

Report No. 2018-151
March 2018

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**GLADES COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2017



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Scott Bass served as Superintendent of the Glades County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Janet Storey	1
Jenny Allen, Vice Chair	2
Jeri Wilson	3
Mike Pressley, Chair	4
Patricia Pearce	5

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

The team leader was Karen L. Revell, CPA, and the audit was supervised by Deirdre F. Waigand, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Impact Aid Program were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs except for the Impact Aid Program. A noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 2017-001: The District did not use a parent-pupil survey or another United States Department of Education-approved method to support the number of Federally connected children reported on the District's Impact Aid Program application for the 2017 award. In addition, District enrollment records supporting the application indicated that the District had 1,704 students; however, the District under reported this number on the application by 35 students. As a result of the unsupported and inaccurate information reported, Program expenditures of \$564,899 for the 2017 award represent questioned costs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the financial statement finding included in our report No. 2017-174.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 21 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- As of June 30, 2017, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$45.9 million.
- General revenues total \$16.7 million, or 93.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1.2 million, or 6.9 percent of all revenues.
- Expenses total \$17.9 million. Only \$1.2 million of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$3.1 million, which is \$0.6 million more than the prior fiscal year balance. The General Fund total unassigned fund balance was \$2.8 million, or approximately 19.2 percent of total General Fund revenues.
- The total long-term liabilities increased by \$2.7 million, or 50.2 percent, mainly because of an increase in the net pension liability related to the District's participation in the Florida Retirement System.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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

- Governmental activities – This represents most of the district's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report, which is the Pematv Emahakv, Inc. (Corporation). The Corporation is a not-for-profit corporation organized and operated as a direct-support organization under Section 1002.33, Florida Statutes. The Corporation operates the Pematv Emahakv Charter "Our Way School" and Pematv Emahakv Charter Middle School under charters approved by their sponsor, the Board. Based on generally accepted accounting principles, as discussed in the notes to the financial statements, this entity has been included as an integral part of the primary government.

Fund Financial Statements

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

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

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

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

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

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

The District uses private-purpose trust funds to account for scholarship funds established by private donors.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position, End of Year

	Governmental Activities	
	6-30-17	6-30-16
Current and Other Assets	\$ 4,848,949	\$ 3,777,922
Capital Assets	46,723,122	47,309,960
Total Assets	51,572,071	51,087,882
Deferred Outflows of Resources	3,238,443	1,471,993
Long-Term Liabilities	8,072,551	5,374,836
Other Liabilities	626,329	602,378
Total Liabilities	8,698,880	5,977,214
Deferred Inflows of Resources	180,803	693,663
Net Position:		
Investment in Capital Assets	46,723,122	46,809,960
Restricted	1,397,472	919,396
Unrestricted (Deficit)	(2,189,763)	(1,840,358)
Total Net Position	\$ 45,930,831	\$ 45,888,998

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$447,723 in compensated absences payable, \$61,406 in other postemployment benefit obligations, and \$7,563,422 in net pension liability.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-17	6-30-16
Program Revenues:		
Charges for Services	\$ 103,697	\$ 121,759
Operating Grants and Contributions	805,487	799,725
Capital Grants and Contributions	323,067	301,612
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,130,549	3,214,463
Property Taxes, Levied for Capital Projects	891,467	869,037
Grants and Contributions Not Restricted to Specific Programs	12,224,067	12,081,866
Unrestricted Investment Earnings	12,468	4,374
Miscellaneous	423,352	297,169
Total Revenues	17,914,154	17,690,005
Functions/Program Expenses:		
Instruction	9,964,943	8,761,215
Student Personnel Services	525,717	512,055
Instructional Media Services	214,666	188,731
Instruction and Curriculum Development Services	305,239	325,739
Instructional Staff Training Services	287,817	241,017
Instructional-Related Technology	242,500	115,808
Board	383,770	383,033
General Administration	279,721	235,820
School Administration	988,239	671,634
Facilities Acquisition and Construction	170,943	659,494
Fiscal Services	188,485	195,387
Food Services	923,556	936,424
Central Services	41,841	37,497
Student Transportation Services	518,934	465,011
Operation of Plant	1,067,010	1,038,118
Maintenance of Plant	453,509	331,197
Administrative Technology Services	59,391	186,157
Unallocated Depreciation Expense	1,256,040	753,532
Total Functions/Program Expenses	17,872,321	16,037,869
Change in Net Position	41,833	1,652,136
Net Position, Beginning of Year	45,888,998	44,236,862
Net Position - Ending	\$ 45,930,831	\$ 45,888,998

The largest revenue source is the State of Florida (60.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding

across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Miscellaneous general revenues increased by \$126,000, or 42.5 percent, primarily due to reimbursements for lightning damage and transformer damages at West Glades School and Moore Haven Elementary School.

Instruction expenses increased by \$1.2 million, or 13.7 percent, primarily due to salary increases.

Unallocated depreciation expenses increased by \$503,000, or 66.7 percent, primarily due to an increase in depreciation related to the completion of the new Moore Haven Middle-High School during the 2015-16 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$1.1 million during the fiscal year to \$4.2 million at June 30, 2017. Approximately 66.9 percent of this amount is unassigned fund balance (\$2.8 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is: (1) not in spendable form or (2) restricted for particular purposes.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$2.8 million, while the total fund balance is \$3.1 million. 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 unassigned fund balance is approximately 19.2 percent of the total General Fund revenues, while total fund balance represents approximately 21.1 percent of total General Fund revenues.

