STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-079
January 2016

ALACHUA COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Dr. Owen A. Roberts served as Superintendent and the following individuals served as Board members:

	District No.
April M. Griffin	1
Eileen F. Roy, Vice Chair from 11-18-14	2
Dr. Gunnar F. Paulson, Chair to 11-17-14	3
Dr. Leanetta McNealy, Vice Chair to 11-17-14, Chair from 11-18-14	4
Carol Oyenarte to 11-17-14	5
Robert P. Hyatt from 11-18-14	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 Micah Rodgers, CPA, and the audit was supervised by Philip B. Ciano, CPA. For the information technology portion of this audit, the team leader was Shawn McCormick, CPA, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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ALACHUA COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Additional Matters

Finding 1: The District provided $62,500 to its direct-support organization (DSO) without specific legal authority.

Finding 2: Contrary to State law, the School Board did not approve the DSO's Board of Directors.

Finding 3: Contrary to Rules of the Auditor General, the annual audit of the DSO was not conducted in accordance with *Government Auditing Standards*. A similar finding was noted in our report No. 2013-126.

Finding 4: The District's Extended Day Enrichment Program fee collection procedures need enhancement.

Finding 5: The District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 6: Statements of financial interests were not always timely filed and District procurement procedures could be enhanced by providing for the Purchasing Department's routine review and consideration of required statements of financial interests.

Finding 7: District payments for contractual services were not always supported by documentation demonstrating the satisfactory receipt of the services.

Finding 8: The District contracted for third-party administrative health insurance services without utilizing a competitive selection process.

Finding 9: District procedures did not require the review and approval of the time worked by noninstructional contracted personnel.

Finding 10: District records did not always evidence public notice of prospective meetings subject to the Sunshine Law.

Finding 11: As similarly noted in our report No. 2013-094, the District could enhance procedures to better ensure that timely, written notifications are provided to parents about all virtual instruction program options offered.

Finding 12: The District had not developed written policies and procedures for certain information technology (IT) functions. A similar finding was noted in our report No. 2013-126.

Finding 13: Improvements are needed in District access controls to ensure that IT access privileges were appropriately assigned.

Finding 14: The District did not require employees to participate in the District's IT security awareness training program. A similar finding was noted in our report No. 2013-126.

Finding 15: District security controls related to user authentication, data loss prevention, and logging and monitoring of security changes continue to need improvement.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the Alachua County District 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 a major Federal program;
- Established internal controls that promote and encourage: (1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; (2) the economic and efficient operation of the District; (3) the reliability of records and reports; and (4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program; and
- Taken corrective actions for findings included in previous audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2015. 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

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by 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 Office of Management and Budget Circular A-133.

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of and for the fiscal year ended June 30, 2015, 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 15 percent of the assets and 35 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District, and certain component units, implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan, and requires an employer administering a single-employer defined benefit plan to report its net pension liability of the defined benefit plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion, and the opinion of other auditors, are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Budgetary Comparison Schedule - General and Major Special Revenue Fund**, **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**, **Schedule of Changes in Net Pension Liability and Related Ratios – Early Retirement Plan**, **Schedule of District Contributions – Early Retirement Plan**, **Schedule of Investment Returns – Early Retirement 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 required 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** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Alachua 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, 2015. 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 2014-15 fiscal year are as follows:

- The District's total net position decreased by $106 million, mainly as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68.
- General revenues total $251 million, or 93 percent of all revenues in the 2014-15 fiscal year, as compared to $242 million, or 93 percent for the 2013-14 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $20 million, or 7 percent as compared to $18 million, or 7 percent in the prior year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals $19 million at June 30, 2015, or 9 percent of total General Fund expenditures as compared to $15 million, or 7 percent at June 30, 2014.
- During the current year, General Fund expenditures exceeded revenues by $6 million. This may be compared to last year's results in which General Fund expenditures exceeded revenues by $11 million.

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, deferred outflows or resources, liabilities, and deferred inflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents 15 separate legal entities in this report, consisting of 14 charter schools and a leasing corporation. The charter schools are legally separate organizations and are included as component units in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

  The Alachua County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation 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 Federal Programs Fund, Debt Service – Other 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 Fund to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains one proprietary fund, an internal service fund, to account for its self-insurance program. Since this service predominantly benefits governmental functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

The District uses private-purpose trust funds to account for the District's early retirement program, the J. Dale Haynie Trust, the Diamond Sports Park, and for a career service award program.

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 progress in funding its pension liabilities and its obligation to provide other postemployment benefits to its employees.

Over a period of time, changes in the District's net position are an indicator of improving or deteriorating financial condition. The information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities	
	6-30-15	**6-30-14**
Current and Other Assets	$ 72,152,555.79	$ 71,203,851.53
Capital Assets	85,658,231.35	100,577,255.69
Total Assets	157,810,787.14	171,781,107.22
Deferred Outflows of Resources	21,218,420.57	955,464.84
Long-Term Liabilities	175,088,533.51	106,349,475.17
Other Liabilities	18,269,692.09	14,543,897.40
Total Liabilities	193,358,225.60	120,893,372.57
Deferred Inflows of Resources	39,905,890.28	-
Net Position:		
Net Investment in Capital Assets	14,025,705.46	24,186,826.79
Restricted	26,384,788.23	28,888,781.10
Unrestricted (Deficit)	(94,645,401.86)	(1,232,408.40)
Total Net Position	$ (54,234,908.17)	$ 51,843,199.49

The District's unrestricted net position decreased $93,412,993 as compared to June 30, 2014. The decrease was primarily because the District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The District also maintains a single-employer defined benefit plan, which is subject to GASB Statement No. 68 reporting. The impact of implementing GASB Statement No. 68 on the District's net position is as follows:

- The beginning unrestricted net position was decreased $96,784,693. (See Notes II. and III. to the financial statements.)
- Long-term liabilities increased $73,249,592 at June 30, 2015, for the net pension liability. (See Notes IV.D. and IV.H.4. to the financial statements.)

- Deferred outflows of resources increased $20,284,915.
- Deferred inflows of resources increased $39,880,787.

The restricted net portion represents resources that are subject to external restrictions on how they may be used and consists primarily of money restricted for payment of capital asset related debt and capital projects.

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

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	6-30-14
Program Revenues:		
Charges for Services	$ 6,710,786.84	$ 6,819,882.02
Operating Grants and Contributions	11,319,887.06	9,571,756.48
Capital Grants and Contributions	2,131,938.11	1,721,099.25
General Revenues:		
Property Taxes, Levied for Operational Purposes	85,573,019.64	82,296,722.14
Property Taxes, Levied for Debt Service	7,806.81	3,829.13
Property Taxes, Levied for Capital Projects	18,577,206.98	17,883,499.75
Grants and Contributions Not Restricted to Specific Programs	142,288,491.69	138,016,453.74
Unrestricted Investment Earnings	575,621.77	591,774.06
Miscellaneous	3,781,312.52	3,052,516.05
Total Revenues	270,966,071.42	259,957,532.62
Functions/Program Expenses:		
Instruction	133,763,233.11	136,824,775.71
Student Personnel Services	14,284,445.80	14,704,357.26
Instructional Media Services	4,441,733.52	4,643,310.36
Instruction and Curriculum Development Service	10,572,202.42	11,575,158.26
Instructional Staff Training Services	2,929,363.30	2,712,898.27
Instructional-Related Technology	3,300,636.20	3,388,592.79
Board	865,569.44	897,658.89
General Administration	2,149,928.79	1,644,051.70
School Administration	12,799,673.25	13,266,463.34
Facilities Acquisition and Construction	3,390,112.77	3,970,206.39
Fiscal Services	1,603,777.46	1,503,347.41
Food Services	12,918,810.11	12,683,104.42
Central Services	3,290,072.40	3,461,922.82
Student Transportation Services	12,390,413.18	13,205,112.31
Operation of Plant	22,862,496.91	22,307,382.78
Maintenance of Plant	6,060,377.55	4,798,470.85
Administrative Technology Services	1,722,342.06	1,627,364.52
Community Services	3,599,964.96	3,698,880.53
Unallocated Interest on Long-Term Debt	2,304,743.10	2,561,502.32
Unallocated Depreciation Expense	19,833,591.73	20,478,121.05
Total Functions/Program Expenses	275,083,488.06	279,952,681.98
Change in Net Position	(4,117,416.64)	(19,995,149.36)
Net Position, Beginning of Year	51,843,199.49	71,838,348.85
Adjustments to Beginning Net Position (1)	(101,960,691.02)	-
Net Position - Beginning, as Restated	(50,117,491.53)	71,838,348.85
Net Position - Ending	$ (54,234,908.17)	$51,843,199.49

Note: (1) Adjustment to beginning net position includes the implementation of GASB Statement No. 68.

The largest revenue source is the State of Florida (44 percent). State revenues increased by $7 million or 6 percent, primarily due to an increase in the Florida Education Finance Program (FEFP). Revenues from State sources for current operations are primarily received through the 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.

Property taxes account for 38 percent to total revenues. The largest local revenue source is property tax revenue, which increased by $4 million, or 4 percent, primarily as a result of an increase in taxable assessed property values.

Instruction expenses, including related services, represent 62 percent of total governmental expenses in the 2014-15 fiscal year. Instruction expenses decreased by $4.6 million, or 2.6 percent, from the previous 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 approximately $0.9 million during the fiscal year to $48.8 million at June 30, 2015. Approximately 39 percent of this amount is unassigned fund balance ($19 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form ($1.9 million), (2) restricted for particular purposes ($25.8 million), or (3) assigned for particular purposes ($2.1 million).

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is $19 million, while the total fund balance is $27.9 million. The unassigned fund balance increased by $3.9 million, while the total fund balance increased by $1.5 million during the fiscal year. Key factors in this increase are as follows:

- Total revenues increased by $10.8 million due mainly to increases in the FEFP funding.
- Total expenditures increased by $6.3 million, due mainly to increase in classroom expense because of an increase in student enrollment.
- Total expenditures exceeded total revenues by $6.5 million.

Special Revenue - Other Federal Programs Fund accounts for the financial resources of certain Federal grant programs and showed revenues and expenditures each of $23.1 million. Expenditures were for the continuation of Federal-related educational programs, primarily Title I and Special Education programs. Because revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Fund has a total fund balance of $9.3 million, all of which is restricted for interest and principal payments of the District's certificates of participation.

The Capital Projects – Local Capital Improvement Fund has total fund balances of $7.3 million. These funds are restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balances, $2.1 million has been encumbered for various capital projects.

Proprietary Fund

The unrestricted net position of the Internal Service Fund totaled $5.1 million at June 30, 2015. The beginning net position was restated to record a prior period adjustment for the prepaid portion of insurance contributions and deductions. As a result of this restatement, the beginning net position and beginning cash and cash equivalents of the Internal Service Fund decreased by $5.2 million and current revenue in the fund decreased $0.1 million. This adjustment also had the effect of increasing cash and liabilities as of June 30, 2015, by $4.4 million in the General Fund, $0.6 million in the Special Revenue - Other Fund, and $0.3 million in the Other Governmental Funds. These adjustments had no effect on beginning fund balance.

General Fund Budgetary Highlights

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $1.7 million. At the same time, final budgeted appropriations are more than the original budgeted amounts by $11 million. 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 in line with the final budgeted amounts while actual expenditures are $14.9 million, or 6.4 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 $13.4 million.

Capital Assets and Long-Term Debt

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, is $85.7 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software. Capital assets (net of accumulated depreciation) decreased $14.9 million, primarily as a result of current year depreciation expense exceeding capital asset additions.

Construction in progress at June 30, 2015, includes various capitalized renovation and remodeling projects.

Additional information on the District's capital assets can be found in Notes I.F.4. and IV.C. to the financial statements.

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of $72.6 million, composed of $1.2 million bonds payable, and $70.3 million certificates of participation payable, and $1.1 million in unamortized premiums on debt. During the 2014-15 fiscal year, the District paid $5 million principal debt service payments.

During the current fiscal year, the District participated in the State Board of Education's issuance of State School Bonds, Series 2014B, totaling $1,120,000, which are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Proceeds were used to refund $1,185,000 prior bonds that were used to finance capital outlay projects of the District.

