investments as specified by Section 1002.36(4)(f), Florida Statutes, and are considered School cash equivalents.

2. Unexpended General Revenue Releases

Unexpended General Revenue Releases represent unexpended appropriations carried forward. As specified in Section 1011.57, Florida Statutes, funds appropriated to the School do not revert to the State of Florida if not spent in the year they are appropriated and all unexpended funds are carried forward to the School's operating budget for use in subsequent years.

3. Investments

The School invests funds in securities authorized by Section 215.47, Florida Statutes. The School reports investments at fair value. Types and amounts of investments held at fiscal year end are described in Note II.C.

4. Inventories

Inventories consist of expendable supplies held for consumption in the course of School operations. Inventories are stated at cost on the first-in, first-out basis. The costs of inventories are recorded as expenditures when used rather than purchased.

5. Capital Assets

As provided in Section 1002.36(4)(d), Florida Statutes, title to all capital assets of the School vests in the State Board of Education, but the School's Board has complete jurisdiction over the management of the School. Capital assets under the management of the School's Board are reported in the government-wide statement of net position.

Expenditures for capital assets acquired or constructed for general School 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 School as those costing more than \$1,000. Hard-backed, hard-covered books and certain Braille books with a useful life greater than 1 year and costing more than \$250 are also considered capital assets. 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 the 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 straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	10 - 30 years
Infrastructure and Improvements	15 - 20 years
Furniture and Equipment	3 - 5 years
Library Resources	5 years

Current year information relative to changes in capital assets is described in Note II.D.

6. Compensated Absences

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

employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

7. Pensions

In the government-wide statement of net position, liabilities are recognized for the School'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 School's retirement plans and related amounts are described in Note II.E.

8. Long-Term Liabilities

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

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

Changes in long-term liabilities for the current year are reported in Note II.I.

9. 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 a future period and so will not be recognized as an outflow of resources (expense) until then. The School only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in Note II.E.

In addition to liabilities, the statement of net position and the governmental funds balance sheet 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item that qualifies for reporting in this category on the statement of net position. The deferred inflows of resources related to pensions are discussed in Note II.E.

10. Net Position Flow Assumption

The School occasionally funds outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is

the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

11. Fund Balance Flow Assumptions

The School 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 School'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.

12. 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 School 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 School's highest level of decision-making authority. The Board is the highest level of decision-making authority for the School 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 School reported no committed fund balances at June 30, 2017.

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

In addition, Section 1011.56, Florida Statutes, provides that, if at any time the unencumbered balance of approved operating budget goes below 5 percent, the President shall provide written notification to the State Board of Education. To comply with this requirement, the School sets aside as part of its annual operating budget an emergency reserve equal to 5 percent of the prior year operating budget or 2 months of the average General Fund expenditures, whichever is greater. For the 2016-17 fiscal year, the emergency reserve approved in the annual operating budget was \$6,919,238.54.

G. Revenues

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. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

2. State Revenue Sources

Significant revenues from State sources for current operations are the Florida Legislature's appropriations to the School as approved in the annual General Appropriations Act. In accordance with Section 1011.55, Florida Statutes, the School submits legislative budget requests for operating funds and fixed capital outlay funds to the Department of Education. The Department of Education reviews and approves the legislative budget request before their submission to the State Board of Education, the Governor, and the Florida Legislature. The annual appropriation for the School is distributed to the School on a quarterly basis.

Revenue for preventative maintenance of buildings and infrastructure, site acquisition, building renovation and remodeling, construction projects and site improvements is appropriated for the School from the State's Public Education Capital Outlay and Debt Service Trust Fund. The School is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department of Education.

3. Federal Revenue Sources

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

II. 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 School's deposits may not be returned to the School. The School does not have a policy for custodial credit risk. All School bank balances are fully insured or collateralized as required by Chapter 280, Florida Statutes, except for certain Endowment Fund deposits held by a safekeeping agent in the name of the School. At June 30, 2017, the School's deposits in financial institutions totaled \$706,004.15. The Endowment Fund's cash deposits with the safekeeping agent are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and, at June 30, 2017, the School had \$303,551.50 in cash deposits that exceeded the FDIC limit.