Total General Fund balance increased by \$603,000 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Federal revenue increased by \$176,000, or 41.9 percent, primarily due mainly to an increase in Impact Aid.
- Total expenditures decreased by \$464,000, or 3.1 percent, due mainly to a decrease in facilities acquisition and construction expenditures.

Total Special Revenue – Other Fund is used to account for certain Federal grant program activities, including revenues and expenditures totaling \$1.1 million each. Because grant revenues attributed to

grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$78,000, which is an increase of \$66,000 over the prior fiscal year. These funds are restricted for the acquisition, construction, and maintenance of capital assets.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$617,000, which is an increase of \$391,000 over the 2015-16 fiscal year, due in part to fewer ongoing construction projects. These funds are restricted for new construction and renovation and remodeling projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2016-17 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$1.2 million, or 8.4 percent. At the same time, final appropriations are more than the original budgeted amounts by \$629,000, or 4.2 percent. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are less than the final budgeted amounts by less than \$622,000, while actual expenditures are \$1.4 million, or 9 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$298,000.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2017, is \$46.7 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total decrease in capital assets for the current fiscal year was approximately 1.2 percent.

Additional information on the District’s capital assets can be found in Notes I.F.3 and II.B. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The latest enrollment projections for the District indicate an increase of approximately 110 students during the 2017-18 fiscal year, which will increase State revenue to some extent.

Employer contributions to the Florida Retirement System increased for regular employees from 7.52 to 7.92 percent of payroll for the 2017-18 fiscal year.

Housing prices are expected to increase the taxable assessed value of real property for the 2017-18 fiscal year.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent, Glades County District School Board, Post Office Box 459, Moore Haven, FL 33471.

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BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>		<u>Unit</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,399,006.08	\$	1,085,091.00
Accounts Receivable	71,939.57		355,513.00
Due from Other Agencies	362,903.46		7,488.00
Prepaid Items	-		77,202.00
Inventories	15,099.98		-
Capital Assets:			
Nondepreciable Capital Assets	2,567,264.44		-
Depreciable Capital Assets, Net	44,155,857.06		609,118.00
TOTAL ASSETS	<u>51,572,070.59</u>		<u>2,134,412.00</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	3,238,443.00		1,487,549.00
LIABILITIES			
Accrued Salaries and Benefits	59.94		721,836.00
Payroll Deductions and Withholdings	125,541.42		-
Accounts Payable	119.99		461,195.00
Due to Other Agencies	500,608.03		-
Long-Term Liabilities:			
Portion Due Within One Year	191,793.78		-
Portion Due After One Year	7,880,756.84		3,439,136.00
TOTAL LIABILITIES	<u>8,698,880.00</u>		<u>4,622,167.00</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	180,803.00		144,853.00
NET POSITION			
Investment in Capital Assets	46,723,121.50		609,118.00
Restricted for:			
State Required Carryover Programs	61,430.52		-
Capital Projects	769,005.79		-
Food Service	342,969.44		-
Career and Adult Education	224,066.16		-
Unrestricted	<u>(2,189,762.82)</u>		<u>(1,754,177.00)</u>
TOTAL NET POSITION	<u>\$ 45,930,830.59</u>	\$	<u>(1,145,059.00)</u>

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

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

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary Government			
Governmental Activities:			
Instruction	\$ 9,964,943.12	\$ 146.25	\$ -
Student Support Services	525,716.67	-	-
Instructional Media Services	214,666.30	-	-
Instruction and Curriculum Development Services	305,239.22	-	-
Instructional Staff Training Services	287,816.83	-	-
Instruction-Related Technology	242,500.12	-	-
Board	383,770.15	-	-
General Administration	279,721.22	-	-
School Administration	988,238.99	-	-
Facilities Acquisition and Construction	170,942.90	-	-
Fiscal Services	188,484.84	-	-
Food Services	923,555.51	103,550.73	805,487.35
Central Services	41,840.80	-	-
Student Transportation Services	518,934.02	-	-
Operation of Plant	1,067,010.24	-	-
Maintenance of Plant	453,509.04	-	-
Administrative Technology Services	59,391.14	-	-
Unallocated Depreciation	1,256,039.99	-	-
Total Primary Government	<u>\$ 17,872,321.10</u>	<u>\$ 103,696.98</u>	<u>\$ 805,487.35</u>
Component Unit			
Charter Schools	<u>\$ 8,662,508.00</u>	<u>\$ 12,110.00</u>	<u>\$ 0.00</u>

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
\$ -	\$ (9,964,796.87)	\$ -
-	(525,716.67)	-
-	(214,666.30)	-
-	(305,239.22)	-
-	(287,816.83)	-
-	(242,500.12)	-
-	(383,770.15)	-
-	(279,721.22)	-
-	(988,238.99)	-
279,834.02	108,891.12	-
-	(188,484.84)	-
-	(14,517.43)	-
-	(41,840.80)	-
-	(518,934.02)	-
-	(1,067,010.24)	-
43,233.00	(410,276.04)	-
-	(59,391.14)	-
-	(1,256,039.99)	-
<u>\$ 323,067.02</u>	<u>(16,640,069.75)</u>	<u>-</u>
<u>\$ 96,725.00</u>	<u>-</u>	<u>(8,553,673.00)</u>
	3,130,548.51	-
	891,466.71	-
	12,224,067.52	8,875,336.00
	12,467.76	-
	423,351.74	-
	<u>16,681,902.24</u>	<u>8,875,336.00</u>
	41,832.49	321,663.00
	<u>45,888,998.10</u>	<u>(1,466,722.00)</u>
	<u>\$ 45,930,830.59</u>	<u>\$ (1,145,059.00)</u>

