

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-148
March 2016

**GLADES 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, Scott Bass served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Janet Storey	1
Jenny Allen, Vice Chair from 11-18-14	2
Jeri Wilson	3
Mike Pressley, Chair	4
Patricia Pearce, Vice Chair to 11-17-14	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 Cesar A. Mayorga and the audit was supervised by Deirdre F. Waigand, CPA.

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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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

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below.

Material Weakness

Finding 1: District financial reporting procedures continue to need improvement to ensure that account balances and transactions are properly reported.

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 2: The District's virtual instruction program (VIP) policies and procedures continue to need enhancement to better ensure that parents are timely notified in writing about student opportunities to participate in the District's VIP and the VIP open enrollment periods.

Finding 3: District information technology security controls related to data loss prevention 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 program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 2015-001: The District did not maintain required documentation to support Child Nutrition Cluster salary and benefit charges for two employees. A similar finding was noted in our report No. 2015-167.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the Glades 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 programs; and
- Taken corrective actions for findings included in our report No. 2015-167.

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glades County District School Board, as of and for the fiscal year ended June 30, 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 9 percent of the assets and 50 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note II.A. to the financial statements, the District, and its discretely presented component unit, 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. This matter 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 the 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 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, and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report 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, CPA
Tallahassee, Florida
March 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Glades County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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:

- As of June 30, 2015, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$44.2 million.
- In total, net position increased \$8.4 million, which represents a 23.5 percent increase over the 2013-14 fiscal year.
- General revenues total \$16.4 million, or 57.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$12.1 million, or 42.5 percent of all revenues.
- Expenses total \$15.5 million. Only \$12.1 million of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$2.7 million, which is \$0.4 million more than the prior fiscal year balance. The General Fund total unassigned fund balance was \$2.7 million, or 20.5 percent of total General Fund revenues.
- The total long-term liabilities increased by \$1.8 million, or 72 percent, mainly because of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

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

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

Fund Financial Statements

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

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

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

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund and the Capital Projects – Public Education Capital Outlay (PECO) 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 Fund to demonstrate compliance with the budget.

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 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	\$ 10,652,522	\$ 7,712,379
Capital Assets	45,853,946	32,678,919
Total Assets	56,506,468	40,391,298
Deferred Outflows of Resources	970,040	-
Long-Term Liabilities	4,332,737	2,482,699
Other Liabilities	6,881,425	2,106,060
Total Liabilities	11,214,162	4,588,759
Deferred Inflows of Resources	2,025,484	-
Net Position:		
Net Investment in Capital Assets	39,359,110	30,724,838
Restricted	1,098,772	3,348,476
Unrestricted (Deficit)	3,778,980	1,729,225
Total Net Position	\$ 44,236,862	\$ 35,802,539

The largest portion of the District's net position (88.9 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (8.6 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

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	
	<u>6-30-15</u>	<u>6-30-14</u>
Program Revenues:		
Charges for Services	\$ 156,425	\$ 156,529
Operating Grants and Contributions	711,135	640,248
Capital Grants and Contributions	11,303,002	9,450,929
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,279,698	3,063,276
Property Taxes, Levied for Capital Projects	861,419	835,039
Grants and Contributions Not Restricted to Specific Programs	10,741,279	10,028,405
Unrestricted Investment Earnings	5,235	4,901
Miscellaneous	1,470,222	86,832
Total Revenues	<u>28,528,415</u>	<u>24,266,159</u>
Functions/Program Expenses:		
Instruction	9,076,667	8,312,076
Student Personnel Services	496,829	511,809
Instructional Media Services	187,510	180,230
Instruction and Curriculum Development Services	308,019	233,290
Instructional Staff Training Services	211,230	166,005
Instructional-Related Technology	92,495	118,150
Board	338,310	379,760
General Administration	235,642	218,170
School Administration	718,020	694,885
Fiscal Services	216,262	216,337
Food Services	746,223	729,744
Central Services	42,110	90,654
Student Transportation Services	506,398	483,531
Operation of Plant	1,160,344	1,030,984
Maintenance of Plant	263,347	274,018
Administrative Technology Services	125,800	130,664
Unallocated Interest on Long-Term Debt	90	-
Unallocated Depreciation Expense	760,967	727,106
Total Functions/Program Expenses	<u>15,486,263</u>	<u>14,497,413</u>
Change in Net Position	<u>13,042,152</u>	<u>9,768,746</u>
Net Position, Beginning of Year	35,802,538	26,033,792
Adjustment to Beginning Net Position (1)	(4,607,828)	-
Net Position - Beginning, as Restated	<u>31,194,710</u>	<u>26,033,792</u>
Net Position - Ending	<u><u>\$ 44,236,862</u></u>	<u><u>\$ 35,802,538</u></u>

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

The largest revenue source is the State of Florida (71.6 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$0.7 million, or 7 percent, primarily due to an increase in FEFP revenues from the State. FEFP revenues increased, in part, because student enrollment increased by approximately 109 students.

Capital grants and contributions revenue increased by \$1.9 million, or 20 percent. These revenues are primarily received from State and Federal sources and are for the acquisition, construction, and maintenance of educational facilities. The increase in funding is mainly due to the PECO Special Facility Construction allocation for the construction of a new middle/senior high school.

Property tax revenues increased by \$0.2 million, or 5.1 percent, as a result of an increase in taxable assessed values and a 0.219 increase in the total millage rate.

Miscellaneous revenues increased by \$1.4 million primarily due to a change in accounting estimate related to the special PECO advance payable as described in Note II.B. to the financial statements.

Instruction expenses represent 58.1 percent of total governmental expenses in the 2014-15 fiscal year. Instruction expenses increased by \$0.8 million, or 9.6 percent, from the previous fiscal year due mainly from an increase in staffing levels, resulting in an increase in salaries and related benefits.

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 decreased by \$1.84 million during the fiscal year to \$3.77 million at June 30, 2015. Approximately 71 percent of this amount is unassigned fund balance (\$2.67 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is: (1) not in spendable form (\$0.02 million) or (2) restricted for particular purposes (\$1.08 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$2.69 million, while the total fund balance is \$2.73 million. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 20.4 percent of the total General Fund revenues, while total fund balance represents 20.7 percent of total General Fund revenues.