B. Cash Held in State Treasury

The State of Florida Chief Financial Officer pools funds in the State Treasury from all State agencies. Included in the pool are primarily time deposits, U.S. Government securities, Federal agency securities, commercial paper, corporate bonds and notes, and repurchase agreements. The School's share of this investment pool was \$2,632,474.50 at June 30, 2017. No allocation will be made as to the School's share of the types of investments or their risk categories. The School's share of the assets and liabilities arising from the securities lending agreement administered by the State Treasury operates on a pooled basis and to do so may give the misleading impression that the School itself has entered into such agreements. For further information, refer to the State of Florida's Comprehensive Annual Financial Report or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

C. Investments

The Board has adopted a written investment policy providing that funds other than those appropriated from the State and held in State Treasury, such as gifts, contributions or bequests to the School that are accounted for in the School's endowment fund, be invested in securities authorized by Section 215.47(1), (2)(c), (3), (4), and (10), Florida Statutes. Accordingly, the School is authorized to invest in bonds, notes or other obligations of the United States; bonds issued or administered by the State Board of Administration or State Board of Education; interest-bearing time deposits and savings accounts in qualified public depositories; obligations of Federal Agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other types of investments.

Fair Value Measurement

The School 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; and level 3 inputs are significant unobservable inputs.

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

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	Amount			
U.S. Guaranteed Obligations	\$ 1,239,122.84	\$ 1,239,122.84	\$ -	\$ -
Domestic Bonds and Notes	4,210,492.23	-	4,210,492.23	-
International Bonds and Notes	488,559.80	-	488,559.80	-
Domestic Stock	5,185,424.73	5,185,424.73	-	-
International Stock	1,834,533.55	1,834,533.55	-	-
Total investments measured at fair value	\$ 12,958,133.15	\$ 8,259,081.12	\$ 4,699,052.03	\$ -

The School's investments at June 30, 2017, totaling \$12,958,133.15, are all reported in the Endowment Fund and are managed by a contracted investment management firm. The following risks apply to the School's Endowment Fund investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. However, securities with short-term maturities are held in order to accommodate cash flow needs and to avoid selling securities prior to maturity.

Investments Type	Remaining Maturity (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10
U.S. Guaranteed Obligations	\$ 1,239,122.84	\$ 181,122.91	\$ 1,033,368.91	\$ 24,631.02
Domestic Bonds and Notes	4,210,492.23	867,265.70	1,811,118.77	1,532,107.76
International Bonds and Notes	488,559.80	72,606.96	340,318.36	75,634.48
Total	\$ 5,938,174.87	\$ 1,120,995.57	\$ 3,184,806.04	\$ 1,632,373.26

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As a means of limiting its exposure to credit risk, the School's investment policy limits its investments to those authorized by Section 215.47(1), (2)(c), (3), (4), and (10), Florida Statutes, which are generally recognized as elements of a conservative investment portfolio and carry minimal credit risk. Obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. International bonds and notes are rated as investment grade or above by rating services recognized in the United States. The School's investments are rated as follows:

Investment Type	Fair Value	Credit Quality Rating (1)
U.S. Guaranteed Obligations	\$ 1,239,122.84	Aaa
Domestic Bonds and Notes	4,210,492.23	Aa3 - Baa3
International Bonds and Notes	488,559.80	Aa2 - Baa3
Total	\$ 5,938,174.87	

Note: (1) The credit quality ratings are from Moody's Investors Service.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Although the School's investments are held by a third-party custodian in the name of the School, the School does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the School's investment in a single issuer. Although the School does not have a formal investment policy that limits the amount the School may invest in any one issuer, Section 215.47(2)(c), Florida Statutes, limits the School's investments in mortgage security obligations of Federal Agencies and instrumentalities to no more than 25 percent of the fund, and Section 215.47(3), Florida Statutes, limits the School's investments in equity securities to no more than 80 percent of the fund.