Additional information on the District's long-term debt can be found in Notes I.F.6. and IV.H. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The Alachua county voters approved an additional millage levy for operating purposes during the November 2012 election. The District budgeted $12.4 million in local tax revenue from the additional millage for the 2014-15 fiscal year. The proceeds from the additional millage levy are to be used to restore and continue specific programs per the voter referendum.

The District will continue with current plans to reduce expenses and build reserves to offset future reductions.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Alachua County District School Board's finances and to demonstrate compliance and accountability of its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Business Department, Alachua County Public Schools, 620 East University Avenue, Gainesville, Florida, 32601.

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Alachua County District School Board
Statement of Net Position
June 30, 2015

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 54,570,896.67	$ 2,103,483.00
Investments	4,356,868.92	516,246.00
Accounts Receivable, Net	-	50,325.00
Deposits Receivable	-	54,265.00
Due from Other Agencies	4,789,721.85	101,994.00
Prepaid Items	-	79,886.00
Inventories	1,869,687.19	-
Restricted Assets:		
Cash with Fiscal Agent	-	91,015.00
Investments	6,565,381.16	-
Capital Assets:		
Nondepreciable Capital Assets	6,529,896.86	996,192.00
Depreciable Capital Assets, Net	79,128,334.49	4,413,490.00
TOTAL ASSETS	157,810,787.14	8,406,896.00
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Debt Refunding	933,505.57	-
Pensions	20,284,915.00	326,916.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,218,420.57	326,916.00
LIABILITIES		
Accrued Salaries and Benefits	1,312,340.45	147,623.00
Payroll Deductions and Withholdings	8,459,077.87	48,099.00
Bank Overdraft	-	8,479.00
Accounts Payable	5,215,675.78	209,949.00
Sales Tax Payable	1,077.88	-
Construction Contracts Payable	83,042.97	-
Construction Contracts Payable - Retained Percentage	12,053.32	-
Due to Other Agencies	229,451.24	75,000.00
Deposits Payable	372.00	-
Advanced Revenue	127,209.12	-
Estimated Liability for Self-Insurance Program	2,829,391.46	-
Long-Term Liabilities:		
Portion Due Within One Year	13,913,408.74	212,293.00
Portion Due After One Year	161,175,124.77	2,958,079.00
TOTAL LIABILITIES	193,358,225.60	3,659,522.00
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue for Capital Outlay	25,103.28	-
Pensions	39,880,787.00	670,480.00
TOTAL DEFERRED INFLOWS OF RESOURCES	39,905,890.28	670,480.00
NET POSITION		
Net Investment in Capital Assets	14,025,705.46	3,603,209.00
Restricted for:		
State Required Carryover Programs	1,758,167.02	-
Debt Service	9,990,719.93	64,945.00
Capital Projects	7,884,603.80	27,923.00
Food Service	3,026,038.89	-
Other Purposes	3,725,258.59	46,605.00
Unrestricted	(94,645,401.86)	661,128.00
TOTAL NET POSITION	$ (54,234,908.17)	$ 4,403,810.00

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

Alachua County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 133,763,233.11	$ 18,814.00	$ -	$ -
Student Personnel Services	14,284,445.80	-	-	-
Instructional Media Services	4,441,733.52	-	-	-
Instruction and Curriculum Development Services	10,572,202.42	-	-	-
Instructional Staff Training Services	2,929,363.30	-	-	-
Instructional-Related Technology	3,300,636.20	-	-	-
Board	865,569.44	-	-	-
General Administration	2,149,928.79	-	-	-
School Administration	12,799,673.25	-	-	-
Facilities Acquisition and Construction	3,390,112.77	-	-	1,236,260.20
Fiscal Services	1,603,777.46	-	-	-
Food Services	12,918,810.11	2,492,983.70	11,319,887.06	-
Central Services	3,290,072.40	-	-	-
Student Transportation Services	12,390,413.18	326,660.40	-	-
Operation of Plant	22,862,496.91	-	-	-
Maintenance of Plant	6,060,377.55	-	-	-
Administrative Technology Services	1,722,342.06	-	-	-
Community Services	3,599,964.96	3,872,328.74	-	-
Unallocated Interest on Long-Term Debt	2,304,743.10	-	-	895,677.91
Unallocated Depreciation Expense*	19,833,591.73	-	-	-
Total Governmental Activities	$ 275,083,488.06	$ 6,710,786.84	$ 11,319,887.06	$ 2,131,938.11
Component Units				
Charter Schools	$ 13,949,816.00	$ 870,206.00	$ 365,313.00	$ 563,299.00

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Capital Projects
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Special Items

Total General Revenues and Special Items

Change in Net Position

Net Position - Beginning
Adjustment to Beginning Net Position
Net Position - Beginning, as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	
Governmental Activities	Component Units
$ (133,744,419.11)	$ -
(14,284,445.80)	-
(4,441,733.52)	-
(10,572,202.42)	-
(2,929,363.30)	-
(3,300,636.20)	-
(865,569.44)	-
(2,149,928.79)	-
(12,799,673.25)	-
(2,153,852.57)	-
(1,603,777.46)	-
894,060.65	-
(3,290,072.40)	-
(12,063,752.78)	-
(22,862,496.91)	-
(6,060,377.55)	-
(1,722,342.06)	-
272,363.78	-
(1,409,065.19)	-
(19,833,591.73)	-
(254,920,876.05)	-
-	(12,150,998.00)
85,573,019.64	-
7,806.81	-
18,577,206.98	-
142,288,491.69	11,869,016.00
575,621.77	5,632.00
3,781,312.52	508,059.00
-	186,992.00
250,803,459.41	12,569,699.00
(4,117,416.64)	418,701.00
51,843,199.49	5,421,512.00
(101,960,691.02)	(1,436,403.00)
(50,117,491.53)	3,985,109.00
$ (54,234,908.17)	$ 4,403,810.00

Alachua County District School Board
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Other Fund
ASSETS			
Cash and Cash Equivalents	$ 34,127,812.98	$ -	$ -
Investments	138,948.44	-	2,727,594.10
Due from Other Funds	612,379.60	-	-
Due from Other Agencies	2,033,969.41	1,720,000.61	-
Restricted Investments	-	-	6,565,381.16
Inventories	1,295,552.72	-	-
TOTAL ASSETS	$ 38,208,663.15	$ 1,720,000.61	$ 9,292,975.26
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 1,298,965.89	$ 12,929.69	$ -
Payroll Deductions and Withholdings	7,099,921.15	967,838.91	-
Accounts Payable	1,919,478.18	478,024.17	-
Sales Taxes Payable	1,077.88	-	-
Construction Contracts Payable	-	-	-
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Funds	-	174,855.31	-
Due to Other Agencies	401.99	86,352.53	-
Deposits Payable	372.00	-	-
Advanced Revenue	9,378.36	-	-
Total Liabilities	10,329,595.45	1,720,000.61	-
Deferred Inflow of Resources:			
Unavailable Revenues	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	1,295,552.72	-	-
Restricted for:			
State Required Carryover Programs	1,758,167.02	-	-
Voted School Property Tax	467,400.44	-	-
Adult Education Programs	2,908,070.72	-	-
Debt Service	-	-	9,292,975.26
Food Service	-	-	-
Capital Projects	-	-	-
Other	349,787.43	-	-
Total Restricted Fund Balance	5,483,425.61	-	9,292,975.26
Assigned for:			
State and Local Grants	680,388.39	-	-
Federal Terminal Pay	251,103.30	-	-
Purchase Commitments	828,407.19	-	-
Extended Day Enrichment Program	303,924.45	-	-
Total Assigned Fund Balance	2,063,823.33	-	-
Unassigned Fund Balance	19,036,266.04	-	-
Total Fund Balances	27,879,067.70	-	9,292,975.26
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	$ 38,208,663.15	$ 1,720,000.61	$ 9,292,975.26

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
$ 6,219,550.31	$ 3,903,291.68	$ 44,250,654.97
1,453,038.44	37,287.94	4,356,868.92
-	-	612,379.60
11,640.17	867,524.76	4,633,134.95
-	-	6,565,381.16
-	574,134.47	1,869,687.19
$ 7,684,228.92	$ 5,382,238.85	$ 62,288,106.79
$ -	$ 444.87	$ 1,312,340.45
-	391,317.81	8,459,077.87
321,294.64	226,054.67	2,944,851.66
-	-	1,077.88
83,042.97	-	83,042.97
12,053.32	-	12,053.32
-	280,937.39	455,792.70
-	0.70	86,755.22
-	-	372.00
-	117,830.76	127,209.12
416,390.93	1,016,586.20	13,482,573.19
-	25,103.28	25,103.28
-	574,134.47	1,869,687.19
-	-	1,758,167.02
-	-	467,400.44
-	-	2,908,070.72
-	697,744.67	9,990,719.93
-	2,451,904.42	2,451,904.42
7,267,837.99	616,765.81	7,884,603.80
-	-	349,787.43
7,267,837.99	3,766,414.90	25,810,653.76
-	-	680,388.39
-	-	251,103.30
-	-	828,407.19
-	-	303,924.45
-	-	2,063,823.33
-	-	19,036,266.04
7,267,837.99	4,340,549.37	48,780,430.32
$ 7,684,228.92	$ 5,382,238.85	$ 62,288,106.79

Alachua County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds		$	48,780,430.32
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.			85,658,231.35
The deferred outflows related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. The deferred outflows consist of amounts relating to pension experience, assumptions, investment earnings, and employer contributions.			
Florida Retirement System (FRS) Pension	$ 15,233,158.00		
Health Insurance Subsidy (HIS) Pension	4,306,255.00		
Early Retirement Pension	745,502.00		20,284,915.00
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			5,077,330.10
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 and deferred amounts at year-end consist of:			
Certificates of Participation Payable	$ 70,247,852.00		
Bonds Payable	1,240,000.00		
Unamortized Premiums	1,078,179.46		
Compensated Absences Payable	22,636,335.05		
Net Pension Liability	73,249,592.00		
Other Postemployment Benefits Payable	6,636,575.00		(175,088,533.51)
Refunding losses on debt reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			933,505.57
The deferred inflows related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. The deferred inflows consist of amounts relating to investment earnings and experience of the liability.			
FRS Pension	$ (39,765,781.00)		
Early Retirement Pension	(115,006.00)		(39,880,787.00)
Net Position - Governmental Activities		$	(54,234,908.17)

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

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Alachua County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 185,047.68	$ 4,713,088.93	$ -
Federal Through State and Local	856,794.75	18,388,880.49	-
State	117,513,090.72	-	-
Local:			
Property Taxes	85,573,019.64	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	8,026,131.53	-	324,067.68
Total Local Revenues	93,599,151.17		324,067.68
Total Revenues	212,154,084.32	23,101,969.42	324,067.68
Expenditures			
Current - Education:			
Instruction	123,024,272.18	13,302,980.50	-
Student Personnel Services	12,314,273.41	2,301,791.60	-
Instructional Media Services	4,547,851.93	-	-
Instruction and Curriculum Development Services	7,274,592.94	3,574,421.85	-
Instructional Staff Training Services	1,140,757.17	1,738,051.06	-
Instructional - Related Technology	3,297,716.21	78,366.42	-
Board	871,663.09	-	-
General Administration	836,956.68	1,319,486.20	-
School Administration	13,123,330.93	5,037.29	-
Facilities Acquisition and Construction	285,197.41	13,256.65	-
Fiscal Services	1,646,360.25	-	-
Food Services	-	-	-
Central Services	3,166,191.07	193,454.97	-
Student Transportation Services	10,972,650.23	201,807.54	-
Operation of Plant	22,768,815.86	277,651.01	-
Maintenance of Plant	6,190,180.00	-	-
Administrative Technology Services	1,758,076.04	-	-
Community Services	3,660,323.09	24,292.67	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	337,919.40	-	-
Other Capital Outlay	1,432,502.15	71,371.66	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	218,649,630.04	23,101,969.42	-
Excess (Deficiency) of Revenues Over Expenditures	(6,495,545.72)	-	324,067.68
Other Financing Sources (Uses)			
Transfers In	8,004,969.37	-	659,529.24
Issuance of Bonds	-	-	-
Premium on Sale of Bonds	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Loss Recoveries	5,110.81	-	-
Transfers Out	-	-	(13,382.38)
Total Other Financing Sources (Uses)	8,010,080.18	-	646,146.86
Net Change in Fund Balances	1,514,534.46	-	970,214.54
Fund Balances, Beginning	26,364,533.24	-	8,322,760.72
Fund Balances, Ending	$ 27,879,067.70	$ 0.00	$ 9,292,975.26