Total fund balance increased by \$0.4 million during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increase in State revenues, primarily due to an increase in FEFP revenues due to increasing student enrollment.
- Increases in the local property tax rate and property values resulted in increased tax revenues of \$0.2 million.
- Total expenditures increased by \$0.9 million, or 7.4 percent, due mainly to an increase in staff and age of facilities requiring additional operating expenditures.

The Capital Projects – Public Education Capital Outlay Fund has a deficit fund balance of \$0.02 million, which represents expenditures for construction paid in advance of the 2015-16 fiscal year special allocation for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account. In anticipation of the receipt of the special allocation, \$0.5 million was encumbered for capital projects at June 30, 2015.

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 million, or 7.3 percent. At the same time, final appropriations are more than the original budgeted amounts by \$0.8 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 less than the final budgeted amounts by \$0.5 million, or 3.6 percent, while actual expenditures are \$1 million, or 7.1 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 \$0.3 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 \$45.5 million (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software. The total increase in capital assets for the current fiscal year was 40.4 percent. Major capital asset events at June 30, 2015, included construction in progress of the new middle/senior high school building.

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

Long-Term Debt

At June 30, 2015, the District had a special PECO advance payable totaling \$0.5 million, which was a reduction of \$1.5 million from the prior fiscal year due to debt repayment of \$0.5 million and a change in the estimated liability of approximately \$1 million as discussed in Note II. B. to the financial statements.

Additional information on the District's long-term debt can be found in Notes IV.H.1. and IV.H.2. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The latest enrollment projections for the District indicate an increase of approximately five students during the 2015-16 fiscal year, which will increase State revenue to some extent.

Employer contributions to the Florida Retirement System decreased for regular employees from 7.37 percent to 7.26 percent of payroll for the 2015-16 fiscal year.

Housing prices are expected to increase the taxable assessed value of real property for the 2015-16 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,072,653.55	\$ 841,813.00
Accounts Receivable	669.50	3,849.00
Due from Other Agencies	6,558,167.13	133.00
Deposits Receivable	5,761.43	-
Inventories	15,270.43	-
Prepaid Items	-	13,929.00
Capital Assets:		
Nondepreciable Capital Assets	25,670,902.28	-
Depreciable Capital Assets, Net	20,183,044.16	302,310.00
TOTAL ASSETS	<u>56,506,468.48</u>	<u>1,162,034.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	970,040.00	389,317.00
LIABILITIES		
Accrued Salaries and Benefits	-	516,153.00
Payroll Deductions and Withholdings	186,963.23	-
Accounts Payable	-	65,624.00
Construction Contracts Payable	373,167.77	-
Construction Contracts Payable - Retained Percentage	319,396.97	-
Due to Other Agencies	1,897.00	-
Revenue Anticipation Note	6,000,000.00	-
Long-Term Liabilities:		
Portion Due Within One Year	607,185.59	-
Portion Due After One Year	3,725,551.48	1,529,687.00
TOTAL LIABILITIES	<u>11,214,162.04</u>	<u>2,111,464.00</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	2,025,484.00	943,186.00
NET POSITION		
Net Investment in Capital Assets	39,359,110.47	302,310.00
Restricted for:		
State Required Carryover Programs	31,927.63	-
Capital Projects	637,395.95	-
Food Service	429,448.38	-
Unrestricted	3,778,980.01	(1,805,609.00)
TOTAL NET POSITION	<u>\$ 44,236,862.44</u>	<u>\$ (1,503,299.00)</u>

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

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

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary Government			
Governmental Activities:			
Instruction	\$ 9,076,666.96	\$ -	\$ -
Student Personnel Services	496,829.02	-	-
Instructional Media Services	187,510.07	-	-
Instruction and Curriculum Development Services	308,018.44	-	-
Instructional Staff Training Services	211,229.62	-	-
Instructional-Related Technology	92,495.39	-	-
Board	338,309.88	-	-
General Administration	235,642.12	-	-
School Administration	718,020.43	-	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	216,262.28	-	-
Food Services	746,222.91	156,424.81	711,135.11
Central Services	42,110.00	-	-
Student Transportation Services	506,397.57	-	-
Operation of Plant	1,160,344.07	-	-
Maintenance of Plant	263,346.89	-	-
Administrative Technology Services	125,800.15	-	-
Unallocated Interest on Long-Term Debt	89.80	-	-
Unallocated Depreciation Expense	760,967.19	-	-
Total Primary Government	<u>\$ 15,486,262.79</u>	<u>\$ 156,424.81</u>	<u>\$ 711,135.11</u>
Component Unit			
Pemayetv Emahakv, Inc.	<u>\$ 6,287,050.00</u>	<u>\$ 10,185.00</u>	<u>\$ 0.00</u>

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit
\$ -	\$ (9,076,666.96)	\$ -
-	(496,829.02)	-
-	(187,510.07)	-
-	(308,018.44)	-
-	(211,229.62)	-
-	(92,495.39)	-
-	(338,309.88)	-
-	(235,642.12)	-
-	(718,020.43)	-
11,303,002.26	11,303,002.26	-
-	(216,262.28)	-
-	121,337.01	-
-	(42,110.00)	-
-	(506,397.57)	-
-	(1,160,344.07)	-
-	(263,346.89)	-
-	(125,800.15)	-
-	(89.80)	-
-	(760,967.19)	-
<u>\$ 11,303,002.26</u>	<u>(3,315,700.61)</u>	<u>-</u>
<u>\$ 81,672.00</u>	<u>-</u>	<u>(6,195,193.00)</u>
	3,279,697.96	-
	861,418.60	-
	10,741,279.56	6,540,242.00
	5,234.61	-
	<u>1,470,221.79</u>	<u>-</u>
	16,357,852.52	6,540,242.00
	13,042,151.91	345,049.00
	35,802,538.53	385,503.00
	<u>(4,607,828.00)</u>	<u>(2,233,851.00)</u>
	<u>31,194,710.53</u>	<u>(1,848,348.00)</u>
	<u>\$ 44,236,862.44</u>	<u>\$ (1,503,299.00)</u>