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

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,871,477.93	\$ -	\$ 509,023.11
Accounts Receivable	71,737.18	202.39	-
Due from Other Funds	271,625.58	-	-
Due from Other Agencies	21,791.86	271,625.58	68,958.00
Inventories	-	-	-
TOTAL ASSETS	\$ 3,236,632.55	\$ 271,827.97	\$ 577,981.11
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ -	\$ -	\$ -
Payroll Deductions and Withholdings	125,380.04	82.40	-
Accounts Payable	-	119.99	-
Due to Other Funds	-	271,625.58	-
Due to Other Agencies	608.03	-	500,000.00
Total Liabilities	125,988.07	271,827.97	500,000.00
Fund Balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
State Required Carryover Programs	61,430.52	-	-
Capital Projects	-	-	77,981.11
Food Service	-	-	-
Career and Adult Education	224,066.16	-	-
Total Restricted Fund Balance	285,496.68	-	77,981.11
Unassigned Fund Balance	2,825,147.80	-	-
Total Fund Balances	3,110,644.48	-	77,981.11
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,236,632.55	\$ 271,827.97	\$ 577,981.11

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 616,520.19	\$ 401,984.85	\$ 4,399,006.08
-	-	71,939.57
-	-	271,625.58
-	528.02	362,903.46
-	15,099.98	15,099.98
<u>\$ 616,520.19</u>	<u>\$ 417,612.85</u>	<u>\$ 5,120,574.67</u>
\$ -	\$ 59.94	\$ 59.94
-	78.98	125,541.42
-	-	119.99
-	-	271,625.58
-	-	500,608.03
<u>-</u>	<u>138.92</u>	<u>897,954.96</u>
-	15,099.98	15,099.98
-	-	61,430.52
616,520.19	74,504.49	769,005.79
-	327,869.46	327,869.46
-	-	224,066.16
<u>616,520.19</u>	<u>402,373.95</u>	<u>1,382,371.93</u>
-	-	2,825,147.80
<u>616,520.19</u>	<u>417,473.93</u>	<u>4,222,619.71</u>
<u>\$ 616,520.19</u>	<u>\$ 417,612.85</u>	<u>\$ 5,120,574.67</u>

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

Total Fund Balances - Governmental Funds \$ 4,222,619.71

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. 46,723,121.50

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	\$ (447,722.62)	
Net Pension Liability	(7,563,422.00)	
Other Postemployment Benefits Payable	<u>(61,406.00)</u>	(8,072,550.62)

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	\$ 3,238,443.00	
Deferred Inflows Related to Pensions	<u>(180,803.00)</u>	<u>3,057,640.00</u>

Net Position - Governmental Activities \$ 45,930,830.59

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

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

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 596,245.33	\$ 49,727.00	\$ -
Federal Through State and Local	-	1,000,853.91	-
State	10,577,241.28	-	264,516.00
Local:			
Property Taxes	3,130,548.51	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	412,084.66	-	1,522.19
Total Local Revenues	<u>3,542,633.17</u>	<u>-</u>	<u>1,522.19</u>
Total Revenues	<u>14,716,119.78</u>	<u>1,050,580.91</u>	<u>266,038.19</u>
Expenditures			
Current - Education:			
Instruction	8,986,488.40	725,487.77	-
Student Support Services	431,353.04	82,033.12	-
Instructional Media Services	207,072.28	-	-
Instruction and Curriculum Development Services	223,634.69	72,837.89	-
Instructional Staff Training Services	149,260.28	136,919.06	-
Instruction-Related Technology	242,500.12	-	-
Board	360,112.24	-	-
General Administration	227,223.99	28,016.46	-
School Administration	951,728.80	-	-
Facilities Acquisition and Construction	-	-	4,137.77
Fiscal Services	183,792.78	-	-
Food Services	-	-	-
Central Services	40,593.97	-	-
Student Transportation Services	501,705.39	5,286.61	-
Operation of Plant	1,057,448.40	-	-
Maintenance of Plant	442,570.19	-	-
Administrative Technology Services	59,511.28	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	248,279.10	-	-
Other Capital Outlay	-	-	-
Debt Service:			
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>14,313,274.95</u>	<u>1,050,580.91</u>	<u>4,137.77</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>402,844.83</u>	<u>-</u>	<u>261,900.42</u>
Other Financing Sources (Uses)			
Transfers In	195,558.00	-	-
Loss Recoveries	4,184.45	-	-
Transfers Out	-	-	(195,558.00)
Total Other Financing Sources (Uses)	<u>199,742.45</u>	<u>-</u>	<u>(195,558.00)</u>
Net Change in Fund Balances	602,587.28	-	66,342.42
Fund Balances, Beginning	2,508,057.20	-	11,638.69
Fund Balances, Ending	<u>\$ 3,110,644.48</u>	<u>\$ 0.00</u>	<u>\$ 77,981.11</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 645,972.33
-	792,522.35	1,793,376.26
-	71,516.02	10,913,273.30
891,466.71	-	4,022,015.22
-	103,550.73	103,550.73
29,179.09	628.36	443,414.30
<u>920,645.80</u>	<u>104,179.09</u>	<u>4,568,980.25</u>
<u>920,645.80</u>	<u>968,217.46</u>	<u>17,921,602.14</u>
-	-	9,711,976.17
-	-	513,386.16
-	-	207,072.28
-	-	296,472.58
-	-	286,179.34
-	-	242,500.12
-	-	360,112.24
-	-	255,240.45
-	-	951,728.80
123,698.79	43,106.34	170,942.90
-	-	183,792.78
-	926,034.71	926,034.71
-	-	40,593.97
-	-	506,992.00
-	-	1,057,448.40
-	-	442,570.19
-	-	59,511.28
100,146.60	-	348,425.70
306,300.39	11,386.32	317,686.71
-	44.50	44.50
<u>530,145.78</u>	<u>980,571.87</u>	<u>16,878,711.28</u>
<u>390,500.02</u>	<u>(12,354.41)</u>	<u>1,042,890.86</u>
-	-	195,558.00
-	-	4,184.45
-	-	(195,558.00)
-	-	4,184.45
<u>390,500.02</u>	<u>(12,354.41)</u>	<u>1,047,075.31</u>
<u>226,020.17</u>	<u>429,828.34</u>	<u>3,175,544.40</u>
<u>\$ 616,520.19</u>	<u>\$ 417,473.93</u>	<u>\$ 4,222,619.71</u>