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
$ -	$ -	$ 4,898,136.61
-	11,543,643.88	30,789,319.12
-	2,539,770.41	120,052,861.13
18,577,206.98	7,806.81	104,158,033.43
-	2,492,983.70	2,492,983.70
65,128.60	64,257.56	8,479,585.37
18,642,335.58	2,565,048.07	115,130,602.50
18,642,335.58	16,648,462.36	270,870,919.36
-	262,517.95	136,589,770.63
-	-	14,616,065.01
-	-	4,547,851.93
-	-	10,849,014.79
-	110,851.72	2,989,659.95
-	-	3,376,082.63
-	-	871,663.09
-	13,287.15	2,169,730.03
-	-	13,128,368.22
3,091,658.71	-	3,390,112.77
-	-	1,646,360.25
-	13,061,277.46	13,061,277.46
-	-	3,359,646.04
-	-	11,174,457.77
-	-	23,046,466.87
-	-	6,190,180.00
-	-	1,758,076.04
-	-	3,684,615.76
1,563,612.83	913,945.16	2,815,477.39
1,646,141.00	364,263.12	3,514,277.93
3,912,858.18	1,044,284.82	4,957,143.00
2,161,532.90	79,512.54	2,241,045.44
12,375,803.62	15,849,939.92	269,977,343.00
6,266,531.96	798,522.44	893,576.36
13,382.38	486,350.00	9,164,230.99
-	1,120,000.00	1,120,000.00
-	83,972.83	83,972.83
-	(1,226,738.39)	(1,226,738.39)
16,292.41	2,734.08	24,137.30
(7,587,804.61)	(1,563,044.00)	(9,164,230.99)
(7,558,129.82)	(1,096,725.48)	1,371.74
(1,291,597.86)	(298,203.04)	894,948.10
8,559,435.85	4,638,752.41	47,885,482.22
$ 7,267,837.99	$ 4,340,549.37	$ 48,780,430.32

Alachua 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, 2015

Net Change in Fund Balances - Governmental Funds			$ 894,948.10
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.			
	Capital Outlay Expenditures	$ 6,329,755.32	
	Depreciation Expense	(21,248,779.66)	(14,919,024.34)
Repayment of long-term debt is an expense in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The following details long-term debt principal repayments in the current year.			
	Certificates of Participation	$ 4,142,143.00	
	Bonds Payable	815,000.00	
	Amortization of Premiums	71,014.76	5,028,157.76
Issuing long-term debt is an other financing source in the governmental funds, but issuing new debt increases long-term liabilities in the statement of net position. Refunded debt is an other financing use in the governmental funds, but decreases liabilities in the statement of net position. This is the long-term debt that was issued and refunded in the current period:			
	State School Bonds Issued	$ (1,120,000.00)	
	Premium on State School Bonds Issued	(83,972.83)	
	State School Bonds Refunded	1,185,000.00	(18,972.83)
Refunding gains and losses result from the difference between the reacquisition cost of the refunded bonds and the carrying amount. Refunding gains or losses are amortized over the life of the related debt in the statement of activities.			(21,959.27)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.			528,614.73
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.			(1,027,266.00)
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	$ 8,850,381.00	
	HIS Pension Contribution	1,807,768.00	
	Early Retirement Pension Contribution	745,502.00	
	FRS Pension Expense	(2,625,437.00)	
	HIS Pension Expense	(3,274,333.00)	
	Early Retirement Pension Expense	(1,564,652.00)	3,939,229.00
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.			1,478,856.21
Change in Net Position - Governmental Activities			$ (4,117,416.64)

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

Alachua County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2015

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	10,320,241.70
LIABILITIES		
Current Liabilities:		
Accounts Payable		2,270,824.12
Due to Other Agencies		142,696.02
Estimated Liability for Self-Insurance Program		2,829,391.46
Total Current Liabilities		5,242,911.60
NET POSITION		
Unrestricted	$	5,077,330.10

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

Alachua County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	$ 27,637,113.18
OPERATING EXPENSES	
Purchased Services	3,297,988.05
Insurance Claims	22,884,422.99
Total Operating Expenses	26,182,411.04
Operating Income	1,454,702.14
NONOPERATING REVENUES	
Interest	24,154.07
Change in Net Position	1,478,856.21
Net Position - Beginning	8,774,471.91
Adjustment to Beginning Net Position	(5,175,998.02)
Net Position - Beginning, as Restated	3,598,473.89
Net Position - Ending	$ 5,077,330.10

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

Alachua County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2015

		Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Interfund Services Provided	$	27,637,113.18
Cash Payments to Suppliers for Goods and Services		(4,538,512.20)
Cash Payments for Insurance Claims		(22,635,131.70)
Net Cash Provided by Operating Activities		463,469.28
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		24,154.07
Net Increase in Cash and Cash Equivalents		487,623.35
Cash and Cash Equivalents, Beginning		15,008,616.37
Adjustment to Beginning Cash and Cash Equivalents		(5,175,998.02)
Cash and Cash Equivalents, Beginning as Restated		9,832,618.35
Cash and Cash Equivalents, Ending	$	10,320,241.70

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	1,454,702.14
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts Payable		(1,205,881.67)
Decrease in Due to Other Agencies		(34,642.48)
Increase in Estimated Liability for Self-Insurance Program		249,291.29
Total Adjustments		(991,232.86)
Net Cash Provided by Operating Activities	$	463,469.28

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

Alachua County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 332,898.10	$ 391,810.05	$ 3,329,554.16
Investments:			-
Equities	1,639,867.72	-	-
US Government Bond	702,716.40	-	-
Corporate Bond	582,071.60	-	-
Money Market	165,464.89	-	-
Mutual Funds	145,622.20	-	-
Other	10,853.75	-	-
Accounts Receivable	-	-	70,534.00
Inventory	-	-	44,360.05
Total Assets	$ 3,579,494.66	$ 391,810.05	$ 3,444,448.21
LIABILITIES			
Accounts Payable	$ 5,727.00	$ -	$ 12,209.00
Due to Other Funds	-	-	156,586.90
Internal Accounts Payable	-	-	3,275,652.31
Total Liabilities	5,727.00	-	$ 3,444,448.21
NET POSITION			
Held in Trust for Pension Benefits	3,573,767.66	-	
Held in Trust for Scholarships and Other Purposes	-	391,810.05	
Total Net Position	$ 3,573,767.66	$ 391,810.05	

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

Alachua County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Pension Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	$ 745,502.00	$ -
Investment Income:		
Net Decrease in Fair Value of Investments	(262,523.85)	-
Gain on Sale of Investments	335,319.41	-
Interest, Dividends, and Other	36,349.89	825.06
Total Investment Income	109,145.45	825.06
Total Additions	854,647.45	825.06
DEDUCTIONS		
Salaries	-	24,624.04
Participant Benefits	723,475.90	7,273.60
Purchased Services	24,862.00	-
Total Deductions	748,337.90	31,897.64
Change in Net Position	106,309.55	(31,072.58)
Net Position - Beginning	3,467,458.11	422,882.63
Net Position - Ending	$ 3,573,767.66	$ 391,810.05

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Alachua 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 associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Alachua 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 appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Alachua County.

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

Blended Component Unit. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Alachua County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note IV.H.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District. The component units' columns in the basic financial statements include the financial data of 14 charter schools, each operating under a charter agreement with the District.

The charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by its sponsor, the Alachua County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices at 620 East University Avenue, Gainesville, Florida, 32601.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

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 Federal Programs Fund – to account for certain Federal grant program resources.

- Debt Service – Other Fund – to account for resources accumulated and payments for debt principal, interest, and related costs of certificates of participation (COPs).
- 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: construction, remodeling and addition projects; Districtwide maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment purchases; payments for educational facilities and sites due under lease-purchase agreements (COPs); payments for renting and leasing education facilities and sites; payments of loans approved pursuant to Sections 1011.14 and 1011.15, Florida Statutes; and payment of the cost of leasing relocatable educational facilities.

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

- Internal Service Fund – to account for the District's individual self-insurance program.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Private-Purpose Trust Funds – to account for resources of the J. Dale Haynie Trust Fund, the Diamond Sports Park, and the career services award program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. 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 satisfied.

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. Issuance of long-term debt is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary, pension benefit trust and 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.

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund except for amounts held under trust agreements.

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

2. Investments

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

Investments made locally, including investments held for the pension fund, consist of amounts placed in the Florida Insurance Trust, repurchase agreements, equities, United States Government bonds, corporate bonds, money market accounts, and mutual funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. The central stores, transportation, maintenance and the food service nonfood inventories are valued at cost on the moving-average basis. The purchased food inventories are valued at final year-end contract price, which approximates cost on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the composite method over the following estimated useful lives:

Description	Estimated Useful Lives
Improvements Other Than Buildings	9 - 37 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 12 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	4 - 5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium.

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category, deferred charge on debt refunding and pensions. The deferred charge on debt refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, unavailable revenues related to capital outlay bonds and pensions. The deferred inflows of resources related to pensions are discussed in a subsequent note.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2015.

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 adopted Policy 6100 which authorizes the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2014 tax levy on September 16, 2014. 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 Alachua County Tax Collector at fiscal year-end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

6. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board Statement No. 68

State Retirement Defined Benefit Plans. The District and certain component units participate in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As participating employers, the District and certain of its component units implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District decreased by $93,100,067 and the beginning net position of the component units was decreased by $1,436,403 due to the adoption of this Statement.

District Early Retirement Plan. The District administers a single-employer defined benefit plan. GASB Statement No. 68 also requires employers administering a single-employer defined benefit plan to report the employers' net pension liability and related pension amounts. The beginning net position of the District was decreased by $3,684,626 due to the adoption of this Statement.

III. PRIOR PERIOD ADJUSTMENTS

The following table summarizes the adjustments to beginning net position reported on the statement of activities reflect accounting changes for implementation of GASB Statement No. 68 discussed in Note II and correction of a prior year accounting error related to internal service fund premium contributions.

STATEMENT OF ACTIVITIES
Adjustments to Beginning Net Position

Description		Statement of Net Position
Changes Per GASB 68 Implementation:		
FRS Pension Liability	$	(53,742,917.00)
HIS Pension Liability		(39,357,150.00)
Early Retirement Pension Liability		(3,684,626.00)
Internal Service Fund Premium Contributions		(5,175,998.02)
Total Adjustments to Beginning Net Position	$	(101,960,691.02)

The adjustment for internal service fund premium contributions also resulted in an adjustment to beginning net position in the internal service fund statement of revenues, expenses, and changes in fund net position, and a reduction to beginning cash and cash equivalents in the statement of cash flows.

The charter schools (discretely presented component units) decreased beginning net position on the statement of activities by $1,436,403 to reflect accounting changes for implementation of GASB Statement No. 68 discussed in Note II.