D. 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>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 2,342,683.71	\$ -	\$ -	\$ 2,342,683.71
Construction in Progress	-	675,262.20	-	675,262.20
Total Capital Assets Not Being Depreciated	<u>2,342,683.71</u>	<u>675,262.20</u>	<u>-</u>	<u>3,017,945.91</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	147,714,010.36	-	3,967.36	147,710,043.00
Infrastructure and Improvements	32,484,110.70	-	-	32,484,110.70
Furniture and Equipment	8,742,756.09	1,297,951.71	694,808.42	9,345,899.38
Library Resources	1,454,885.49	6,323.51	291,268.91	1,169,940.09
Total Capital Assets Being Depreciated	<u>190,395,762.64</u>	<u>1,304,275.22</u>	<u>990,044.69</u>	<u>190,709,993.17</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	85,497,384.35	4,490,001.36	3,967.36	89,983,418.35
Infrastructure and Improvements	18,304,717.62	1,136,009.73	-	19,440,727.35
Furniture and Equipment	6,409,359.10	900,474.85	684,148.00	6,625,685.95
Library Resources	1,202,149.50	127,844.96	290,547.00	1,039,447.46
Total Accumulated Depreciation	<u>111,413,610.57</u>	<u>6,654,330.90</u>	<u>978,662.36</u>	<u>117,089,279.11</u>
Total Capital Assets Being Depreciated, Net	<u>78,982,152.07</u>	<u>(5,350,055.68)</u>	<u>11,382.33</u>	<u>73,620,714.06</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,324,835.78</u>	<u>\$ (4,674,793.48)</u>	<u>\$ 11,382.33</u>	<u>\$ 76,638,659.97</u>

Depreciation expense of \$6,654,330.90 was not allocated to the School's functions/programs. This amount is reported as unallocated depreciation on the statement of activities.

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

The School's FRS and HIS pension expense totaled \$3,061,902 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.
- *Special Risk* – 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>% Value</u>
Regular members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk	
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, 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 School's contributions to the Plan totaled \$1,462,112 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 School reported a liability of \$15,036,196 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 School's proportionate share of the net pension liability was based on the School's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was 0.0595491043 percent, which was a decrease of 0.0045389347 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School recognized Plan pension expense of \$2,240,350. In addition, the School 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	\$ 1,151,287	\$ 139,997
Change of assumptions	909,645	-
Net difference between projected and actual earnings on FRS pension plan investments	3,886,673	-
Changes in proportion and differences between School FRS contributions and proportionate share of contributions	161,301	539,455
School FRS contributions subsequent to the measurement date	1,462,112	-
Total	<u>\$ 7,571,018</u>	<u>\$ 679,452</u>

The deferred outflows of resources related to pensions resulting from School contributions to the Plan subsequent to the measurement date, totaling \$1,462,112, 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	\$ 747,618
2019	747,618
2020	2,262,885
2021	1,501,968
2022	134,482
Thereafter	34,883
Total	\$ 5,429,454

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.6 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit

payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2016 valuation was updated from 7.65 percent to 7.6 percent.

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

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
School's proportionate share of the net pension liability	\$ 27,682,654	\$ 15,036,196	\$ 4,509,689

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 (DMS), 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 School 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 School's contributions to the HIS Plan totaled \$417,694 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 School reported a net pension liability of \$9,504,332 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the School's proportionate share of benefit payments expected to be paid within 1 year, net of the School'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 School's proportionate share of the net pension liability was based on the School's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was 0.0815501485 percent, which was a decrease of 0.001665641 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School recognized HIS Plan pension expense of \$821,552. In addition, the School 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	\$ -	\$ 21,647
Change of assumptions	1,491,471	-
Net difference between projected and actual earnings on HIS pension plan investments	4,806	-
Changes in proportion and differences between School HIS contributions and proportionate share of HIS contributions	240,297	134,689
School contributions subsequent to the measurement date	417,694	-
Total	<u>\$ 2,154,268</u>	<u>\$ 156,336</u>

The deferred outflows of resources related to pensions resulting from School contributions to the HIS Plan subsequent to the measurement date, totaling \$417,694, 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	\$ 295,922
2019	295,922
2020	295,007
2021	294,568
2022	228,447
Thereafter	170,372
Total	<u>\$ 1,580,238</u>

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

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
School's proportionate share of the net pension liability	\$ 10,903,628	\$ 9,504,332	\$ 8,342,993

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

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30

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 School.