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

Net Change in Fund Balances - Governmental Funds \$ 1,047,075.31

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (586,838.09)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (28,835.73)

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. (17,006.00)

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

FRS Pension Contribution	\$	497,834	
HIS Pension Contribution		128,789	
FRS Pension Expense		(751,443)	
HIS Pension Expense		(247,743)	
		(372,563.00)	(372,563.00)

Change in Net Position - Governmental Activities **\$ 41,832.49**

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

Glades County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 321,624.72	\$ 183,044.00
Investments	-	14,894.00
TOTAL ASSETS	\$ 321,624.72	\$ 197,938.00
LIABILITIES		
Internal Accounts Payable	\$ -	\$ 197,938.00
NET POSITION		
Held in Trust for Scholarships and Other Purposes	\$ 321,624.72	

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

**Glades County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2017**

	Private-Purpose Trust Funds
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	\$ 60,654.72
Change in Net Position	60,654.72
Net Position - Beginning	260,970.00
Net Position - Ending	\$ 321,624.72

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 non-fiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Glades County School District's (District) 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 not readily associated with a particular function is reported as unallocated.

B. Reporting Entity

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component unit is included within the District's reporting entity.

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's component unit. A separate column is used to emphasize that it is legally separate from the District. Pemayetv Emahakv, Inc. (Corporation) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Corporation operates Pemayetv Emahakv Charter "Our Way School" and Pemayetv Emahakv Charter Middle School (charter schools) under charters approved by its sponsor, the Board, and is considered a component unit of the District because the District is financially accountable for the charter schools, as the District

established the charter schools by approval of the charters, which are tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District. The District considers the Corporation to be a major component unit based upon its nature and significance to the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2017. The audit reports are filed in the District's administrative offices at 400 10th Street, SW, Moore Haven, Florida 33471.

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 effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental 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 non-major funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education and Capital Outlay Fund – to account for the financial resources generated by the State Public Education Capital Outlay and Debt Service Trust Fund to be used for maintenance projects throughout the District and Classrooms First funding to be used for classroom maintenance.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Funds – to account for resources of the Barbara H. Oehlbeck Scholarship Trust Fund and the Ralph Smith Scholarship Trust Fund.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal 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. 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, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which 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 when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 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, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

Pemayetv Emahakv, Inc. is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

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

2. Inventories

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

3. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	7 - 50 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

Capital assets of the major component unit are defined by Pemayetv Emahakv, Inc. as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Furniture, Fixtures, and Equipment	5 - 10 years
Motor Vehicles	5 - 10 years
Leasehold Improvements	15 - 39 years

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

4. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

5. Long-Term Liabilities

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

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

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

6. 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 District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

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

7. Net Position Flow Assumption

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

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

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

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2016 tax levy on September 8, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 813,648.45	\$ -	\$ -	\$ 813,648.45
Land Improvements	1,753,615.99	-	-	1,753,615.99
Total Capital Assets Not Being Depreciated	2,567,264.44	-	-	2,567,264.44
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,600,887.98	103,236.09	-	1,704,124.07
Buildings and Fixed Equipment	53,059,425.05	248,279.10	-	53,307,704.15
Furniture, Fixtures, and Equipment	800,132.97	33,644.67	-	833,777.64
Motor Vehicles	1,200,078.06	167,620.04	-	1,367,698.10
Audio Visual Materials and Computer Software	759,886.48	116,422.00	-	876,308.48
Total Capital Assets Being Depreciated	57,420,410.54	669,201.90	-	58,089,612.44
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	914,631.81	37,476.82	-	952,108.63
Buildings and Fixed Equipment	9,533,377.40	1,077,368.33	-	10,610,745.73
Furniture, Fixtures, and Equipment	578,795.64	46,489.41	-	625,285.05
Motor Vehicles	1,040,746.67	59,781.20	-	1,100,527.87
Audio Visual Materials and Computer Software	610,163.87	34,924.23	-	645,088.10
Total Accumulated Depreciation	12,677,715.39	1,256,039.99	-	13,933,755.38
Total Capital Assets Being Depreciated, Net	44,742,695.15	(586,838.09)	-	44,155,857.06
Governmental Activities Capital Assets, Net	\$ 47,309,959.59	\$ (586,838.09)	\$ 0.00	\$ 46,723,121.50

The District's capital assets serve multiple functions; accordingly, depreciation expense, which totaled \$1,256,039.99, is reported as unallocated on the statement of activities.