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

As of June 30, 2015, the District had the following investments and maturities with quality ratings by nationally recognized rating agencies (i.e., Standard and Poor's, Moody's Investor Service):

Investments	Maturities	Credit Rating	Fair Value
Governmental Funds			
Reported As Cash Equivalents:			
State Board of Administration (SBA) - Florida PRIME	34 Day Average	AAAm	$12,662,467.31
Florida Fixed Income Trust Preferred Deposit Portfolio	1 Day Average	Not Rated	30,022,691.11
Total Reported as Cash Equivalents			42,685,158.42
Reported As Investments:			
SBA:			
Florida PRIME (1)	34 Day Average	AAAm	1,036.97
Debt Service Accounts	6 months	Not Rated	36,125.90
Florida Fixed Income Trust 1 Year	631 Day Average	AAf	103,437.79
Florida Fixed Income Trust 180 Day	289 Day Average	AA+	35,510.65
First American Government Obligations Fund (1)	46 Day Average	AAAm	3,563,183.58
Federal Home Loan Mortgage Corporation (3)	10-23-2015	AAAm	1,471,543.68
Repurchase Agreement (2)	10-25-2015	Not Rated	5,066,025.39
US Treasury Bond	08-15-2027	AAA	645,386.12
Total Governmental Funds Investments			10,922,250.08
Fiduciary Funds:			
Reported As Cash Equivalents:			
SBA-Florida PRIME	34 Day Average	AAAm	724,708.15
Reported As Investments:			
STIFEL NICOLAUS - Equities	N/A	Not Rated	1,639,867.72
STIFEL NICOLAUS - US Government Bond	4.77 years	AAf	702,716.40
STIFEL NICOLAUS - Corporate Bond	12.37 years	BBB+f	582,071.60
STIFEL NICOLAUS - Money Market	N/A	Not Rated	165,464.89
STIFEL NICOLAUS - Mutual Fund	5.75 years	Not Rated	145,622.20
STIFEL NICOLAUS - KKR & Company	N/A	A	10,853.75
Total Fiduciary Funds Investments			3,246,596.56
Total Cash Equivalents and Investments			$57,578,713.21

Notes: (1) Certain portions of these funds are held under a trust agreement in connection with the Certificates of Participation, Series 2001-Qualified Zone Academy Bonds (QZAB), 2004, 2005, 2005-QZAB, 2010A, 2010B, 2010C, 2011, and 2013 financing arrangements. (See Note IV.H.1.) Money market funds held in the First American Government Obligations Fund include amounts invested in securities that are issued or guaranteed as to payment of principal and interest by the United States Government.

(2) These funds are held under a master repurchase agreement in connection with the Certificates of Participation, Series 2001-QZAB. (See Note IV.H.1.)

(3) These funds are held under a security delivery agreement in connection with the Certificates of Participation, Series 2005-QZAB. (See Note IV.H.1.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; (2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

In conjunction with the issuance of its $5,147,000 Certificates of Participation, Series 2001-QZABs, U.S. Bank, as successor Trustee, entered into a Master Repurchase Agreement with Bank of

America, National Association (N.A.). The moneys are invested at a rate of 5 percent and will accrue to a total value of $5,147,000 on October 25, 2015, the repurchase date of the agreement. Under the terms of the agreement, Bank of America must post collateral in an amount equal to 103 percent of the investment value. Eligible collateral is limited to direct obligations of the United States Treasury and certain obligations of Federal agencies which represent the full faith and credit of the United States of America. All collateral must be marked to market at least monthly.

In conjunction with the issuance of its $1,794,000 Certificates of Participation, Series 2005-QZAB, the Board, U.S. Bank, as successor Trustee, and Wells Fargo Bank, N. A. formerly known as Wachovia Bank, N.A. as provider, entered into a Security Delivery Agreement dated December 22, 2005. The deposits total $1,176,198.25 and will accrue to a total value of $1,794,000 on December 22, 2020, at the guaranteed rate of 3.57 percent. At the time of each deposit by the Board, the Trustee purchases and holds on behalf of the Board eligible securities from the provider. Eligible securities include direct obligations of the United States Treasury and certain obligations of Federal agencies, which represent the full faith and credit of the United States of America, and other securities as outlined in the security delivery agreement.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

Concentration of credit risk for investments of the District's early retirement program, reported in the Pension Trust Fund, is described in Note IV.D.3.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Reclassifications	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	$ 5,663,696.69	$ -	$ 1,010.00	$ -	$ 5,664,706.69
Construction in Progress	401,551.97	-	2,814,467.39	2,350,829.19	865,190.17
Total Capital Assets Not Being Depreciated	6,065,248.66	-	2,815,477.39	2,350,829.19	6,529,896.86
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	37,246,806.82	-	206,118.47	-	37,452,925.29
Buildings and Fixed Equipment	357,362,667.51	3,580,564.00	2,144,710.72	97,000.00	362,990,942.23
Furniture, Fixtures, and Equipment	24,739,751.11	-	1,377,367.83	1,422,912.85	24,694,206.09
Motor Vehicles	21,192,784.06	-	1,677,019.00	1,078,470.82	21,791,332.24
Property Under Capital Lease	3,580,564.00	(3,580,564.00)	-	-	-
Audio Visual Materials and Computer Software	3,177,145.81	-	459,891.10	216,794.35	3,420,242.56
Total Capital Assets Being Depreciated	447,299,719.31	-	5,865,107.12	2,815,178.02	450,349,648.41
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	26,954,395.39	-	2,015,052.25	-	28,969,447.64
Buildings and Fixed Equipment	276,224,006.75	3,580,564.00	16,152,792.57	97,000.00	295,860,363.32
Furniture, Fixtures, and Equipment	23,379,265.81	-	1,360,485.30	1,422,912.85	23,316,838.26
Motor Vehicles	19,528,949.06	-	1,663,835.00	1,078,470.82	20,114,313.24
Property Under Capital Lease	3,580,564.00	(3,580,564.00)	-	-	-
Audio Visual Materials and Computer Software	3,120,531.27	-	56,614.54	216,794.35	2,960,351.46
Total Accumulated Depreciation	352,787,712.28	-	21,248,779.66	2,815,178.02	371,221,313.92
Total Capital Assets Being Depreciated, Net	94,512,007.03	-	(15,383,672.54)	-	79,128,334.49
Governmental Activities Capital Assets, Net	$ 100,577,255.69	$ 0.00	$ (12,568,195.15)	$ 2,350,829.19	$ 85,658,231.35

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 1,415,187.93
Unallocated	19,833,591.73
Total Depreciation Expense - Governmental Activities	$ 21,248,779.66

D. Retirement Plans

1. Florida Retirement System (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 under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan.

Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's pension expense totaled $5,899,770 for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

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 chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
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
Senior Management Service Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The District's contribution to the Plan totaled $8,850,381 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $22,985,350 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.376718195 percent, which was an increase of 0.016586782 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of $2,625,437. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (1,422,402)
Change of assumptions	3,980,680	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(38,343,379)
Changes in proportion and differences between District FRS contributions and proportionate	-	-
share of contributions	2,402,097	-
District FRS contributions subsequent to the measurement date	8,850,381	-
Total	$ 15,233,158	$ (39,765,781)

The deferred outflows of resources related to pensions, totaling $8,850,381, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		Amount
2016	$	(8,649,925)
2017		(8,649,925)
2018		(8,649,925)
2019		(8,649,925)
2020		935,920
Thereafter		280,776
Total	$	(33,383,004)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, 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	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability (TPL) was 7.65 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.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 98,311,395	$ 22,985,350	$ (39,671,547)

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.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $1,440,859.20 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

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, 2015, 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 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, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized.

HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $1,807,768 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $45,129,970 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 pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.482660875 percent, which was an increase of 0.011616755 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of $3,274,333. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**
Change of assumptions	$ 1,605,903
Net difference between projected and actual earnings on HIS pension plan investments	21,664
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	870,920
District contributions subsequent to the measurement date	1,807,768
Total	$ 4,306,255

The deferred outflows of resources, totaling $1,807,768, related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 404,904
2017	404,904
2018	404,904
2019	404,904
2020	399,488
Thereafter	479,383
Total	$ 2,498,487

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	4.29 percent

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

While an experience study had not been completed for the plan, the FRS System Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the TPL is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 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 (3.29 percent) or 1 percentage-point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	**Current Discount Rate (4.29%)**	**1% Increase (5.29%)**
District's proportionate share of the net pension liability	$51,331,686	$ 45,129,970	$39,953,312

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.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $195,502.19 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

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. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
Senior Management Service	7.67

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. 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, 2015, 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 $1,424,327 for the fiscal year ended June 30, 2015.

3. ERP Pension Plan

Plan Description. As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (ERP) effective January 1, 1984. The ERP is a single-employer defined benefit pension plan. The purpose of the ERP is to provide District employees, who elect to retire under the early retirement provisions of the FRS, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement age. The Board administers the ERP assets in a Pension Trust Fund and is responsible for their investment. The Board acts as the administrative agent for the ERP. A separate report for the ERP is not available.

As of June 30, 2015, there were 162 retirees and beneficiaries receiving benefits.

Eligibility. A member of the ERP was eligible upon attainment of age 55 to 61, completion of 25 or more years of creditable service, and having applied for retirement under the FRS. For those that retired during the period from July 1, 2008 (August 1, 2008 for teachers), through June 30, 2009, at least 20 years of creditable service must have represented employment by the District and the employee must have had at least 20 years' experience in the FRS. For those who retired during the period from July 1, 2009, through June 30, 2013, the 15 years immediately preceding retirement must have been as an employee of the District.

The ERP closed to new enrollees on June 30, 2013.

Benefits Provided. Benefits are paid in the amount of the reduction in monthly benefits from the Florida Retirement System as a consequence of early retirement.

Contributions and Reserves. The ERP was established by the Board on January 1, 1984, and may be subsequently amended by Board action. Pursuant to the ERP agreement, no contributions shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual service cost of the ERP.

Periodic employer contributions to the ERP are determined on an actuarial basis using the Entry Age Normal Cost Method. Annual service cost is funded on a current basis.

Significant actuarial assumptions used to compute annual required contributions are the same as those to determine the total pension liability.

Contributions to the ERP in the 2014-15 fiscal year totaled $745,502, all of which were paid by the Board. The computation of the annual required contributions for 2015 was based on the same (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method, and (d) other significant factors as used to determine annual required contributions in the previous year.

All of the assets in the District's Pension Trust Fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose.

Costs of administering the ERP are financed through the ERP's resources (employer contributions and investment earnings).

Summary of Significant Accounting Policies. Significant accounting policies related to basis of accounting and method of asset valuation are disclosed in Note I.E. Additional investment disclosures related to the Pension Trust Fund are in Note IV.B.

Investment Policy. The ERP's investment policy is established and may be amended by the Board. ERP assets are to be managed in a moderately conservative manner with the objective of preserving the purchasing power of the participant's assets, with a secondary objective of the growth of capital. The policy allows for equity investments (not to exceed 50 percent of the ERP assets), fixed income investments, which should be well diversified to avoid undue exposure to any single economic sector of individual issuer, and investments in U.S. Government guaranteed obligations with no limitation.

Concentrations. The ERP's investments at June 30, 2015, consisted of the following:

	Balance June 30, 2015	Percent of Plan Net Assets
Florida Prime	$ 332,898.10	9.30
Equities	1,639,867.72	45.82
US Government Bond	702,716.40	19.63
Corporate Bond	582,071.60	16.26
Money Market	165,464.89	4.62
Mutual Funds	145,622.20	4.07
Other	10,853.75	0.30
Total	$ 3,579,494.66	100.00

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The District's net pension liability was measured as of July 1, 2014. The components of the net pension liability of the ERP at June 30, 2015, were as follows:

Total Pension Liability	$ 8,708,039
Plan Fiduciary Net Position	(3,573,767)
Net Pension Liability	$ 5,134,272
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	41.04%

For the fiscal year ended June 30, 2015, the District recognized pension expense of $1,564,652. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on ERP pension plan investments	$ -	$ (115,006)
District ERP contributions subsequent to the measurement date	745,502	-
Total	$ 745,502	$ (115,006)

The deferred outflows of resources, totaling $745,502, was related to pensions resulting from District contributions to the ERP Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. The other amount reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (28,752)
2017	(28,751)
2018	(28,752)
2019	(28,751)
Total	$ (115,006)

Actuarial Assumptions. The assumptions used to measure the TPL as of the measurement date include an inflation assumption of 2.5 percent per year, and annual cost-of-living adjustments of 3 percent per year. Mortality rates were taken from gender distinct RP-2000 Healthy Participant Mortality Tables. For female participants 100 percent White Collar Annuitant rates are used, for male participants a blend of 50 percent White Collar Annuitant rates with 50 percent Blue Collar Annuitant rates are used. Mortality improvements for all members are generationally projected using Scale BB.

Since the Measurement Date and Valuation Date are the same, no update procedures were used to roll forward the TPL from the Valuation Date to the Measurement Date.