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 School's Investment Plan pension expense totaled \$293,998 for the fiscal year ended June 30, 2017.

F. Other Postemployment Benefit Obligations

The School participates in the State Employees' Group Health Insurance Program, a cost-sharing multiple-employer defined benefit healthcare plan administered by the DMS, Division of State Group Insurance, to provide group health benefits. Section 110.123, Florida Statutes, provides that retirees may participate in the State's group health insurance program and assigns the authority to establish and amend benefit provisions to the DMS. Although premiums are paid by the retiree, the premium cost to the retiree is implicitly subsidized by the commingling of claims experience in a single risk pool with a single premium determination. An actuarial valuation has been performed for the plan and the School's employees were included in the actuarial analysis. For more information on the plan regarding the funding policy and actuarial methods and assumptions, see the State of Florida's Comprehensive Annual Financial Report, which is available from the Department of Financial Services.

In accordance with GASB Codification Section Po50, *Postemployment Benefit Plans Other Than Pension Plans - Defined Benefit*, the School is required to record its portion of the implicit postemployment benefit liability. Other postemployment benefits payable at June 30, 2017, was \$13,759,261.03.

G. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of construction contract commitments at June 30, 2017:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Gore Hall Renovation	\$ 732,568.00	\$ 221,476.29	\$ 511,091.71
North Bulkhead	753,967.26	967.27	752,999.99
Roadway Maintenance	1,273,478.19	452,818.64	820,659.55
Total	<u>\$ 2,760,013.45</u>	<u>\$ 675,262.20</u>	<u>\$ 2,084,751.25</u>

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

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

<u>Major Funds</u>		<u>Public Education Capital Outlay</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>General</u>	<u>Endowment</u>			
<u>\$ 193,628.54</u>	<u>\$ -</u>	<u>\$ 4,193,247.89</u>	<u>\$ 27,801.69</u>	<u>\$ 4,414,678.12</u>

H. Risk Management Programs

The School 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 School participates in various insurance programs established by the State of Florida. Coverages include property,

general liability, automobile liability, workers' compensation, and Federal civil rights action. For further information, refer to the State of Florida's Comprehensive Annual Financial Report or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

The School obtains conventional coverage through purchased commercial insurance for additional automobile liability, boiler and machinery breakdown, information technology, accidental death and dismemberment, and losses due to crime. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

I. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 2,291,880.00	\$ 1,624,144.00	\$ 1,385,005.00	\$ 2,531,019.00	\$ 741,684.49
Net Pension Liability	16,764,531.00	16,110,847.00	8,334,850.00	24,540,528.00	274,007.00
Other Postemployment Benefits Payable	11,232,767.00	2,526,494.03	-	13,759,261.03	-
Total Governmental Activities	\$ 30,289,178.00	\$ 20,261,485.03	\$ 9,719,855.00	\$ 40,830,808.03	\$ 1,015,691.49

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

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the 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	\$ 265,057.04	\$ -
Endowment	-	265,057.04
Nonmajor Governmental	22,772.32	22,772.32
Total	\$ 287,829.36	\$ 287,829.36

The interfund amount due to the General Fund represents a loan from one fund to another, and is not expected to be repaid within 1 year. The amounts due between the nonmajor funds represent indirect costs and administrative fees due to the nonmajor Administrative Trust Fund and are expected to be repaid within 1 year.