Changes in capital assets for the component unit are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
MAJOR COMPONENT UNIT: Pemayetv Emahakv, Inc.				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	\$ 332,794	\$ 82,266	\$ -	\$ 415,060
Furniture, Fixtures, and Equipment	679,300	72,303	-	751,603
Motor Vehicles	38,437	113,577	-	152,014
Total Capital Assets Being Depreciated	1,050,531	268,146	-	1,318,677
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	48,568	25,384	-	73,952
Furniture, Fixtures, and Equipment	526,182	78,151	-	604,333
Motor Vehicles	16,015	15,259	-	31,274
Total Accumulated Depreciation	590,765	118,794	-	709,559
Total Capital Assets Being Depreciated, Net	459,766	149,352	-	609,118
Governmental Activities Capital Assets, Net	\$ 459,766	\$ 149,352	\$ 0.00	\$ 609,118

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

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

The District's FRS and HIS pension expense totaled \$999,186 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

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

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

The District's contributions to the Plan totaled \$497,834 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$4,769,726 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At

June 30, 2016, the District's proportionate share was 0.018889945 percent, which was a decrease of 0.000951936 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$751,443. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 365,207	\$ 44,409
Change of assumptions	288,554	-
Net difference between projected and actual earnings on FRS pension plan investments	1,232,915	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	170,907	113,138
District FRS contributions subsequent to the measurement date	497,834	-
Total	\$ 2,555,417	\$ 157,547

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$497,834, will be recognized as a reduction of the net pension liability in the fiscal year ended 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	\$ 277,923
2019	277,923
2020	758,590
2021	510,645
2022	59,591
Thereafter	15,364
Total	\$ 1,900,036

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:

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

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

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

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

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
District's proportionate share of the net pension liability	\$ 8,781,388	\$ 4,769,726	\$ 1,430,547

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

HIS Pension Plan

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

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

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

The District's contributions to the HIS Plan totaled \$128,789 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of \$2,793,696 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.023970787 percent, which was an increase of 0.000940728 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of \$247,743. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,363
Change of assumptions	438,402	-
Net difference between projected and actual earnings on HIS pension plan investments	1,413	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	114,422	16,893
District contributions subsequent to the measurement date	128,789	-
Total	<u>\$ 683,026</u>	<u>\$ 23,256</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$128,789, will be recognized as a reduction of the net pension liability in the fiscal year ended 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	\$ 93,238
2019	93,238
2020	92,969
2021	92,840
2022	85,645
Thereafter	73,051
Total	<u>\$ 530,981</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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension liability	\$ 3,205,004	\$ 2,793,696	\$ 2,452,333

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

2. FRS – Defined Contribution Pension Plan

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

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

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

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

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

The District's Investment Plan pension expense totaled \$73,511 for the fiscal year ended June 30, 2017.

D. Other Postemployment Benefit Obligations

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the

annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 8 retirees received other postemployment benefits. The District provided required contributions of \$32,638 toward the annual OPEB cost, net of retiree contributions totaling \$24,423, which represents 0.4 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 29,349
Amortization of Unfunded Actuarial Accrued Liability	20,151
Interest on Normal Cost and Amortization	448
Annual Required Contribution	49,948
Interest on Net OPEB Obligation	1,998
Adjustment to Annual Required Contribution	(2,302)
Annual OPEB Cost (Expense)	49,644
Contribution Toward the OPEB Cost	(32,638)
Increase in Net OPEB Obligation	17,006
Net OPEB Obligation, Beginning of Year	44,400
Net OPEB Obligation, End of Year	\$ 61,406

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 48,008	86.1%	\$ 24,475
2015-16	47,474	58.0%	44,400
2016-17	49,644	65.7%	61,406

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$379,737 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$379,737 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$6,791,832, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.6 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of July 1, 2015, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 1.5 percent per year, a general price inflation rate of 1.5 percent, and an annual healthcare cost trend rate of 6.5 percent initially beginning July 1, 2015, reduced to an ultimate rate of 5 percent after 3 years. The unfunded actuarial accrued liability is being amortized on an open basis over a 30-year period.

E. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third party injuries and/or property damage; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which seven district school boards have established a public entity risk sharing pool for property protection, general liability, automobile liability, workers' compensation, government crime, and other coverage deemed necessary by the members of SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member assessments (premiums), and purchased insurance coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of superintendents, finance directors, or an authorized representative of all participating districts. Ascension, Inc. serves as the third-party administrator, insurance broker, and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except named wind and flood). The named wind, hail, hurricane, or flood deductible is 3 percent of replacement cost value with a minimum of \$100,000 per occurrence and a maximum of \$25,000,000 per occurrence. The deductible for all other wind events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000.

SCERMP's purchased excess property loss limit during the 2016-17 fiscal year was \$125 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2016-17 fiscal year was \$1,000,000. The SCERMP purchases excess liability coverage through a commercial insurance carrier which covers workers' compensation losses in excess of the self-insured retention. Employers liability is included subject to \$2,000,000 per occurrence.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature at future dates, which effectively limits the amount of the liability of governmental entities for State tort claims to \$200,000 per claim and \$300,000 per occurrence.

Health and hospitalization coverage is being provided by purchased commercial insurance on a guaranteed cost basis with rates established prior to renewal each year by the District's insurer based on the benefits and features selected by the District. Life insurance is purchased by the District for eligible employees.