Discount Rate. GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the TPL. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The projected Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. For years that assets are projected to be on hand in a future year, the assumed net long-term rate of return is used as the discount rate. For years when assets are not projected to be insufficient to meet benefit payments, the use of a specific municipal yield is used as the discount rate, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects: (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of this valuation, the expected rate of return on pension plan investments is 6.5 percent; the municipal bond rate is 4.29 percent.

The employer complies with Florida Statutes by making contributions to the trust in the amounts at least equal to the actuarially determined contribution. It was assumed that the employer would continue to comply with the funding requirement imposed by such statutes. Based on this current contribution policy, the plan is expected to eliminate the unfunded actuarial accrued liability by 2024 and, consequently, the pension plan's fiduciary net position together with the future contributions are expected to be available to finance all projected future benefit payments of current plan members.

Generally speaking, a plan that receives actual contributions in accordance with a funding policy or contribution policy that employs an individual actuarial cost method (such as entry age method in use by this employer) and closed amortization over a reasonable period (such as this employer) will not have a cross-over date and, therefore, will use its net long-term expected rate of return as the discount rate for GASB purposes. Therefore, for this year, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the ERP calculated using the discount rate of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.5 percent) or 1 percentage-point higher (7.5 percent) than the current rate:

	1% Decrease (5.50%)		Current Discount Rate (6.50%)		1% Increase (7.50%)
Net Pension Liability	$	5,936,582	$	5,134,272	$ 4,445,630

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverages. 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. 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 2014-15 fiscal year, 448 retirees received other postemployment benefits. The District provided required contributions of $649,833 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling $3,086,294.

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:

Description	Amount
Normal Cost (service cost for 1 year)	$ 963,993
Amortization of Unfunded Actuarial Accrued Liability	689,066
Annual Required Contribution	1,653,059
Interest on Net OPEB Obligation	224,372
Adjustment to Annual Required Contribution	(200,332)
Annual OPEB Cost (Expense)	1,677,099
Contribution Toward the OPEB Cost	(649,833)
Increase in Net OPEB Obligation	1,027,266
Net OPEB Obligation, Beginning of Year	5,609,309
Net OPEB Obligation, End of Year	$ 6,636,575

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, 2015, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 2,156,000	63.6%	$ 4,273,000
2013-14	1,591,231	16.0%	5,609,309
2014-15	1,677,099	38.7%	6,636,575

Funded Status and Funding Progress. As of January 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $18,191,500, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $18,191,500 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $114,884,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.83 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 required schedule of funding progress immediately following the notes to financial statements 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 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, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of January 1, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and to estimate the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 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 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially beginning January 1, 2015, reduced by 1 percent for renewal year beginning January 1, 2016, and decreasing 0.5 percent per year to an ultimate rate of 5 percent after 6 years. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 28-year period.

F. Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2015:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 828,407.22	$ 621,299.34	$ 2,107,008.13	$ 441,195.41	$ 3,997,910.10

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Alachua County District School Board is a member of the Florida School Board Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. FSBIT was established under the authority of Section 624.4622, Florida Statutes, for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards.

The District's health insurance program for its employees is provided on a self-insured basis up to specific limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above $250,000 on an individual claim basis, and aggregate excess coverage of $1 million when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of $2,829,391.46 was determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2015.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	$ 958,901.97	$ 22,261,999.55	$ (20,640,801.35)	$ 2,580,100.17
2014-15	2,580,100.17	22,884,422.99	(22,635,131.70)	2,829,391.46

H. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2015, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2001-QZAB	$ 5,147,000	(1)	2016	$ 5,147,000
Series 2005, Refunding	9,695,000	5.00	2018	22,815,000
Series 2005-QZAB	1,794,000	(1)	2021	1,794,000
Series 2010A	11,211,997	4.98	2028	11,211,997
Series 2010B, Refunding	5,782,255	4.49	2028	7,163,003
Series 2010C	8,266,100	2.89	2021	9,872,500
Series 2011, Refunding	8,106,500	2.94	2021	9,629,900
Series 2013, Refunding	20,245,000	2.00 - 5.00	2029	20,285,000
Total Certificates of Participation	$ 70,247,852			

Note: (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB's. The rate of return to the holders was established by the United States Government at the time of sale.

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Leasing Corporation whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of certificates of participation by the Leasing Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Leasing Corporation, with rental fees of $1 per year, except for the 2001- Quality Zone Academy Bonds (QZAB) and the 2005-QZAB, which are secured by computer equipment. The initial terms of the leases end on the earlier of the maturity date, or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms of 5 years. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangements. The lease payments, which are used to make debt service payments on the certificates, are payable from funds appropriated annually by the District for such purpose from the local capital outlay tax levy or other funds legally available. The District properties included in the ground leases under these arrangements include land on which the projects have been constructed. The projects related to the ground leases are as follows:

<u>Series 2005 Refunding</u>

The projects described in Certificates of Participation, Series 1997, maturing in the years 2008 to 2018.

The projects described in Certificates of Participation, Series 1998, maturing in the years 2009 to 2018.

<u>Series 2010A Qualified School Construction Bonds</u>

Santa Fe High School Classroom Addition
New Elementary School "H"

<u>Series 2010B Build America Bonds</u>

New Elementary School "H"

<u>Series 2010C Refunding and Series 2011 Refunding</u>

Certain projects described in Certificates of Participation, Series 2001, maturing in the years 2011 to 2021.

<u>Series 2013 Refunding</u>

Certain projects described in Certificates of Participation, Series 2004, maturing in the years 2022 to 2029.

The lease under the Series 2001-QZAB and the Series 2005-QZAB issues includes computer equipment purchased throughout the District.

Lease payments, with the exception of the Series 2001-QZAB and the Series 2005-QZAB issues, are payable by the District, semiannually, on July 1 and January 1. Series 2010A and 2010B are payable, semiannually, February 14 and August 15.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2016	$ 11,365,935	$ 9,473,418	$ 1,892,517
2017	6,216,304	4,514,010	1,702,294
2018	6,224,342	4,720,827	1,503,515
2019	6,275,331	4,972,779	1,302,552
2020	6,076,483	4,918,176	1,158,307
2021-2025	22,003,524	18,161,354	3,842,170
2026-2029	24,558,264	23,487,288	1,070,976
Total Minimum Lease Payments	$ 82,720,183	$ 70,247,852	$ 12,472,331

The Series 2001-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of October 25, 2001, will mature on October 25, 2015, for the original $5,147,000 issue amount. There is no interest cost for borrowing moneys under this program. Mandatory lease payment account deposits of $596,350 for 5 consecutive years beginning on October 25, 2002, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity.

The Series 2005-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of December 22, 2005, will mature on December 22, 2020, for the original $1,794,000 issue amount. There is no interest cost for borrowing moneys under this program. Mandatory lease payment account deposits of $235,240 for 5 consecutive years beginning on December 22, 2006, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity.

2. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 120,000	5.0	2019
Series 2014B, Refunding	1,120,000	2.0 - 5.0	2020
Total Bonds Payable	$ 1,240,000		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2016	$ 734,994.88	$ 669,000.00	$ 65,994.88
2017	374,070.00	346,000.00	28,070.00
2018	173,770.00	163,000.00	10,770.00
2019	48,620.00	46,000.00	2,620.00
2020	16,320.00	16,000.00	320.00
Total	$ 1,347,774.88	$ 1,240,000.00	$ 107,774.88

3. Defeased Debt

The FDOE issued Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, with an average interest rate of 5 percent, to refund callable portions of the District's State School Bonds, Series 2005A and 2005B. The Refunding Bonds have been issued to refund State School Bonds, Series 2005A and 2005B, which mature on or after January 1, 2015, including District bonds, totaling $1,185,000. The District's pro rata share of net proceeds totaling $1,226,738.39 (after deduction of $1,921.94 by the FDOE for the District's pro rata share of underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for future debt service payments. As a result, $1,185,000 of the State School Bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Debt and Unamortized Amounts Related to Capital Assets:					
Bonds Payable	$ 2,120,000.00	$ 1,120,000.00	$ 2,000,000.00	$ 1,240,000.00	$ 669,000.00
Certificates of Participation Payable	74,389,995.00	-	4,142,143.00	70,247,852.00	9,473,418.00
Plus Unamortized Amounts:					
Unamortized Premiums	1,065,221.39	83,972.83	71,014.76	1,078,179.46	-
Total Capital Asset Related Debt and Unamortized Amounts	77,575,216.39	1,203,972.83	6,213,157.76	72,566,031.46	10,142,418.00
Compensated Absences Payable	23,164,949.78	1,780,032.40	2,308,647.13	22,636,335.05	2,255,964.74
Net Pension Liability (1)	106,898,368.00	16,345,686.00	49,994,462.00	73,249,592.00	1,515,026.00
Other Postemployment Benefits Payable	5,609,309.00	1,677,099.00	649,833.00	6,636,575.00	-
Total Governmental Activities	$ 213,247,843.17	$ 21,006,790.23	$ 59,166,099.89	$ 175,088,533.51	$ 13,913,408.74

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

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

I. Fund Balance Reporting

In addition to the committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

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

J. Interfund Receivables and Payables

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

	Interfund	
Funds	**Receivables**	**Payables**
Major:		
General	$ 612,379.60	$ -
Special Revenue:		
Other Federal Programs	-	174,855.31
Nonmajor Governmental	-	280,937.39
Fiduciary:		
Agency	-	156,586.90
Total	$ 612,379.60	$ 612,379.60

Interfund balances generally arise due to expenditures being adjusted between funds to cover negative cash balances in pooled accounts, departmental costs, and utilities. All balances are expected to be repaid in less than 1 year.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

Source	Amount
Florida Education Finance Program	$ 84,630,266.00
Categorical Educational Program - Class Size Reduction	29,912,959.00
School Recognition	1,227,312.00
Voluntary Prekindergarten Program	1,093,165.57
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,070,416.52
Charter School Capital Outlay	560,700.00
Gross Receipts Tax (Public Education Capital Outlay)	515,994.00
Workforce Development Program	197,339.00
Food Service Supplement	181,436.92
Mobile Home License Tax	84,947.18
Miscellaneous	578,324.94
Total	$ 120,052,861.13

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 2014 tax roll for the 2014-15 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.162	$ 66,426,374
Basic Discretionary Local Effort	0.748	9,625,519
Voted School Tax:		
Additional Operating	1.000	12,868,341
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	19,302,511
Total	8.410	$ 108,222,745

L. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 8,004,969.37	$ -
Debt Service:		
Other	659,529.24	13,382.38
Capital Projects:		
Local Capital Improvement	13,382.38	7,587,804.61
Nonmajor Governmental	486,350.00	1,563,044.00
Total	$ 9,164,230.99	$ 9,164,230.99

Transfers from the Capital Projects - Local Capital Improvement Fund were to the General Fund for reimbursement of maintenance expenditures and risk management property insurance premiums and to the Debt Service – Other Fund for debt service payments on certificates of participation. Transfers from the nonmajor governmental funds were to reimburse the General Fund for charter school capital outlay and to nonmajor governmental funds for capital expenditures relating to the food service program. Transfers from the Debt Service – Other Fund to the Capital Projects - Local Capital Improvement Fund were for debt service payments on certificates of participation.