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

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,888,374.41	\$ 28,195.31	\$ 1,156,083.83
Accounts Receivable	669.50	-	-
Due from Other Funds	21,628.73	981.25	-
Due from Other Agencies	-	6,549,558.00	8,609.13
Deposits Receivable	5,761.43	-	-
Inventories	-	-	15,270.43
TOTAL ASSETS	\$ 2,916,434.07	\$ 6,578,734.56	\$ 1,179,963.39
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholding	\$ 186,963.23	\$ -	\$ -
Construction Contracts Payable	-	281,677.44	91,490.33
Construction Contracts Payable - Retained Percentage	-	319,396.97	-
Due to Other Funds	981.25	-	21,628.73
Due to Other Agencies	1,897.00	-	-
Revenue Anticipation Note	-	6,000,000.00	-
Total Liabilities	189,841.48	6,601,074.41	113,119.06
Fund Balances:			
Nonspendable:			
Inventories	-	-	15,270.43
Restricted for:			
State Required Carryover Programs	31,927.63	-	-
Capital Projects	-	-	637,395.95
Food Service	-	-	414,177.95
Total Restricted Fund Balance	31,927.63	-	1,051,573.90
Unassigned Fund Balance	2,694,664.96	(22,339.85)	-
Total Fund Balances	2,726,592.59	(22,339.85)	1,066,844.33
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,916,434.07	\$ 6,578,734.56	\$ 1,179,963.39

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

**Total
Governmental
Funds**

\$	4,072,653.55
	669.50
	22,609.98
	6,558,167.13
	5,761.43
	15,270.43
<hr/>	
\$	10,675,132.02
<hr/>	

\$	186,963.23
	373,167.77
	319,396.97
	22,609.98
	1,897.00
	6,000,000.00
<hr/>	
	6,904,034.95
<hr/>	

	15,270.43
<hr/>	
	31,927.63
	637,395.95
	414,177.95
<hr/>	
	1,083,501.53
<hr/>	
	2,672,325.11
<hr/>	
	3,771,097.07
<hr/>	
\$	10,675,132.02
<hr/>	

**Glades 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 \$ 3,771,097.07

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

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

45,853,946.44

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

Special Public Education Capital Outlay Advance Payable	\$ (494,835.97)	
Compensated Absences Payable	(558,798.10)	
Other Postemployment Benefits Payable	(24,475.00)	
Net Pension Liability	<u>(3,254,628.00)</u>	(4,332,737.07)

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

Deferred Outflows Related to Pensions	\$ 970,040.00	
Deferred Inflows Related to Pensions	<u>(2,025,484.00)</u>	<u>(1,055,444.00)</u>

Net Position - Governmental Activities \$ 44,236,862.44

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

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

	<u>General Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>	<u>Other Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 366,419.89	\$ -	\$ 40,334.00
Federal Through State and Local	9,020.71	-	1,949,220.56
State	9,073,767.62	11,303,002.26	59,986.83
Local:			
Property Taxes	3,279,697.96	-	861,418.60
Charges for Services - Food Service	-	-	156,424.81
Miscellaneous	453,176.06	2,422.04	30,217.52
Total Local Revenues	<u>3,732,874.02</u>	<u>2,422.04</u>	<u>1,048,060.93</u>
Total Revenues	<u>13,182,082.24</u>	<u>11,305,424.30</u>	<u>3,097,602.32</u>
Expenditures			
Current - Education:			
Instruction	8,305,352.53	-	921,161.43
Student Personnel Services	427,710.98	-	77,320.21
Instructional Media Services	190,605.68	-	-
Instruction and Curriculum Development Services	235,510.77	-	77,592.76
Instructional Staff Training Services	47,120.95	-	167,595.87
Instructional - Related Technology	77,759.78	-	16,262.62
Board	343,895.05	-	-
General Administration	210,864.93	-	28,667.41
School Administration	729,874.25	-	-
Fiscal Services	219,832.56	-	-
Food Services	2,064.28	-	756,478.05
Central Services	42,805.20	-	-
Student Transportation Services	511,154.55	-	3,603.15
Operation of Plant	1,179,500.24	-	-
Maintenance of Plant	267,694.49	-	-
Administrative Technology Services	127,876.99	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	45,618.26	14,015,544.59	390,772.84
Debt Service:			
Interest and Fiscal Charges	-	-	89.80
Total Expenditures	<u>12,965,241.49</u>	<u>14,015,544.59</u>	<u>2,439,544.14</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>216,840.75</u>	<u>(2,710,120.29)</u>	<u>658,058.18</u>
Other Financing Sources (Uses)			
Transfers In	207,203.00	496,634.35	-
Transfers Out	-	(81,672.00)	(622,165.35)
Total Other Financing Sources (Uses)	<u>207,203.00</u>	<u>414,962.35</u>	<u>(622,165.35)</u>
Net Change in Fund Balances	424,043.75	(2,295,157.94)	35,892.83
Fund Balances, Beginning	<u>2,302,548.84</u>	<u>2,272,818.09</u>	<u>1,030,951.50</u>
Fund Balances, Ending	<u>\$ 2,726,592.59</u>	<u>\$ (22,339.85)</u>	<u>\$ 1,066,844.33</u>

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

**Total
Governmental
Funds**

\$	406,753.89
	1,958,241.27
	20,436,756.71
	4,141,116.56
	156,424.81
	485,815.62
	<hr/> 4,783,356.99
	<hr/> 27,585,108.86
	9,226,513.96
	505,031.19
	190,605.68
	313,103.53
	214,716.82
	94,022.40
	343,895.05
	239,532.34
	729,874.25
	219,832.56
	758,542.33
	42,805.20
	514,757.70
	1,179,500.24
	267,694.49
	127,876.99
	14,451,935.69
	<hr/> 89.80
	<hr/> 29,420,330.22
	<hr/> (1,835,221.36)
	703,837.35
	<hr/> (703,837.35)
	<hr/> -
	<hr/> (1,835,221.36)
	<hr/> 5,606,318.43
\$	<hr/> <hr/> 3,771,097.07

**Glades County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ (1,835,221.36)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 13,175,027.19

The long-term liabilities in the statement of net position were reduced due to a change in accounting estimate and the payment of pledged revenues related to the special public education capital outlay advance. This is the net change in the liability:

	\$ 962,611.14	
Change in Accounting Estimate	496,634.35	
Payment of Pledged Revenues	496,634.35	1,459,245.49

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (47,960.41)

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. (6,695.00)

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.