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

F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 418,886.89	\$ 132,922.29	\$ 104,086.56	\$ 447,722.62	\$111,251.78
Net Pension Liability	4,911,549.00	4,304,669.00	1,652,796.00	7,563,422.00	80,542.00
Other Postemployment Benefits Payable	44,400.00	49,644.00	32,638.00	61,406.00	-
Total Governmental Activities	\$5,374,835.89	\$4,487,235.29	\$1,789,520.56	\$8,072,550.62	\$191,793.78

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

G. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.9., fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Non-spendable 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.

H. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 271,625.58	\$ -
Special Revenue:		
Other	-	271,625.58
Total	\$ 271,625.58	\$ 271,625.58

The purpose of these balances was to reimburse the General Fund for temporary advances made to the Special Revenue – Other Fund. These amounts are expected to be repaid within 1 year.

I. Revenues

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	\$ 8,228,670.00
Categorical Educational Program - Class Size Reduction	1,879,809.00
Classrooms First	124,558.00
Charter School Capital Outlay	96,725.00
Voluntary Prekindergarten Program	86,660.82
Workforce Development Program	76,392.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	59,428.25
Gross Receipts Tax (Public Education Capital Outlay)	43,233.00
Food Service Supplement	12,965.00
Mobile Home License Tax	10,834.11
Miscellaneous	293,998.12
Total	\$ 10,913,273.30

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

2. Property Taxes

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

General Fund	Millages	Taxes Levied
Nonvoted School Tax:		
Required Local Effort	4.507	\$ 2,763,378
Basic Discretionary Local Effort	0.748	458,621
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	919,695
Total	6.755	\$ 4,141,694

J. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 195,558.00	\$ -
Capital Projects:		
Public Education Capital Outlay	-	195,558.00
Total	\$ 195,558.00	\$ 195,558.00

The purpose of the transfer was to reimburse the General Fund for allowable expenditures, such as charter school capital outlay and maintenance and repair costs.

III. LOSS CONTINGENCY

The District received financial assistance from the United States Department of Education (ED) in the form of Impact Aid Federal grants and appropriations. The funds received under this program require compliance with specified terms and conditions and is subject to final determination by the ED. Any disallowed claims should become a liability of the General Fund. The questioned costs identified in the audit for the fiscal year ended June 30, 2017, relating to Impact Aid Federal program funds, totaled \$564,899.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 275,000.00	\$ 596,245.33	\$ 596,245.33	\$ -
Federal Through State and Local	9,000.00	9,094.00	-	(9,094.00)
State	10,452,146.00	11,187,705.32	10,577,241.28	(610,464.04)
Local:				
Property Taxes	3,232,803.00	3,130,661.05	3,130,548.51	(112.54)
Miscellaneous	185,390.78	413,935.86	412,084.66	(1,851.20)
Total Local Revenues	<u>3,418,193.78</u>	<u>3,544,596.91</u>	<u>3,542,633.17</u>	<u>(1,963.74)</u>
Total Revenues	<u>14,154,339.78</u>	<u>15,337,641.56</u>	<u>14,716,119.78</u>	<u>(621,521.78)</u>
Expenditures				
Current - Education:				
Instruction	9,475,345.70	9,643,405.94	8,986,488.40	656,917.54
Student Support Services	460,930.00	513,776.52	431,353.04	82,423.48
Instructional Media Services	208,920.00	220,247.00	207,072.28	13,174.72
Instruction and Curriculum Development Services	231,908.00	242,853.00	223,634.69	19,218.31
Instructional Staff Training Services	142,523.71	156,688.89	149,260.28	7,428.61
Instruction-Related Technology	188,930.00	285,401.29	242,500.12	42,901.17
Board	386,195.03	411,955.03	360,112.24	51,842.79
General Administration	216,854.00	230,215.91	227,223.99	2,991.92
School Administration	963,098.54	1,001,472.54	951,728.80	49,743.74
Fiscal Services	223,918.00	234,247.00	183,792.78	50,454.22
Central Services	41,460.00	43,261.00	40,593.97	2,667.03
Student Transportation Services	577,087.00	544,853.88	501,705.39	43,148.49
Operation of Plant	1,136,594.00	1,166,688.00	1,057,448.40	109,239.60
Maintenance of Plant	358,086.00	574,947.40	442,570.19	132,377.21
Administrative Technology Services	215,133.00	206,488.00	59,511.28	146,976.72
Fixed Capital Outlay:				
Facilities Acquisition and Construction	269,000.40	248,279.10	248,279.10	-
Total Expenditures	<u>15,095,983.38</u>	<u>15,724,780.50</u>	<u>14,313,274.95</u>	<u>1,411,505.55</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(941,643.60)</u>	<u>(387,138.94)</u>	<u>402,844.83</u>	<u>789,983.77</u>
Other Financing Sources				
Transfers In	356,677.00	687,236.56	195,558.00	(491,678.56)
Loss Recoveries	-	4,184.45	4,184.45	-
Total Other Financing Sources	<u>356,677.00</u>	<u>691,421.01</u>	<u>199,742.45</u>	<u>(491,678.56)</u>
Net Change in Fund Balances	<u>(584,966.60)</u>	<u>304,282.07</u>	<u>602,587.28</u>	<u>298,305.21</u>
Fund Balances, Beginning	2,440,295.40	2,508,057.20	2,508,057.20	-
Fund Balances, Ending	<u>\$ 1,855,328.80</u>	<u>\$ 2,812,339.27</u>	<u>\$ 3,110,644.48</u>	<u>\$ 298,305.21</u>