V. LITIGATION

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 135,000.00	$ 135,000.00	$ 185,047.68	$ 50,047.68
Federal Through State and Local	1,000,000.00	1,000,000.00	856,794.75	(143,205.25)
State	117,944,346.00	118,300,069.06	117,513,090.72	(786,978.34)
Local:				
Property Taxes	85,442,706.00	85,442,706.00	85,573,019.64	130,313.64
Miscellaneous	6,854,829.00	8,196,697.77	8,026,131.53	(170,566.24)
Total Local Revenues	92,297,535.00	93,639,403.77	93,599,151.17	(40,252.60)
Total Revenues	211,376,881.00	213,074,472.83	212,154,084.32	(920,388.51)
Expenditures				
Current - Education:				
Instruction	125,212,127.69	129,882,367.56	123,024,272.18	6,858,095.38
Student Personnel Services	12,207,061.49	12,584,076.60	12,314,273.41	269,803.19
Instructional Media Services	4,681,964.94	4,727,067.87	4,547,851.93	179,215.94
Instruction and Curriculum Development Services	6,901,842.00	7,402,245.63	7,274,592.94	127,652.69
Instructional Staff Training Services	1,041,052.62	1,942,760.92	1,140,757.17	802,003.75
Instructional - Related Technology	3,222,089.74	3,387,607.63	3,297,716.21	89,891.42
Board	1,237,528.15	1,263,683.80	871,663.09	392,020.71
General Administration	923,836.84	962,339.43	836,956.68	125,382.75
School Administration	13,084,134.45	13,326,979.70	13,123,330.93	203,648.77
Facilities Acquisition and Construction	2,077,128.95	609,866.90	285,197.41	324,669.49
Fiscal Services	1,770,131.03	1,773,349.28	1,646,360.25	126,989.03
Central Services	3,492,726.20	3,630,649.71	3,166,191.07	464,458.64
Student Transportation Services	12,635,267.95	12,981,565.13	10,972,650.23	2,008,914.90
Operation of Plant	23,333,608.72	23,961,833.85	22,768,815.86	1,193,017.99
Maintenance of Plant	5,436,247.42	7,443,428.68	6,190,180.00	1,253,248.68
Administrative Technology Services	1,322,909.05	1,769,537.34	1,758,076.04	11,461.30
Community Services	3,925,341.48	4,095,846.69	3,660,323.09	435,523.60
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	337,919.40	337,919.40	-
Other Capital Outlay	-	1,432,502.15	1,432,502.15	-
Total Expenditures	222,504,998.72	233,515,628.27	218,649,630.04	14,865,998.23
Deficiency of Revenues Over Expenditures	(11,128,117.72)	(20,441,155.44)	(6,495,545.72)	13,945,609.72
Other Financing Sources				
Transfers In	8,508,904.00	8,508,904.00	8,004,969.37	(503,934.63)
Loss Recoveries	-	-	5,110.81	5,110.81
Total Other Financing Sources	8,508,904.00	8,508,904.00	8,010,080.18	(498,823.82)
Net Change in Fund Balances	(2,619,213.72)	(11,932,251.44)	1,514,534.46	13,446,785.90
Fund Balances, Beginning	26,364,533.25	26,364,533.24	26,364,533.24	-
Fund Balances, Ending	$ 23,745,319.53	$ 14,432,281.80	$ 27,879,067.70	$ 13,446,785.90

Special Revenue - Other Federal Programs Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ 5,368,604.04	$ 4,713,088.93	$ (655,515.11)
14,374,271.34	24,458,938.18	18,388,880.49	(6,070,057.69)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
14,374,271.34	29,827,542.22	23,101,969.42	(6,725,572.80)
10,061,988.00	17,120,137.83	13,302,980.50	3,817,157.33
384,963.00	2,970,979.37	2,301,791.60	669,187.77
-	-	-	-
2,248,557.72	4,311,908.94	3,574,421.85	737,487.09
1,436,526.06	3,081,074.74	1,738,051.06	1,343,023.68
-	90,853.92	78,366.42	12,487.50
-	-	-	-
-	1,319,486.20	1,319,486.20	-
-	5,037.29	5,037.29	-
-	13,256.65	13,256.65	-
-	-	-	-
125,890.56	260,314.33	193,454.97	66,859.36
113,846.00	207,138.83	201,807.54	5,331.29
-	350,982.46	277,651.01	73,331.45
-	-	-	-
-	-	-	-
2,500.00	25,000.00	24,292.67	707.33
-	-	-	-
-	71,371.66	71,371.66	-
14,374,271.34	29,827,542.22	23,101,969.42	6,725,572.80
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
03/01/10	$ -	$ 19,138,000	$ 19,138,000	0.0%	$ 113,417,000	16.9%
03/01/12	-	23,989,000	23,989,000	0.0%	111,591,000	21.5%
01/01/14	-	18,191,500	18,191,500	0.0%	114,884,000	15.8%

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

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

	2014	2013
District's proportion of the FRS net pension liability	0.376718195%	0.360131413%
District's proportionate share of the FRS net pension liability	$ 22,935,350	$ 61,994,644
District's covered-employee payroll	$ 125,524,486	$ 120,705,679
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.27%	51.36%
FRS Plan fiduciary net position as a percentage of the total pension liability	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)

	2015	2014
Contractually required FRS contribution	$ 8,850,381	$ 8,251,727
FRS contributions in relation to the contractually required contribution	(8,850,381)	(8,251,727)
FRS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 124,330,816	$ 125,524,486
FRS contributions as a percentage of covered-employee payroll	7.12%	6.57%

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)

	2014	2013
District's proportion of the HIS net pension liability	0.482660875%	0.471044120%
District's proportionate share of the HIS net pension liability	$ 45,129,970	$ 41,010,584
District's covered-employee payroll	$ 143,475,121	$ 137,035,421
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.45%	29.93%
HIS Plan fiduciary net position as a percentage of the total pension liability	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)

	2015	2014
Contractually required HIS contribution	$ 1,807,768	$ 1,653,434
HIS contributions in relation to the contractually required contribution	(1,807,768)	(1,653,434)
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 143,480,067	$ 143,475,121
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

Schedule of Changes in Net Pension Liability and Related Ratios – Early Retirement Plan Last 10 Fiscal Years

	2015	2014
Total Pension Liability:		
Interest	$ 811,281	$ 534,065
Changes of Benefit Terms		
Differences Between Expected and Actual Experience	68,749	-
Changes of Assumptions	1,230,536	-
Benefit Payments, Including Refunds of Member Contributions	(704,972)	(704,972)
Net Change in Total Pension Liability	1,405,594	(170,907)
Total Pension Liability, Beginning (A)	7,302,445	7,473,352
Total Pension Liability, Ending	$ 8,708,039	$ 7,302,445
Plan Fiduciary Net Position:		
Employer Contributions	$ 745,502	$ 208,514
Member Contributions	-	-
Net Investment Income	109,145	393,297
Benefit Payments, Including Refunds of	-	-
Member Contributions	(723,476)	(704,972)
Administrative Expense	(24,862)	(9,593)
Net Change in Plan Fiduciary Net Position	106,309	(112,754)
Plan Fiduciary Net Position, Beginning	3,467,458	3,580,212
Plan Fiduciary Net Position, Ending (B)	$ 3,573,767	$ 3,467,458
Net Pension Liability, Ending (A)-(B)	$ 5,134,272	$ 3,834,987
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	41.04%	47.48%
Covered Employee Payroll	N/A	N/A
Net Pension Liability As a Percentage of Covered Employee Payroll	N/A	N/A

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

2) The ERP was closed to new enrollees on July 1, 2013.

3) GASB No. 67 was adopted for the 2013-14 fiscal year and 10 year trend information will be developed from that date forward.

Schedule of District Contributions – Early Retirement Plan
Last 10 Fiscal Years

Fiscal Year Ending June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a percentage of Covered-employee Payroll
2006	$ 579,651	$ 579,651	$ -	$ 131,487,257	0.44%
2007	527,925	527,925	-	133,694,225	0.39%
2008	518,104	518,104	-	134,352,096	0.39%
2009	741,494	741,856	(362)	129,623,633	0.57%
2010	789,193	789,193	-	126,794,672	0.62%
2011	732,610	732,610	-	130,414,767	0.56%
2012	495,614	806,287	(310,673)	123,016,217	0.66%
2013	467,497	562,617	(95,120)	(1)	(1)
2014	614,307	208,514	405,793	(1)	(1)
2015	745,502	745,502	-	(1)	(1)

Note: (1) The Early Retirement Plan was closed to new enrollees on July 1, 2013.

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of July 1, of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	10 Years
Asset Valuation Method	Market Value of Assets
Inflation	2.5 percent
Salary Increases	Not applicable as there are no new participants.
Investment Rate of Return	6.5 percent per year compounded annually, net of investment expense.
Post Retirement Cost of Living Adjustment	3 percent per year
Retirement Age	Not applicable as there are no new participants.
Mortality	RP2000 Mortality Tables – Healthy Annuitant Mortality tables, 100% White Collar Annuitant rates are used for female participants; a blend of 50 percent White Collar Annuitant rates with 50 percent Blue Collar Annuitant rates are used for male participants. Mortality improvements for all members are generationally projected using Scale BB.
Other Information:	There were no benefit changes during the year.

Schedule of Investment Returns– Early Retirement Plan
Last 10 Fiscal Years

	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.5%	13.94%

Note: GASB No. 67 was adopted for the 2013-14 fiscal year and 10 year trend information will be developed from that date forward.

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 January 1, 2014, unfunded actuarial liability of $18,191,500 was lower than the March 1, 2012, liability of $23,989,000 as a result of the following:

- The number of retirees receiving post-employment benefits decreased from 593 to 508.
- In the previous valuation, it was assumed that 60 percent of eligible employees would continue medical coverage after retirement; however, the current valuation was revised to 45 percent based on current data.
- The average cost of coverage increased from the prior valuation slower than expected while retiree contribution rates increased faster than expected.

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

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

5. Schedule of Net Pension Liability and Schedule of Contributions – Early Retirement Plan

Changes of Assumptions. The assumed Long-Term Investment Rate of Return has been lowered to 6.5 percent from 7.5 percent, as was used in previous valuations. In addition, assumed mortality rates have been revised to be the same as those used by the Florida Retirement System in the July 1, 2014, actuarial valuation of pension benefits for its Regular Class members (these are the rates applicable to members benefiting under the District's Early Retirement Plan).

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Alachua County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Direct:				
Farm to School Grant Program	10.575	N/A	$ 19,199.73	$ -
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	2,259,383.56	-
National School Lunch Program	10.555 (2)	14001, 14003	8,489,796.50	-
Summer Food Service Program for Children	10.559	14006	245,342.09	-
Total Child Nutrition Cluster			10,994,522.15	-
Florida Department of Health:				
Child and Adult Care Food Program	10.558	None	49,810.02	-
Florida Department of Education:				
Fresh Fruit and Vegetable Program	10.582	14004	78,629.90	-
Total United States Department of Agriculture			11,142,161.80	-
National Science Foundation:				
Indirect:				
University of Florida:				
Education and Human Resources	47.076	None	5,478.70	-
United States Department of Education:				
Direct:				
Fund for the Improvement of Education	84.215	N/A	284,084.39	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	263	6,137,294.38	-
Special Education - Preschool Grants	84.173	267	209,866.30	-
Putnam County District School Board:				
Special Education - Grants to States	84.027 (3)	None	386,639.60	-
University of Florida:				
Special Education - Grants to States	84.027 (3)	None	1,645.07	-
Total Special Education Cluster			6,735,445.35	-
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	8,288,388.67	-
Migrant Education - State Grant program	84.011	217	1,072,337.25	-
Career and Technical Education - Basic Grants to States	84.048	161	266,346.45	-
Education for Homeless Children and Youth	84.196	127	52,730.24	-
Charter Schools	84.282	298	17,691.96	17,691.96
Twenty-First Century Community Learning Centers	84.287	244	477,309.11	-
English Language Acquisition State Grants	84.365	102	92,196.44	-
Improving Teacher Quality State Grants	84.367	224	1,379,512.21	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311, RG411, RL111	386,656.82	-
University of Kansas:				
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	None	1,497.12	-
Total Indirect			18,770,111.62	17,691.96
Total United States Department of Education			19,054,196.01	17,691.96

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (4)	N/A	4,400,142.45	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officer Training Corps	None	N/A	137,830.89	-
Navy Junior Reserve Officer Training Corps	None	N/A	56,879.15	-
Total United States Department of Defense			194,710.04	-
Total Expenditures of Federal Awards			$ 34,796,689.00	$ 17,691.96

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Includes $773,298.73 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: $6,525,579.05.