	\$ 483,762.00	
FRS Pension Contribution	88,035.00	
HIS Pension Contribution	(132,357.00)	
FRS Pension Expense	(141,684.00)	
HIS Pension Expense	(141,684.00)	297,756.00

Change in Net Position - Governmental Activities \$ 13,042,151.91

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

**Glades County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 96,235.00
Investments	<u>14,819.00</u>
Total Assets	<u>\$ 111,054.00</u>
LIABILITIES	
Accounts Payable	\$ 5,414.00
Due to Other Agencies	<u>105,640.00</u>
Total Liabilities	<u>\$ 111,054.00</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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

B. Reporting Entity

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

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

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

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

The financial data reported on the accompanying statements was derived from the Charter Schools' audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices located at 400 10th Street, Moore Haven, Florida, 33471.

C. Basis of Presentation: Government-wide Financial Statements

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the State Public Education Capital Outlay and Debt Service Trust Fund to be used for the new construction of the Moore Haven Middle/Senior High School.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. 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.

Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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

1. Cash and Cash Equivalents

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

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities

held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

2. Inventories

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

3. Capital Assets

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

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

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

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

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

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

4. Pensions

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

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

5. Long-Term Liabilities

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

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

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

6. Deferred Outflows/Inflows of Resources

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

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

7. Net Position Flow Assumption

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

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 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 by resolution authorized 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 also received an allocation under the Classrooms First Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

Pursuant to Section 1013.64, Florida Statutes, the District received special allocations in the 2013-14 and 2014-15 fiscal years for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following 3 fiscal years. During the 3-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

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

3. District Property Taxes

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

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

The Board originally adopted the 2014 tax levy on September 11, 2014; however, due to an error in the original capital outlay tax advertisement, the Board had to re-advertise the Notice of Tax for School Capital Outlay and the revised 2014 tax levy was adopted on October 20, 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 Glades County Tax Collector at fiscal year-end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board Statement No. 68. The District, and its discretely presented component unit, participate in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by Florida Division of Retirement. As participating employers, the District and its component unit 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 and the component unit were decreased by \$4,607,828 and \$2,233,851, respectively, due to the adoption of this Statement.

B. Change in Accounting Estimate. Pursuant to Section 1013.64, Florida Statutes, at June 30, 2014, the District pledged certain capital outlay sources, totaling \$1,954,081.46, to pay an estimated liability related to the Public Education Capital Outlay Special Facilities allocation. In estimating this liability, it was anticipated that the District would be required to pledge the full 1.5 mill ad valorem tax levy. However, for the 2014-15 fiscal year, Chapter 2014-53, Laws of Florida, reduced this requirement by providing that, if the District generated less than \$1 million in revenue from a 1 mill ad valorem tax levy, the pledge would be reduced to 0.75 mills. The District generated less than \$1 million in revenue for the 2014-15 fiscal year and expects comparable revenues in the 2015-16 fiscal year. As a result, the change in accounting estimate reduced the original liability by \$962,611.14. To account for this change, an entry was made to increase miscellaneous revenue on the statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Capital Projects – Public Education Capital Outlay Fund showed a deficit fund balance at June 30, 2015, of \$22,339.85. The deficit is due to expenditures related to the construction of the new middle/senior high school, which were incurred in advance of a special allocation of Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction Account funds to be received in the 2015-16 fiscal year.

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. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 813,648.45	\$ -	\$ -	\$ 813,648.45
Land Improvements	791,558.73	212,066.46	-	1,003,625.19
Construction in Progress	10,306,720.35	13,758,974.74	212,066.45	23,853,628.64
Total Capital Assets Not Being Depreciated	11,911,927.53	13,971,041.20	212,066.45	25,670,902.28
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,594,513.98	6,374.00	-	1,600,887.98
Buildings and Fixed Equipment	30,024,625.13	58,249.00	-	30,082,874.13
Furniture, Fixtures, and Equipment	735,184.28	64,948.69	-	800,132.97
Motor Vehicles	1,210,824.06	-	10,746.00	1,200,078.06
Computer Software	604,526.54	47,447.94	-	651,974.48
Total Capital Assets Being Depreciated	34,169,673.99	177,019.63	10,746.00	34,335,947.62
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	831,579.33	41,748.43	-	873,327.76
Buildings and Fixed Equipment	10,617,134.58	571,700.11	-	11,188,834.69
Furniture, Fixtures, and Equipment	486,120.49	44,210.00	-	530,330.49
Motor Vehicles	927,009.06	64,702.41	10,746.00	980,965.47
Computer Software	540,838.81	38,606.24	-	579,445.05
Total Accumulated Depreciation	13,402,682.27	760,967.19	10,746.00	14,152,903.46
Total Capital Assets Being Depreciated, Net	20,766,991.72	(583,947.56)	-	20,183,044.16
Governmental Activities Capital Assets, Net	\$ 32,678,919.25	\$ 13,387,093.64	\$ 212,066.45	\$ 45,853,946.44

The District's capital assets serve multiple functions; accordingly, depreciation expense, which totaled \$760,967.19, is reported as unallocated on the Statement of Activities.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
MAJOR COMPONENT UNIT:				
Pemayetv Emahakv, Inc.				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	\$ 149,552	\$ -	\$ -	\$ 149,552
Furniture, Fixtures, and Equipment	557,284	37,257	-	594,541
Motor Vehicles	38,437	-	-	38,437
Total Capital Assets Being Depreciated	<u>745,273</u>	<u>37,257</u>	<u>-</u>	<u>782,530</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	21,831	8,396	-	30,227
Furniture, Fixtures, and Equipment	365,763	75,902	-	441,665
Motor Vehicles	641	7,687	-	8,328
Total Accumulated Depreciation	<u>388,235</u>	<u>91,985</u>	<u>-</u>	<u>480,220</u>
Total Capital Assets Being Depreciated, Net	<u>357,038</u>	<u>(54,728)</u>	<u>-</u>	<u>302,310</u>
Governmental Activities Capital Assets, Net	<u>\$ 357,038</u>	<u>\$ (54,728)</u>	<u>\$ 0</u>	<u>\$ 302,310</u>

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

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

The District's FRS and HIS pension expense totaled \$274,041 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 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.