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 905.83	\$ -
Nonmajor Governmental	176,189.82	177,095.65
Total	\$ 177,095.65	\$ 177,095.65

The principal purposes of the interfund transfers were to transfer administrative fees and indirect costs from the nonmajor Federal Grants Trust Fund and the nonmajor Grants and Donations Trust Fund to the nonmajor Administrative Trust Fund and to the General Fund.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Released General Revenue Appropriations	\$ 46,366,801.00	\$ 46,785,239.00	\$ 46,621,107.07	\$ (164,131.93)
Expenditures				
Category:				
Salaries and Benefits	35,965,584.00	36,228,884.00	34,844,685.09	1,384,198.91
Other Personal Services	2,829,541.00	3,432,328.70	2,933,744.40	498,584.30
Expenses	4,708,217.00	4,708,217.00	4,618,421.76	89,795.24
Operating Capital Outlay	1,296,714.44	2,018,023.80	741,414.91	1,276,608.89
Fixed Capital Outlay	5,435,574.64	4,161,839.88	-	4,161,839.88
Food Products	360,715.00	360,716.00	191,224.85	169,491.15
Special Categories:				
Professional Supplements	111,650.00	111,650.00	103,627.03	8,022.97
Overtime	116,973.00	116,973.00	60,449.47	56,523.53
Students Home on Weekends	1,553,002.00	1,553,002.00	1,468,695.00	84,307.00
Total Expenditures	52,377,971.08	52,691,634.38	44,962,262.51	7,729,371.87
Excess (Deficiency) of Revenues Over Expenditures	(6,011,170.08)	(5,906,395.38)	1,658,844.56	7,565,239.94
Other Financing Sources				
Transfers In	-	-	905.83	905.83
Total Other Financing Sources	-	-	905.83	905.83
Net Change in Fund Balances	(6,011,170.08)	(5,906,395.38)	1,659,750.39	7,566,145.77
Fund Balance, Beginning	13,430,408.62	13,325,633.92	14,112,500.66	786,866.74
Fund Balance, Ending	\$ 7,419,238.54	\$ 7,419,238.54	\$ 15,772,251.05	\$ 8,353,012.51

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

	2016	2015	2014
School's proportion of the FRS net pension liability	0.0595491043%	0.064088039%	0.063910706%
School's proportionate share of the FRS net pension liability	\$ 15,036,196	\$ 8,277,830	\$ 3,899,493
School's covered payroll	\$ 25,047,732	\$ 25,363,140	\$ 24,676,161
School's proportionate share of the FRS net pension liability as a percentage of its covered payroll	60.03%	32.64%	15.80%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

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

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

	2017	2016	2015
Contractually required FRS contribution	\$ 1,462,112	\$ 1,452,200	\$ 1,562,521
FRS contributions in relation to the contractually required contribution	(1,462,112)	(1,452,200)	(1,562,521)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 25,154,555	\$ 25,047,732	\$ 25,363,140
FRS contributions as a percentage of covered payroll	5.81%	5.80%	6.16%

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

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

	2016	2015	2014
School's proportion of the HIS net pension liability	0.081550149%	0.083215789%	0.081999972%
School's proportionate share of the HIS net pension liability	\$ 9,504,332	\$ 8,486,701	\$ 7,667,197
School's covered payroll	\$ 25,047,732	\$ 25,363,140	\$ 24,676,161
School's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.94%	33.46%	31.07%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

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

	2017	2016	2015
Contractually required HIS contribution	\$ 417,694	\$ 417,996	\$ 318,103
HIS contributions in relation to the contractually required contribution	(417,694)	(417,996)	(318,103)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 25,154,555	\$ 25,047,732	\$ 25,363,140
HIS contributions as a percentage of covered payroll	1.66%	1.67%	1.25%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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1. Budgetary Basis of Accounting

The Board follows procedures established by State statutes in establishing budget balances for governmental funds, as described below:

- Budgets are prepared and original budgets are adopted annually at a public Board meeting as prescribed by law.
- The annual operating budget allocates funds by program component and traditional expenditure category (e.g., salaries and benefits, expenses, and operating capital outlay), and may be amended by resolution by the Board.
- 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 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.

3. 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.



Sherrill F. Norman, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Florida School for the Deaf and the Blind, a component unit of the State of Florida, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 27, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 27, 2018