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 49,727.00	\$ 49,727.00	\$ 49,727.00	\$ -
1,019,519.60	1,192,435.28	1,000,853.91	(191,581.37)
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,069,246.60</u>	<u>1,242,162.28</u>	<u>1,050,580.91</u>	<u>(191,581.37)</u>
744,885.16	836,053.04	725,487.77	110,565.27
82,909.56	102,202.34	82,033.12	20,169.22
-	-	-	-
87,505.00	79,963.78	72,837.89	7,125.89
118,110.00	189,999.50	136,919.06	53,080.44
-	-	-	-
-	-	-	-
29,336.88	30,856.87	28,016.46	2,840.41
-	-	-	-
-	-	-	-
-	-	-	-
6,500.00	5,386.75	5,286.61	100.14
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,069,246.60</u>	<u>1,244,462.28</u>	<u>1,050,580.91</u>	<u>193,881.37</u>
-	(2,300.00)	-	2,300.00
-	-	-	-
-	-	-	-
-	-	-	-
-	(2,300.00)	-	2,300.00
-	-	-	-
<u>\$ 0.00</u>	<u>\$ (2,300.00)</u>	<u>\$ 0.00</u>	<u>\$ 2,300.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/12	\$ -	\$ 467,555	\$ 467,555	0.0%	\$ 5,151,000	9.1%
07/01/13	-	408,130	408,130	0.0%	6,604,102	6.2%
07/01/15	-	379,737	379,737	0.0%	6,791,832	5.6%

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

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

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.018889945%	0.019841881%	0.018952034%	0.018107470%
District's proportionate share of the FRS net pension liability	\$ 4,769,726	\$ 2,562,845	\$ 1,156,352	\$ 3,117,101
District's covered payroll	\$ 7,418,439	\$ 6,995,309	\$ 6,669,524	\$ 6,617,234
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	64.30%	36.64%	17.34%	47.11%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 497,834	\$ 460,661	\$ 483,762	\$ 415,130
FRS contributions in relation to the contractually required contribution	(497,834)	(460,661)	(483,762)	(415,130)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,772,196	\$ 7,418,439	\$ 6,995,309	\$ 6,669,524
FRS contributions as a percentage of covered payroll	6.41%	6.21%	6.92%	6.22%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.023970787%	0.023030059%	0.022440877%	0.022773496%
District's proportionate share of the HIS net pension liability	\$ 2,793,696	\$ 2,348,704	\$ 2,098,276	\$ 1,982,732
District's covered payroll	\$ 7,418,439	\$ 6,995,309	\$ 6,669,524	\$ 6,617,234
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.66%	33.58%	31.46%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 128,789	\$ 122,866	\$ 88,035	\$ 76,875
HIS contributions in relation to the contractually required contribution	(128,789)	(122,866)	(88,035)	(76,875)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,772,196	\$ 7,418,439	\$ 6,995,309	\$ 6,669,524
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

fiscal year end and encumbrances outstanding are honored from the subsequent year's appropriations.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2015, unfunded actuarial accrued liability of \$379,737 was lower than the July 1, 2013, liability of \$408,130, as a result of the following:

- The assumptions for medical claims and premiums were updated from the prior valuation based upon the premium rates in effect for the 2016 plan year, which reduced the liability.
- The census data was updated based upon the covered population as of August 2016, which reduced the liability, primarily because of the decrease in the number of covered retirees included in the census data.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.6 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 3.8 percent to 2.85 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 233,402.96
National School Lunch Program	10.555	17001, 17003	-	547,667.08
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007	-	11,452.31
Total Child Nutrition Cluster			-	792,522.35
Special Education Cluster:				
United States Department of Education:				
Special Education - Grants to States	84.027	263	-	275,746.31
Special Education - Preschool Grants	84.173	267	-	15,778.55
Total Special Education Cluster			-	291,524.86
Not Clustered				
United States Department of Education:				
Impact Aid	84.041	N/A	-	596,245.33
Indian Education - Grants to Local Educational Agencies	84.060	N/A	49,727.00	49,727.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	-	28,940.20
Title I Grants to Local Educational Agencies	84.010	212	-	465,072.93
Migrant Education - State Grant Program	84.011	217	-	60,517.62
Career and Technical Education - Basic Grants to States	84.048	161	-	41,878.79
Rural Education	84.358	110	-	26,048.36
English Language Acquisition State Grants	84.365	102	-	12,851.82
Improving Teacher Quality State Grants	84.367	224	-	74,019.33
Total United States Department of Education			49,727.00	1,355,301.38
Total Expenditures of Federal Awards			\$ 49,727.00	\$ 2,439,348.59

The notes below are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Glades County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance - National School Lunch Program. Includes \$141,199.77 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid. Expenditures include \$31,345.96 for award number S041B-2015-1246 and \$564,899.37 for award number S041B-2017-1246.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glades County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2018



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Impact Aid Program

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding the Impact Aid Program, CFDA No. 84.041, as described in Federal Awards Finding No. 2017-001 for Reporting. Compliance with this requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Impact Aid Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Impact Aid Program for the fiscal year ended June 30, 2017.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major Federal program identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2017.

Other Matters

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a

deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2017-001 that we consider to be a material weakness.