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:

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

As provided in Section 121.101, Florida Statutes, if the member 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:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
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 contributions to the Plan totaled \$483,762 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 \$1,156,352 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 0.018952034 percent, which was an increase of 0.000844564 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized Plan pension expense of \$132,357. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 71,559
Change of assumptions	200,261	-
Net difference between projected and actual earnings on FRS pension plan investments	-	1,928,988
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	122,310	-
District FRS contributions subsequent to the measurement date	483,762	-
Total	\$ 806,333	\$ 2,000,547

The deferred outflows of resources related to pensions, totaling \$483,762, 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (434,886)
2017	(434,886)
2018	(434,886)
2019	(434,886)
2020	47,361
Thereafter	14,207
Total	\$ (1,677,976)

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 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 Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 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	\$ 4,945,874	\$ 1,156,352	\$ (1,995,806)

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 \$98,084 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 \$88,035 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 net pension liability of \$2,098,276 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 0.022440877 percent, which was a decrease of 0.000334083 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of \$141,684. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 74,665	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	1,007	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	24,937
District contributions subsequent to the measurement date	88,035	-
Total	\$ 163,707	\$ 24,937

The deferred outflows of resources, totaling \$88,035, was 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 8,272
2017	8,272
2018	8,272
2019	8,272
2020	8,021
Thereafter	9,626
Total	\$ 50,735

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

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:

	<u>1%</u> <u>Decrease</u> <u>(3.29%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.29%)</u>	<u>1%</u> <u>Increase</u> <u>(5.29%)</u>
District's proportionate share of the net pension liability	\$2,386,620	\$ 2,098,276	\$1,857,593

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 \$1,051 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:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. 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 \$13,662 for the fiscal year ended June 30, 2015.

D. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, 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, nine retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$41,313. The OPEB Plan members receiving benefits contributed \$52,443, through their required contributions ranging from \$540 to \$1,879 per month for retiree-only coverage, depending on the health plan selected.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 26,372
Amortization of Unfunded Actuarial Accrued Liability	20,685
Interest on Normal Cost and Amortization	<u>1,047</u>
Annual Required Contribution	48,104
Interest on Net OPEB Obligation	800
Adjustment to Annual Required Contribution	<u>(896)</u>
Annual OPEB Cost (Expense)	48,008
Contribution Toward the OPEB Cost	<u>(41,313)</u>
Increase in Net OPEB Obligation	6,695
Net OPEB Obligation, Beginning of Year	<u>17,780</u>
Net OPEB Obligation, End of Year	<u><u>\$ 24,475</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 32,058	169.6%	\$ 3,781
2013-14	47,883	70.8%	17,780
2014-15	48,008	86.1%	24,475

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$408,130, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$408,130 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$6,604,102, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.2 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 July 1, 2013, used the projected unit credit cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7 percent for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 4 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

E. Construction 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 District had Capital Projects – Public Education Capital Outlay Fund encumbrances of \$498,016.43, which are expected to be honored using PECO Special Facilities funding received in the subsequent fiscal year. If restricted capital outlay funds are insufficient, unrestricted General Fund resources will be used to honor the encumbrances.

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

Project	Contract Amount	Completed to Date	Balance Committed
U.S. 27 Turn Lane:			
Engineer	\$ 166,714.13	\$ 156,791.95	\$ 9,922.18
Moore Haven Middle/Senior High School:			
Architect	1,279,414.00	1,215,955.93	63,458.07
Contractor	16,394,483.63	15,969,847.45	424,636.18
Direct Materials	6,511,033.31	6,511,033.31	-
Total	\$ 24,351,645.07	\$ 23,853,628.64	\$ 498,016.43

F. Risk Management Programs

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

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

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except wind/hail/flood). The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductible for all other wind events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area

is \$100,000. SCERMP's purchased excess property loss limit during the 2014-15 fiscal year was \$75 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2014-15 fiscal year was \$1,000,000. SCERMP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insured retention. Employer's liability is included subject to \$2,000,000 per occurrence.

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

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

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

G. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Revenue Anticipation Note	<u>\$ 0</u>	<u>\$ 6,000,000</u>	<u>\$ 0</u>	<u>\$ 6,000,000</u>

Proceeds from the revenue anticipation note were used to fund construction expenses until receipt of the 2015-16 fiscal year Public Education Capital Outlay Special Facilities funding.

H. Long-Term Liabilities

1. Special Public Education Capital Outlay Advance Payable

The liability at June 30, 2015, of \$494,835.97 represents the amount of the Public Education Capital Outlay (PECO) Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2015-16 fiscal year.

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Special PECO Advance Payable	\$ 1,954,081.46	\$ -	\$ 1,459,245.49	\$ 494,835.97	\$ 494,835.97
Compensated Absences Payable	510,837.69	99,416.54	51,456.13	558,798.10	41,909.86
Other Postemployment Benefits Payable	17,780.00	48,008.00	41,313.00	24,475.00	-
Net Pension Liability (1)	5,099,833.00	672,285	2,517,490.00	3,254,628.00	70,439.76
Total Governmental Activities	\$ 7,582,532.15	\$ 819,709.54	\$ 4,069,504.62	\$ 4,332,737.07	\$ 607,185.59

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 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, committed, or assigned for specific purposes.