(4) Head Start. Expenditures include $61,022.40 for grant number/program year 04CH4194/41 and $4,339,120.05 for grant number/program year 04CH4753/01.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT.** Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's Response to Findings

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as management's response. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **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*** 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 report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 13, 2016

AUDITOR GENERAL
STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for the Major Federal Program

We have audited the Alachua County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2015. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the District's major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 13, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	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 program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major program:	
CFDA Numbers: 10.553, 10.555, and 10.559	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	$1,043,900
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

DIRECT-SUPPORT ORGANIZATION

State law[1] provides that a district school board direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, and for the benefit of, school districts. State law[2] also authorizes the Board to permit a DSO to use District property, facilities, and personal services. The Board approved The Education Foundation of Alachua County, Inc.[3] (Foundation), as a DSO in August 1986 and the Foundation routinely receives and uses charitable contributions for the benefit of District students. However, as discussed in Findings 1 through 3, our audit disclosed that the District did not always ensure compliance with requirements related to DSOs.

Finding 1: Payments to the Foundation

Our examination of District records supporting payments to the Foundation during the 2012-13, 2013-14, and 2014-15 fiscal years disclosed that the District paid the Foundation $12,500, $25,000, and $25,000, respectively, for Foundation administrative expenses. Although the Foundation may use the Board's property, facilities, and personal services, we are unaware of any specific authority permitting the District to make payments to the Foundation.

District records indicated that the Board agreed to pay the Foundation for administrative expenses; however, District records did not identify what administrative expenses were being paid. Notwithstanding the lack of appropriate documentation for the payments, such payments are not authorized by State law and we are not aware of any other legal authority for the District to pay for expenses incurred by the Foundation.

Recommendation: In the absence of specific statutory authority, the District should discontinue the practice of making payments to the Foundation and should seek to recover from the Foundation the $62,500 in questioned payments.

Finding 2: Foundation Board of Directors

The Foundation's by-laws provide for a board of directors composed of 26 members. Our comparison of the Foundation's Board of Director membership as of June 30, 2015, with the Foundation's membership listed in the February 2012 annual report, filed with the Department of State, disclosed 3 new members on the Foundation's Board of Directors. However, contrary to State law,[4] the School Board had not approved the Foundation's 3 new members. Subsequent to our inquiry, in July 2015, the Board approved the members of the Foundation's Board of Directors.

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[1] Section 1001.453(1)(a)3., Florida Statutes.

[2] Section 1001.453(2), Florida Statutes.

[3] Name was changed from Alachua County Public Schools Foundation, Inc., on March 21, 2012.

[4] Section 1001.453(3), Florida Statutes.

Recommendation: As required by State law, the Board should approve all members of the Foundation's Board of Directors.

Finding 3: Foundation Audit

Pursuant to State law,[5] DSOs must annually provide for a financial audit by an independent certified public accountant when the organization has expenditures or expenses that exceed $100,000, and the audits must be performed in accordance with rules adopted by the Auditor General. Rules of the Auditor General[6] require that such audits be performed in accordance with *Government Auditing Standards* (*GAS*), issued by the Comptroller General of the United States. *GAS* requires auditors to report on internal control and compliance with laws, regulations, and provisions of contracts or grant agreements; maintain additional continuing education requirements; and obtain a peer review of their system of quality control at least once every 3 years. *GAS* also requires auditors to communicate to officials at the audit entity violations of provisions of contracts or grant agreements, abuse, fraud, and illegal acts.

The Foundation, as a DSO of the District, obtained an audit, dated October 7, 2014, of its financial statements for the fiscal years ended June 30, 2013, and June 30, 2014, reporting expenses of $636,202 and $699,603, respectively. However, according to District personnel, the audit was not conducted in accordance with *GAS* because District and Foundation personnel were unaware of this requirement. Given the Foundation's exclusive responsibility to receive, hold, invest, and administer property and make expenditures to, and for the benefit of District students, it is in the District's best interest for the Foundation to obtain an audit performed in accordance with *GAS*. A similar finding was noted in our report No. 2013-126.

Recommendation: The District should ensure that Foundation management and staff are aware that financial audits are to be performed in accordance with *GAS* as required by the Rules of the Auditor General.

OTHER ADDITIONAL MATTERS

Finding 4: Extended Day Enrichment Program

The District operates a fee-supported, school-age child care program, known as the Extended Day Enrichment Program (EDEP), which provides after school care for students at 32 elementary and middle schools. During the 2014-15 fiscal year, the District recorded EDEP fee collections of $3.9 million.

To appropriately account for and safeguard EDEP fee collections, it is important to separate the incompatible duties of recording student attendance and collecting, depositing, and recording fees and prepare independent reconciliations (i.e., fee audits) of student attendance and recorded fee collections and deposits. If the EDEP does not have a sufficient number of staff to appropriately separate duties or if it is not practical to prepare independent fee audits of all student attendance and total fee collections and deposits, compensating controls, such as supervisory review and approval of fee collections and

[5] Section 1001.453(4), Florida Statutes.

[6] Section 10.720(1)(f), Rules of the Auditor General.

supporting documentation and fee audits prepared for selected locations based on risk assessments, are necessary.

As part of our audit, we made inquiries of District staff and reviewed District records. Our audit procedures disclosed the following control deficiencies related to the EDEP fee collection process:

- An inappropriate separation of duties existed as one employee at each of the 32 EDEP sites was responsible for recording student attendance and collecting, depositing, and recording fees. District personnel indicated that these duties had not been separated, in part, due to the limited number of staff at each EDEP site.
- Independently prepared fee audits, reconciling fees assessed based on attendance records and approved rates with recorded fee collections and deposits were not prepared. District personnel indicated that fee audits had not been prepared because the EDEP software did not produce the necessary revenue summaries to allow reconciliations due to the complicated fee structure and variable attendance policies.

Without adequately separating incompatible duties and preparing independent fee audits or, if appropriate, implementing effective compensating controls, detection of errors or fraud, should they occur, may not be timely detected. Subsequent to our inquiries, District personnel indicated that, effective for the 2015-16 school year, the EDEP software was modified to produce revenue summaries that the District will use to prepare monthly fee audits for each EDEP site. District personnel also indicated that additional controls will be implemented, such as requiring two employees to verify student attendance and billings.

Recommendation: The District should continue efforts to enhance procedures over the EDEP fee collection process to separate, to the extent possible, the incompatible duties of recording student attendance and collecting, depositing, and recording fees. We also recommend that the District provide for the preparation of independent fee audits.

Finding 5: Adult General Education Classes

State law[7] defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and Laws of Florida[8] proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.[9]

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also required school districts to develop a procedure for withdrawing students for nonattendance and provided that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of

[7] Section 1004.02(3), Florida Statutes.

[8] Chapter 2014-51, Laws of Florida, Specific Appropriation 122.

[9] The Florida Department of Education issued Memorandum No. 06-14, dated May 15, 2006, Reporting Procedures for Adult General Education Enrollments.

attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2014-15 fiscal year, the District reported 64,865 instructional contact hours for 341 adult general education classes provided to 813 students. As part of our audit, we reviewed District records for 1,945 hours reported for 30 students enrolled in 30 adult general education classes. We found instructional contact hours were under reported a total of 12 net hours, including 62 hours (ranging from 16 to 36 hours) over reported for 3 students and 74 hours (ranging from 1 to 21 hours) under reported for 6 students. In response to our inquiry, District personnel stated that the errors occurred, in part, because of the extensive manual process used for calculating and inputting instructional contact hours into the student information system.

The full extent of class hours misreported was not readily available. Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data.

Recommendation: We recommend that the District strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution.

Finding 6: Purchasing Procedures – Conflicts of Interest

Board policy[10] prohibits conflicts of interest and the District had certain procedures designed to reduce the risk of contractual relationships that cause conflicts of interest. For example, all bidders are required to disclose the name of any officer, director, or agent who is also a District employee and the name of any District employee who owns, directly or indirectly, an interest of 5 percent or more in the bidder's firm or any of its branches. Additionally, the District requires employees serving on a proposal evaluation committee to sign a non-conflict of interest statement, certifying that neither they nor any member of their immediate family has a material personal or financial relationship with any offeror, or a direct competitor of any offeror under consideration by the proposal evaluation committee.

The Legislature has found that public interest requires the law to protect against any conflict of interest and establish standards for the conduct of elected officials and government employees in situations where conflicts may exist.[11] The State's Code of Ethics for Public Officers and Employees[12] requires, among other things, that local officers, such as the Superintendent, file a statement of financial interests within 30 days of appointment.[13] In addition, State law[14] requires the Superintendent, Board members, Assistant Superintendent for Business Services, and all employees with purchasing authority greater than $20,000 to annually file statements of financial interests with the appropriate agency, such as the Commission on Ethics.

[10] School Board Policy 6320, Purchasing.
[11] Section 112.311(1), Florida Statutes.
[12] Chapter 112, Part III, Florida Statutes.
[13] Section 112.3145(2)(b), Florida Statutes.
[14] Section 112.3145(1)(a)1. and 3., Florida Statutes.

Our audit procedures found that, due to an oversight, the Superintendent, who was appointed effective July 1, 2014, did not file the required statement of financial interests within 30 days of his appointment. Subsequent to our inquiry, the Superintendent filed the required statement of financial interests on March 3, 2015, or 247 days late.

Our audit procedures also found that, while statements of financial interests were filed, the Purchasing Department did not review the statements to identify potential conflicts of interest. Although District procedures provide some assurance of detecting conflicts of interest, the Purchasing Department's routine review and consideration of required statements of financial interests would enhance the District's procurement practices and reduce the risk of conflicts of interest related to procurements and contractual obligations. Subsequent to our inquiry, in March 2015, the Business Services Department and Purchasing Department reviewed the most recent statements of financial interests and noted no apparent conflicts of interest. The Purchasing Department also adopted procedures requiring annual review of the statements of financial interests by personnel responsible for making procurement decisions.

Recommendation: The District should continue efforts to provide for the Purchasing Department's routine review and consideration of required statements of financial interests. The District should also ensure that statements of financial interests are filed timely.

Finding 7: Contractual Services

The Board routinely enters into contracts for services, and the District has designed and implemented internal controls that generally ensure payments are consistent with contract terms and conditions. For the 2014-15 fiscal year, payments for contractual services totaled $10.9 million and, to determine the propriety of these payments, we examined District records supporting 16 selected payments totaling $1.3 million and relating to 16 contracts.

Two of the 16 contracts included in our testing were to administer crime and delinquency prevention programs at District schools and centers. One of the contracts, with the Alachua County Sheriff's Office (ASO), provided for 28 school resource deputies at District schools and centers for a total cost of $723,531, and the other contract, with the Gainesville Police Department (GPD), provided for 13 school resource officers at District schools and centers for a total cost of $339,347. Although both contracts provided that monthly payments would be reduced for any positions not staffed, District procedures had not been established to ensure that school personnel with direct knowledge of the services confirmed receipt of the services. District personnel indicated that they relied on attendance records provided by the ASO and the GPD to certify personnel were assigned to and staffed the required locations. However, without procedures to require adequate documentation of the services received, the risk is increased that overpayments may occur or that the services provided may not be consistent with the Board's expectations.

Recommendation: The District should establish procedures to require, before payments are made, documentation of the satisfactory receipt of ASO and GPD services.

Finding 8: Third-Party Administrative Services

The Legislature has recognized in State law[15] that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically.

The District's Risk Management Department is responsible for assisting with the procurement of employee health insurance and related administrative services to process insurance claims. During the 2003 calendar year, the Board contracted with a third-party administrator (TPA) based on a competitive selection process to obtain employee health insurance for the District. This contractual arrangement with the TPA continued through December 31, 2012. During the 2012 calendar year, the District requested, pursuant to State law,[16] approval to provide a self-insured health coverage plan for District employees. The Florida Office of Insurance Regulation approved the District's request and, effective January 1, 2013, the District became self-insured for employee health insurance.

Our audit procedures disclosed that, absent a competitive selection process, the Board entered into a 5-year administrative services agreement, effective January 1, 2013, with the TPA for claims processing services and participation in the TPA's network of negotiated rate programs with health care providers. During the 2014-15 fiscal year, the TPA processed District employee claim payments totaling $22.9 million and the District paid $2 million to the TPA for administrative services.

In response to our inquiry, District personnel indicated that the District decided to remain with the TPA because of its association with the network of physicians and hospitals and because continuing access to the same network was in the best interest of District employees. District personnel also indicated that, at the end of the contract period (December 2017), the District plans to go through a competitive selection process for the third-party administrative services. Without periodically obtaining competitive proposals for third-party administrative services, there is an increased risk that such services will not be provided at the best value for the District.