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major Federal programs:

 Material weakness(es) identified? Yes

 Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major Federal programs: Unmodified for all major programs except for the Impact Aid Program (CFDA No. 84.041), which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major Federal programs:

CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDING AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION

Finding Number	2017-001
CFDA Number	84.041
Program Title	Impact Aid
Compliance Requirement	Reporting
Pass-Through Entity	Not Applicable
Federal Grant/Contract Number and Grant Year	S041B-2017-1246
Statistically Valid Sample	No
Finding Type	Opinion Qualification, Noncompliance and Material Weakness
Questioned Costs	\$564,899
Prior Year Finding	Not Applicable

Finding The District did not use a parent-pupil survey or another United States Department of Education (ED) approved method to support the number of Federally connected children residing on Indian lands reported on the District's Impact Aid Program application for the 2016-17 fiscal year. In addition, District enrollment records supporting the application indicated that the District had 1,704 students; however, the District under reported this number on the application by 35 students.

Criteria Title 34, Section 222.3(a), Code of Federal Regulations (CFR), requires that the District submit an application to the ED on or before January 31 of the fiscal year preceding the fiscal year for which the District seeks Program assistance. In addition, Title 34, Section 222.32, CFR, provides that ED determines funding based on information in the District's application, including information regarding the membership of Federally connected children residing on Indian lands.

Title 34, Section 222.33, CFR, requires an applicant to select a survey date, which must be no earlier than the 4th day of the regular school year and before January 31, to count the membership of Federally connected and non-Federally connected children. Title 34, Section 222.2, CFR, defines membership as the number of children listed on the District's current enrollment records on its survey date.

Title 34, Section 222.35, CFR, requires the District to count the membership of its Federally connected children to substantiate the pupil's place of residence as of the survey date by:

- Conducting a parent-pupil survey signed by the parent on or after the survey date;
- Completing a source check, which must include the sufficient information to determine the eligibility of the Federal property and the individual children claimed on the form, including certification from the Bureau of Indian Affairs or authorized tribal official regarding the eligibility of Indian lands; or
- Using another method approved by ED.

Condition Instead of using an ED-approved method to support and report the total number of Federally connected children residing on Indian lands on the Program application submitted to ED on January 19, 2016, for the 2016-17 fiscal year Program, the Superintendent used District student enrollment records dated January 13, 2016, (the selected survey date). According to District records, the District received and expended Program assistance from ED during the 2016-17 fiscal year totaling

\$564,899 based on the information reported in the application prepared and submitted by the Superintendent in January 2016.

In addition, our examination of District enrollment records dated January 13, 2016, which were used to support the Program application, disclosed that the District had 1,704 students enrolled in District schools. However, the District under reported this amount on the application by 35 students.

Cause	District personnel indicated that they were unaware of the ED-required methods to support the Federally connected children residing on Indian lands reported on the Program application. In addition, according to District personnel, a calculation error resulted in the incorrect number of students being reported on the Program application. Also, the District had not established a documented, independent verification process to verify the accuracy of reported information prior to submitting the Program application.
Effect	Without the use of an acceptable ED-approved method to substantiate the number of children residing on Indian lands reported on the Program application and a documented, independent verification process to ensure the accuracy of information reported on the application, there is an increased risk that Program funding will be inaccurate. As a result of the unsupported and inaccurate information reported on the application, the total Program expenditures of \$564,899 for the 2017 award represent questioned costs.
Recommendation	The District should establish procedures to conduct a parent-pupil survey or use another ED-approved method to support the number of Federally connected children residing on Indian lands reported on the Program application. District procedures should also include a documented, independent verification to ensure that the number of students are accurately counted and reported on the application before submission of the application to the ED. In addition, the District should provide documentation to the ED supporting the allowability of the questioned costs totaling \$564,899 or restore this amount to the Program.
District Response	The District inadvertently indicated that their source of identifying federally connected students was conducted by survey, whereas the method used most readily conformed to the "source check" method. The District prepared source check forms for the 16/17 year application, according to Federal Impact Aid guidance and obtained the signature of the Tribal Official (Brighton Tribal Councilman, Andrew Bowers). In addition, the District also revisited the Federal Impact Aid applications for school year 15/16 and 17/18 and prepared source check documents for both years and had Councilman Bowers accept and approve. The District has also improved procedures to ensure accurate reporting for enrollment numbers for future applications.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the financial statement audit finding included in our report No. 2017-174.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

GLADES COUNTY SCHOOL DISTRICT Building Academic Excellence

Scott Bass
Superintendent

•

Janet Harris
Academic
Services
Director

•

Sue Woodward
Finance Director

•

Janice Foster
Student Services
Director

•

School Board

- **Janet Storey**
District 1
- **Jenny Allen**
District 2
- **Jeri Wilson**
District 3
- **Mike Pressley**
District 4
- **Patricia Pearce**
District 5

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2015-167 (1) 2016-148 (1) 2017-174 (2016-001)	Financial Reporting	District financial reporting procedures continue to need improvement to ensure that account balances and transactions are properly reported.	Fully Corrected,	



CORRECTIVE ACTION PLAN

GLADES COUNTY SCHOOL DISTRICT *Building Academic Excellence*

(3/8/18)

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

Federal Awards Finding
Number: 2017-001

Planned Corrective Action: To utilize source checks rather than surveys to confirm number of federally connected students. The District will also be providing documentation to US DOE Federal Impact Aid office regarding this matter.

Anticipated Completion Date: 2/28/18

Responsible Contact Person: Scott Bass, Superintendent



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