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General Fund	\$ 21,628.73	\$ 981.25
Capital Projects:		
Public Education Capital Outlay	981.25	-
Nonmajor Governmental	-	21,628.73
Total	\$ 22,609.98	\$ 22,609.98

These balances occurred during the normal course of District operations representing temporary advances. These amounts are expected to be repaid within 1 year.

K. Revenues

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Gross Receipts Tax (Public Education Capital Outlay)	\$ 11,096,772.26
Florida Education Finance Program	6,855,848.75
Categorical Educational Program - Class Size Reduction	1,725,204.00
Classrooms First	124,558.00
School Recognition	99,539.00
Charter School Capital Outlay Funding	81,672.00
Workforce Development Program	76,179.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	47,011.30
Voluntary Prekindergarten Program	21,377.39
Food Service Supplement	13,784.00
Mobile Home License Tax	10,195.46
Discretionary Lottery Funds	5,615.00
Miscellaneous	279,000.55
Total	\$ 20,436,756.71

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:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	4.966	\$ 2,953,058
Basic Discretionary Local Effort	0.748	444,800
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	891,980
Total	7.214	\$ 4,289,838

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General Fund	\$ 207,203.00	\$ -
Capital Projects:		
Public Education Capital Outlay	496,634.35	81,672.00
Nonmajor Governmental	-	622,165.35
Total	\$ 703,837.35	\$ 703,837.35

The transfers from the nonmajor capital projects funds to the Capital Projects – PECO Fund were for revenue pledged in connection with the PECO Special Facilities allocation for the construction of the new middle/senior high school. The transfer from the Capital Projects – PECO Fund was for PECO Maintenance funds for the Charter School. The transfer to the General Fund represents local capital improvement money to pay for property casualty insurance.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 220,000.00	\$ 366,419.89	\$ 366,419.89	\$ -
Federal Through State and Local	-	11,264.21	9,020.71	(2,243.50)
State	9,045,368.31	9,676,906.14	9,073,767.62	(603,138.52)
Local:				
Property Taxes	3,296,442.00	3,264,133.00	3,279,697.96	15,564.96
Charges for Service - Food Service				
Miscellaneous	185,750.00	397,804.13	453,176.06	55,371.93
Total Local Revenues	<u>3,482,192.00</u>	<u>3,661,937.13</u>	<u>3,732,874.02</u>	<u>70,936.89</u>
Total Revenues	<u>12,747,560.31</u>	<u>13,716,527.37</u>	<u>13,182,082.24</u>	<u>(534,445.13)</u>
Expenditures				
Current - Education:				
Instruction	8,077,246.19	8,513,059.57	8,305,352.53	207,707.04
Student Personnel Services	451,445.52	444,210.50	427,710.98	16,499.52
Instructional Media Services	191,302.00	202,224.00	190,605.68	11,618.32
Instruction and Curriculum Development Services	234,756.00	242,182.23	235,510.77	6,671.46
Instructional Staff Training Services	49,070.00	50,345.48	47,120.95	3,224.53
Instructional - Related Technology	57,530.00	116,327.68	77,759.78	38,567.90
Board	376,341.74	384,965.74	343,895.05	41,070.69
General Administration	208,088.00	212,622.77	210,864.93	1,757.84
School Administration	715,306.00	747,771.62	729,874.25	17,897.37
Facilities Acquisition and Construction	639,194.31	594,557.30	-	594,557.30
Fiscal Services	191,675.00	237,680.00	219,832.56	17,847.44
Food Services	-	2,064.28	2,064.28	-
Central Services	41,680.00	42,864.10	42,805.20	58.90
Student Transportation Services	519,245.00	552,257.25	511,154.55	41,102.70
Operation of Plant	1,053,860.00	1,164,425.87	1,179,500.24	(15,074.37)
Maintenance of Plant	250,735.00	271,457.58	267,694.49	3,763.09
Administrative Technology Services	130,827.00	145,128.50	127,876.99	17,251.51
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	91,637.01	45,618.26	46,018.75
Total Expenditures	<u>13,188,301.76</u>	<u>14,015,781.48</u>	<u>12,965,241.49</u>	<u>1,050,539.99</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(440,741.45)</u>	<u>(299,254.11)</u>	<u>216,840.75</u>	<u>516,094.86</u>
Other Financing Sources (Uses)				
Transfers In	330,531.00	449,999.44	207,203.00	(242,796.44)
Transfers Out	-	(7,911.00)	-	7,911.00
Total Other Financing Sources	<u>330,531.00</u>	<u>442,088.44</u>	<u>207,203.00</u>	<u>(234,885.44)</u>
Net Change in Fund Balances	<u>(110,210.45)</u>	<u>142,834.33</u>	<u>424,043.75</u>	<u>281,209.42</u>
Fund Balances, Beginning	2,302,548.84	2,302,548.84	2,302,548.84	-
Fund Balances, Ending	<u>\$ 2,192,338.39</u>	<u>\$ 2,445,383.17</u>	<u>\$ 2,726,592.59</u>	<u>\$ 281,209.42</u>

**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]
07/01/10	\$ -	\$ 296,689	\$ 296,689	0.0%	\$ 6,932,974	4.3%
07/01/12	-	467,555	467,555	0.0%	5,151,000	9.1%
07/01/13	-	408,130	408,130	0.0%	6,604,102	6.2%

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

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

	2014	2013
District's proportion of the FRS net pension liability	0.018952034%	0.018107470%
District's proportionate share of the FRS net pension liability	\$ 1,156,352	\$ 3,117,101
District's covered-employee payroll	\$ 6,050,072	\$ 5,903,373
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	19.11%	52.80%
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	\$ 483,762	\$ 415,130
FRS contributions in relation to the contractually required contribution	483,762	415,130
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 6,199,901	\$ 6,050,072
FRS contributions as a percentage of covered-employee payroll	7.80%	6.86%

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

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

	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.022440877%	0.022773496%
District's proportionate share of the HIS net pension liability	\$ 2,098,276	\$ 1,982,732
District's covered-employee payroll	\$ 6,669,524	\$ 6,617,234
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.46%	29.96%
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)**

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 88,035	\$ 76,875
HIS contributions in relation to the contractually required contribution	88,035	76,875
HIS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 6,995,309	\$ 6,669,524
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.