Recommendation: We recommend that the District utilize a competitive selection process when procuring third-party administrative services.

Finding 9: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays noninstructional contracted personnel on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the District reported salary costs of $29.8 million for noninstructional contracted personnel. According to District personnel, noninstructional contracted personnel reports are

[15] Section 287.001, Florida Statutes.

[16] Section 112.08(2)(b), Florida Statutes.

distributed to supervisors to certify employee leave used and the reports are returned to the Payroll Department for consideration in processing related salary costs. District personnel also indicated that each department maintained sign-in/sign-out calendars or logs to document time worked by noninstructional contracted personnel; however, District procedures did not require department supervisors to review and approve the calendars or logs or that the calendars or logs be submitted to the Payroll Department to support employee compensation and the accuracy of leave records. Without supervisory review and approval of such records, there is limited assurance that noninstructional contracted personnel services were provided consistent with Board expectations and an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The District should establish procedures requiring supervisors to document the supervisory review and approval of time worked by noninstructional contracted personnel.

Finding 10: Sunshine Law

The Sunshine Law[17] requires that meetings of any board at which official acts are to be taken are to be public meetings open to the public at all times. The Attorney General[18] has indicated that, when a committee possesses or exercises not only the authority to conduct fact-finding but also to make recommendations to a governing body, the committee is participating in the decision-making process and is subject to the Sunshine Law. Further, State law[19] specifies that collective bargaining negotiations between the chief executive officer, or his or her representative, and a bargaining agent shall be in compliance with the Sunshine Law. Boards and committees subject to the Sunshine Law must provide reasonable public notice of prospective meetings.

Our review of District procedures to ensure compliance with the Sunshine Law and relevant District records disclosed that:

- The Board and the Alachua County Education Association conducted 22 collective bargaining meetings during the period June 2014 through April 2015. District personnel indicated that the District routinely provides reasonable public notice of the collective bargaining meetings by placing meeting notices on the District's Web site. While District personnel indicated that the District made tape recordings of the meetings for the public, the District could not demonstrate that public notice was given for each meeting as the District did not archive its Web site or maintain other records to document the public notice dates.
- Pursuant to State law,[20] the Board established the District Advisory Council (DAC) to allow stakeholders and the community to provide input on key issues of Districtwide significance. For example, the DAC assists the Board in preparing the District's strategic plan and makes recommendations to the Board. While District personnel and records indicated that the DAC maintained minutes of the five DAC meetings held during the 2014-15 fiscal year, District records did not evidence whether public notice was provided for four of the five meetings.

[17] Article I, Section 24, of the State Constitution and Section 286.011, Florida Statutes.

[18] Attorney General Opinion No. 96-27.

[19] Section 447.605(2), Florida Statutes.

[20] Section 1001.452, Florida Statutes.

Reasonable public notice of prospective meetings is necessary to ensure the public has the opportunity to attend meetings subject to the Sunshine Law. Without documentation of public notices, the District cannot demonstrate compliance with State law.

Recommendation: The District should ensure that reasonable public notices of prospective meetings subject to the Sunshine Law are provided and documented.

Finding 11: Virtual Instruction Program – Written Parental Notifications

State law[21] requires each school district to provide information to parents and students about a student's right and choice to participate in a Virtual Instruction Program (VIP). In addition, State law[22] requires the District to provide parents with timely, written notifications of the open enrollment periods for its VIP.

For the 2014-15 school year, District personnel indicated there were several communication methods used to provide information about the District's VIP to parents and students. These communication methods included the District's Web site, direct mailings sent to all homeschooled students, automated telephone calls to parents, and other methods. While these methods demonstrate District efforts to communicate with parents and students about the VIP, District records did not evidence that the District provided written notifications directly to all parents of students regarding the VIP and the VIP open enrollment periods.

District personnel indicated that in the 2013-14 fiscal year, written notifications were provided to the parents by direct mailings; however, due to the high rate of mail that was returned as undeliverable, this method was not considered the most cost effective way to inform parents about the VIP.

Without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that parents are timely and directly notified about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding 12: Information Technology – Written Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

Although the District had policies and procedures addressing certain IT functions, such as deactivating access privileges for employees who separate from employment and monitoring network log events, the District had not developed written policies and procedures for:

- Timely deactivating access privileges for terminated or reassigned contractors, including the removal of confidential information from contractors' IT equipment.

[21] Section 1002.45(10), Florida Statutes.

[22] Section 1002.45(1)(b), Florida Statutes.

- Periodically reviewing application access privileges for appropriateness.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in our report Nos. 2013-126 and 2010-051.

Recommendation: The District should develop written policies and procedures to document management's expectations for timely deactivating the access privileges of contractors who no longer require those privileges and for periodically reviewing the propriety of access privileges.

Finding 13: Information Technology – Access Privileges

Access controls are intended to protect District data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting employees' access to IT resources based on a demonstrated need to view, change, or delete data and restricting employees from performing incompatible functions or functions outside their areas of responsibility. Periodically reviewing assigned IT access privileges promotes good internal control and is necessary to ensure that employees cannot access or modify IT resources inconsistent with their assigned job responsibilities.

IT access privileges within the District's business application, including finance and human resources, were controlled by assigning employees specific roles that were granted access to the data, functions, and menus, including submenus, to perform specific functions or transactions within the application. The District had employee access reports that included employees and their assigned roles; however, due to a software modification, the District did not have the ability to extract the data, functions, and menus granted to each role. In response to our inquiry, District personnel indicated that the business application security administrator could view, through an application screen, the data, functions, and menus assigned to each employee. Nevertheless, the District could not, upon audit request, provide a report of access privileges assigned to the business application or demonstrate that an effective process was in place for independently reviewing the access privileges.

Absent the availability of reports of access privileges assigned to the business application and an effective process for reviewing access privileges, there is an increased risk that the District may not timely detect and address inappropriate or unnecessary access privileges, should they exist. In response to our inquiry, District management indicated that the District is working on expanding the employee access reports to include access privileges to data, functions, and menus assigned in the business application and will provide these expanded reports to data owners for their review on a periodic basis.

Recommendation: The District should continue efforts to expand employee access report information to include the access privileges to data, functions, and menus assigned to the business application and to implement an effective process for the periodic review of access privileges and the removal of any inappropriate or unnecessary access privileges detected.

Finding 14: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program apprises new employees of, and reemphasizes to other employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT system. Responding to suspected computer security incidents in a timely manner helps prevent further loss or damage to the data and IT resources in the event of a security incident.

In our report No. 2013-126, we reported that the District offered employees a security awareness training program consisting of a series of videos addressing various security-related topics. Although the District, in response to the finding, indicated it would require employees to participate in the program, the District had not, as of May 2015, made employee participation mandatory or documented security awareness training to all employees in another manner. The lack of a mandatory security awareness training program, including procedures for reporting suspected computer security incidents, increases the risk that the District's data and IT resources may be compromised by employees while performing their assigned duties. Effective October 2015, the District implemented a security awareness training program that employees are required to complete.

Recommendation: The District should continue efforts to ensure that all employees participate in the security awareness training program and are aware of the importance of information handling and their responsibilities for maintaining data confidentiality, integrity, and availability.

Finding 15: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of Security Changes

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. As similarly noted in our report No. 2013-126, our audit procedures disclosed that certain District security controls related to user authentication, data loss prevention, and logging and monitoring of security changes needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication, data loss prevention, and logging and monitoring of security changes, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Subsequent to our inquiry, District management made corrections to the security controls related to user authentication.

Recommendation: To ensure the continued confidentiality, integrity, and availability of District data and IT resources, the District should monitor the ongoing effectiveness of security controls related to user authentication and improve security controls related to data loss prevention and logging and monitoring of security changes.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB Circular A-133, Section 510.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as noted in Findings 3, 11, 12, 14, and 15 and shown in the following table.

Findings Also Noted in Previous Audit Reports

Finding	2011-12 Fiscal Year Audit Report No. 2013-126, Finding	2008-09 Fiscal Year Audit Report No. 2010-051, Finding	VIP Operational Audit Report No. 2013-094, Finding
3	8	Not Applicable	Not Applicable
11	Not Applicable	Not Applicable	3
12	12	6	Not Applicable
14	9	7	Not Applicable
15	10	8	Not Applicable

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Purvis, Gray and Company, LLP		No prior Federal audit findings.		

Alachua County Public Schools

We are committed to the success of every student!

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January 4, 2016

Honorable Sherrill F. Norman, CPA
Auditor General
State of Florida
111 West Madison Street
Tallahassee, Florida 32399-1450

Re: Management Response to Tentative and Preliminary Findings of the Financial, Operational, and Federal Single Audit of the Alachua County District School Board for FY2014/2015

Dear Ms. Norman,

Following is our response to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2015.

Finding No. 1: Payments to Foundation
The District will consult with its legal counsel regarding the reimbursement of the questioned costs and will discontinue the practice.

Finding No. 2: Foundation's Board of Directors
The District approved the Foundation's Board of Directors on July 21, 2015, and will continue to do so annually or at intervals specified in the by-laws of the Foundation.

Finding No. 3: Foundation Audit
The District will ensure that the annual audit of the Foundation is conducted in accordance with Government Auditing Standards, or the District will terminate its contract with the Foundation. Further, District staff will brief Foundation management and staff on these requirements.

Finding No. 4: EDEP Fee Collection and Control Procedures
The District has implemented additional compensating controls to enhance fee collection, deposit, and reporting procedures. The District has also implemented procedures to further strengthen fee collection, deposit, and reporting through enhanced supervisory oversight, including fee audits.

Finding No. 5: Adult General Education
The District has implemented procedures to ensure instructional contact hours are accurately reported and will review reported instructional hours for FY2014-2015 to determine the extent, if any, of misreported contact hours. The results of this review will be discussed with FDOE.

Finding No. 6: Purchasing Procedures – Conflicts of Interest
As noted in this preliminary finding, the District has implemented procedures to further reduce the risk of related party transactions that could constitute a conflict of interest.

Finding No. 7: Contractual Services

The District has implemented procedures for review of Sheriff and Police Officer time sheets prior to invoice payment. This review includes, but is not limited to, cross-referencing invoices with time sheets to ensure accurate documentation of attendance prior to payment.

Finding No. 8: Third-Party Administrative Services

Prior to expiration of the current healthcare TPA contract in December 2017, the District will issue a formal solicitation to establish a new contract for these services. The solicitation will ensure fair and open competition by creating a level playing field for all vendors participating in the procurement process.

Finding No. 9: Payroll Processing Procedures

The District will develop and implement procedures to ensure supervisory review of non-instructional contracted employee hours worked and leave taken during each pay period. The effort necessary to develop and implement these procedures are also necessitated by the Affordable Care Act.

Finding No. 10: Sunshine Law

The District has developed and implemented procedures to ensure appropriate public notice of prospective meetings subject to the Sunshine Law, including, but not limited to, School Board Meetings, Special Board Meetings, Board Workshops, Policy Workshops, DAC meetings, Insurance Committee meetings, Early Retirement Committee meetings, and Collective Bargaining meetings.

Finding 11: Written Parental Notifications

The District will enhance its procedures to further ensure that parents are directly notified of their right to participate in the District's Virtual School Instruction Program.

Finding 12: Written Policies and Procedures (IT)

The District is enhancing its current policies and procedures to further ensure that contractor access privileges are appropriate and that such privileges are deactivated in a timely manner.

Finding 13: Access Privileges (IT)

The District has enhanced its policies and procedures to ensure that IT access privileges are appropriately assigned.

Finding 14: Security Awareness Training Program (IT)

The District has implemented mandatory annual security awareness training for all current and future employees.

Finding 15: Security Controls and Other Security Issues (IT)

The District has developed additional policies and procedures relating to security controls, user authentication, data loss prevention, and logging and monitoring of security changes to ensure the integrity of its data and IT resources.

We appreciate the opportunity to respond to these preliminary and tentative findings. After reviewing our response, please advise me if you need further clarification or action on our part.

Sincerely,

Owen Roberts, Ph.D.
Superintendent