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. Excess of Expenditures Over Appropriations in Individual Funds.

For the fiscal year ended June 30, 2015, expenditures exceeded appropriations by function (the legal level of budgetary control) for the following individual funds:

<u>Fund/Activity</u>	<u>Expenditures</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General:			
Operation of Plant	\$ 1,164,425.87	\$ 1,179,500.24	\$ (15,074.37)

The District implemented new procedures, including a detailed monthly review of budget-to-actual expenditures, to detect and prevent budgetary overexpenditures going forward.

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Glades 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)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14002	\$ 206,598.82
National School Lunch Program	10.555 (2)	14001, 14003	468,056.43
Summer Food Service Program for Children	10.559	13006, 13007, 14006, 14007	24,470.78
Total Child Nutrition Cluster			699,126.03
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	2,087.53
Total United States Department of Agriculture			701,213.56
United States Department of Education:			
Direct:			
Impact Aid	84.041	N/A	366,419.89
Indian Education - Grants to Local Educational Agencies	84.060	N/A	40,334.00
Total Direct			406,753.89
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	268,081.25
Special Education - Preschool Grants	84.173	267	3,913.52
Total Special Education Cluster			271,994.77
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	45,772.99
Title I Grants to Local Educational Agencies	84.010	212, 223	437,262.91
Migrant Education - State Grant Program	84.011	217	51,728.72
Career and Technical Education - Basic Grants to States	84.048	161	50,162.00
Rural Education	84.358	110	30,624.78
English Language Acquisition State Grants	84.365	102	12,203.88
Improving Teacher Quality State Grants	84.367	224	45,933.57
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	RA111, RA211, RG311	306,185.83
Highlands County District School Board: ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	None	263.50
Total Indirect			1,252,132.95
Total United States Department of Education			1,658,886.84
Total Expenditures of Federal Awards			\$ 2,360,100.40

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 \$63,117.41 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$306,449.33.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glades County District School Board, as of and for the fiscal year ended June 30, 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 March 24, 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 discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Finding 1 that we consider to be a material weakness.

Compliance and Other Matters

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

We noted certain additional matters that are discussed in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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, CPA
Tallahassee, Florida
March 24, 2016



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

Report on Compliance for the Major Federal Program

We have audited the Glades County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on 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 the 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.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-001. Our opinion on the District's major Federal program is not modified with respect to this matter.

District's response to the noncompliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 a major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-001 that we consider to be a significant deficiency.

District's response to the internal control over compliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, CPA
Tallahassee, Florida
March 24, 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?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
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?	Yes
Identification of major programs:	
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:	\$300,000
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDING

MATERIAL WEAKNESS

Finding 1: Financial Reporting

Employers participating in the Florida Retirement System defined benefit pension plan and similar plans are required, for the 2014-15 fiscal year financial statements, to implement Governmental Accounting Standards Board Statement No. 68 (GASB 68).¹ GASB 68 requires employers, such as the District, participating in these plans to report the employer's proportionate share of the net pension liability of the plans, and restate the beginning net position to show the retroactive effect of implementing GASB 68.

Generally accepted accounting principles (GAAP) require governmental entities to report revenue anticipation notes as a fund liability. In addition, GAAP require that balance sheet total amounts for asset and deferred outflows of resources accounts equal the total amounts for liability, deferred inflows of resources, and fund balance accounts.

Our review of the District's 2014-15 fiscal year annual financial report, as submitted to the Florida Department of Education and presented for audit, disclosed that financial reporting procedures could be improved. For example:

- To give the retroactive effect of implementing GASB 68, the District needed to reduce the beginning net position account by \$4.6 million on the Government-wide Financial Statements (GWFS); however, because District personnel did not consider the effect of GASB 68 on beginning net position, this account was overstated by \$4.6 million.
- In December 2014, the District obtained a \$6 million revenue anticipation note (RAN) to fund construction activities until receipt of the 2015-16 fiscal year Public Education Capital Outlay Special Facilities funding. However, District personnel recorded the RAN in the General Fund as an other financing source instead of reporting the RAN payable on the fund financial statements and GWFS, resulting in understatements of fund financial statement and GWFS liabilities by \$6 million each.
- Contrary to GAAP, several funds on the Governmental Funds' Balance Sheet did not balance. For example, in the Capital Projects – Public Education Capital Outlay Fund, total liability and fund balance amounts exceeded total asset amounts by \$1,002,103, primarily because District personnel reported payables for construction activities performed before fiscal year end, without an offsetting entry to expenditures. While the District's accounting system requires double-sided entries so the entries balance, District personnel made a one-sided entry on the annual financial report to directly increase the reported payables account for these construction activities.

In response to our inquiry, District personnel indicated that the errors occurred primarily because District personnel misunderstood the basis for certain accounting entries, such as the GASB 68 implementation requirements. Reporting errors such as these may cause financial statement users to incorrectly assess the District's financial position or costs of construction activities. We extended our audit procedures to determine the adjustments necessary to ensure the District's financial statements were materially correct, and District personnel accepted the adjustments we proposed. However, our extended audit procedures

¹ GASB 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.*

cannot substitute for management's responsibility to implement adequate controls over financial reporting. A similar finding was noted in our report No. 2015-167.

Recommendation: The District should improve financial reporting procedures to ensure that financial statement account balances and transactions are properly reported.

ADDITIONAL MATTERS

Finding 2: Virtual Instruction Program

State law² provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law³ establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to qualifying students. Pursuant to State law,⁴ each school district is to provide information to parents and students about a student's right and choice to participate in a VIP. State law⁵ further requires the District to provide parents with timely, written notification of open enrollment periods for its VIP.

According to District records, for the 2014-15 fiscal year, the District enrolled three full-time and no part-time VIP students. For the 2014-15 fiscal year, District personnel indicated various communication methods were used to provide information about the District's VIP to parents and students. Such communication methods included notices posted on the District's Web site and letters sent home to parents via the students. While these methods demonstrate District efforts to inform parents and students about the VIP, District records did not evidence that the District provided timely, written notifications directly to parents of students regarding the VIP and the VIP open enrollment periods.

In response to our inquiry, District personnel stated that they believed that their notifications complied with State law. Notwithstanding this response, 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.

We also noted that, while the District's pupil progression plans and other records identified certain instruction methods and enrollment and withdrawal information related to the VIP and a Board-adopted policy⁶ describes certain VIP processes such as student enrollment and eligibility, the District's policy

² Section 1001.41(3), Florida Statutes.

³ Section 1002.45, Florida Statutes.

⁴ Section 1002.45(10), Florida Statutes.

⁵ Section 1002.45(1)(b), Florida Statutes.

⁶ Board policy 2370.01 Virtual Instruction.

could be further enhanced by describing procedures to directly provide information to parents and students about VIP and VIP open enrollment periods. As similarly noted in our report No. 2015-167, the absence of such procedures, may have contributed to the lack of timely, written parental notifications and the low rate of student participation in the District's VIP.

Recommendation: To enhance the effectiveness of VIP operations and related activities, the District should continue efforts to develop and maintain comprehensive, written VIP policies and procedures. Such policies and procedures should, among other things, ensure that parents are timely and directly notified in writing about student opportunities to participate in the District's VIP and open enrollment periods.

Finding 3: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed that certain District security controls related to data loss prevention need 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 data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2014-153 and 2015-167.

Recommendation: The District should improve IT security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 2015-001:

Federal Agency:	United States Department of Agriculture
Pass-Through Entity:	Florida Department of Agriculture and Consumer Services
CFDA Numbers:	10.553, 10.555, and 10.559
Program Title:	Child Nutrition Cluster
Compliance Requirements:	Allowable Costs/Cost Principles – Documentation of Time and Effort
Finding Type:	Noncompliance and Significant Deficiency
Questioned Costs:	None

Federal guidance⁷ provides that, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications must be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. District personnel indicated that

⁷ United States Office of Management and Budget (OMB) Circular A-87, Attachment B, 8.h.(3).

District procedures generally provide for the preparation of required semiannual certifications in November and May and, where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages is supported by personnel activity reports or equivalent documentation. These reports are required to reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee.

District records of Child Nutrition Cluster (CNC) expenditures for the 2014-15 fiscal year indicated that the District charged \$355,437 to the CNC for 100 percent of the salaries and benefits for 14 employees and for portions (i.e., 33 and 20 percent, respectively) of the salaries and benefits for 2 other employees. As part of our procedures, we requested District records supporting CNC salaries and benefit charges of \$135,334 for 6 employees paid 100 percent from the CNC and \$38,395 for the 2 employees paid partially from the CNC. We found that the 2 employees paid partially from the CNC did not maintain required monthly personnel activity reports or equivalent documentation.

Subsequent to our inquiries, the 2 employees documented that a portion of their duties and responsibilities related to the CNC and this documentation supported the costs charged to the CNC. However, absent effective procedures for timely documenting actual time devoted to Federal program activities, there is an increased risk that personnel costs may be inappropriately charged to a Federal program. A similar finding was noted in our report No. 2015-167.

Recommendation: The District should enhance procedures to ensure that required documentation is maintained to support salaries and benefits costs charged to the CNC.

District Contact Person: Sue Woodward, Finance Director.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report Nos. 2014-153 and 2015-167, except as noted in Findings 1, 2, and 3 and Federal Awards Finding No. 2015-001 and shown in Table 1.

**Table 1
Findings Also Noted in Previous Audit Reports**

Finding	2013-14 Fiscal Year Audit Report No. 2015-167, Finding	2012-13 Fiscal Year Audit Report No. 2014-153, Finding
1	1	Not Applicable
2	6	Not Applicable
3	10	7
No. 2015-001	No. 2014-002	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
2015-167 (2014-001)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Cost Principles	Required documentation to support personnel charges to the Child Nutrition Cluster was not maintained, contrary to Federal regulations.	Not Corrected.	In the 2015-16 fiscal year, the District plans to implement procedures to ensure compliance with this requirement.

MANAGEMENT'S RESPONSE

GLADES COUNTY SCHOOL DISTRICT *Building Academic Excellence*

March 8, 2016

Scott Bass
Superintendent

•

Janet Harris
Academic
Services
Director

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

Sue Woodward
Finance Director

•

Janice Foster
Student Services
Director

Dear Ms. Norman:

Below please find my response to the preliminary and tentative findings regarding the financial, federal and operational audit for the fiscal year ended June 30, 2015. Please feel free to contact my office with any questions or concerns.

School Board

• Janet Storey
District 1

Findings Response

• Jenny Allen
District 2

• Jeri Wilson
District 3

Finding No. 1: Financial Reporting.

Response – This was the first year for GASB 68 reporting and we were not clear about the retroactive component. The finance department is now aware of the proper procedure for reporting GASB 68 information. The finance department has enlisted the assistance from other districts to gain a better understanding of the proper reporting procedures in completing the AFR.

• Mike Pressley
District 4

• Patricia Pearce
District 5

Finding No. 2: Virtual Instruction Program.

Response - The Glades County Schools Virtual Instruction Program is currently working to develop or purchase a system that will directly notify parents in writing of student opportunities to participate in the District's VIP program. The district will continue to evaluate its policies and procedures to enhance the effectiveness of the Virtual Instruction Program.



Finding No. 3: Information Technology – Security Controls.

Response – The Glades County School District has worked with an outside vendor to remedy deficiencies in security controls.

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Federal Awards Finding No.2015-001:

Response - The Administrative Services Department (Director and Administrative Professional) will complete and sign weekly time sheets showing that one third of our time was devoted solely to child nutrition. The Planned corrective action date is April 4, 2016.

If there are any responses that require further clarification, please do not hesitate to contact me at (863)946-2083.

Sincerely,

A handwritten signature in blue ink that reads "S. Bass".

Scott Bass
Superintendent of Schools