

## **Triumph Gulf Coast, Inc. Trust Fund Application for Funds**

Proposal Instructions: The Triumph Gulf Coast, Inc. Trust Fund Grant Application (this document) must be completed by the entity applying for the grant and signed, as applicable, by either the individual applying for funds, an individual authorized to bind the entity applying for funds, a chief elected official, the administrator for the governmental entity or their designee. Please read the Application carefully as some questions may require a separate narrative to be completed. In addition, please complete all Addendums that may be applicable to the proposed project or program.

Triumph Gulf Coast, Inc. will make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. Triumph Gulf Coast, Inc. may make awards for:

- Ad valorem tax rate reduction within disproportionately affected counties;
- Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
- Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
- Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
- Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education; encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
- Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
- Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

Pursuant to Florida Law, Triumph Gulf Coast, Inc. will provide priority consideration to Applications for projects or programs that:

- Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
- Increase household income in the disproportionately affected counties above national average household income.
- Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.
- Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
- Benefit the environment, in addition to the economy.
- Provide outcome measures.
- Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
- Are recommended by the board of county commissioners of the county in which the project or program will be located.
- Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

Additionally, the Board of Triumph Gulf Coast, Inc. may provide discretionary priority to consideration of Applications for projects and programs that:

- Are considered transformational for the future of the Northwest Florida region.
- May be consummated quickly and efficiently.
- Promote net-new jobs in the private sector with an income above regional average household income.
- Align with Northwest Florida FORWARD, the regional strategic initiative for Northwest Florida economic transformation.
- Create net-new jobs in targeted industries to include: aerospace and defense, financial services/shared services, water transportation, artificial intelligence, cybersecurity, information technology, manufacturing, and robotics.
- Promote industry cluster impact for unique targeted industries.
- Create net-new jobs with wages above national average wage (*e.g.*, similar to EFI QTI program, measured on graduated scale).
- Are located in Rural Area of Opportunity as defined by the State of Florida (DEO).
- Provide a wider regional impact versus solely local impact.
- Align with other similar programs across the regions for greater regional impact, and not be duplicative of other existing projects or programs.
- Enhance research and innovative technologies in the region.
- Enhance a targeted industry cluster or create a Center of Excellence unique to Northwest Florida.

- Create a unique asset in the region that can be leveraged for regional growth of targeted industries.
- Demonstrate long-term financial sustainability following Triumph Gulf Coast, Inc. funding.
- Leverage funding from other government and private entity sources.
- Provide local investment and spending.
- Are supported by more than one governmental entity and/or private sector companies, in particular proposed projects or programs supported by more than one county in the region.
- Provide clear performance metrics over duration of project or program.
- Include deliverables-based payment system dependent upon achievement of interim performance metrics.
- Provide capacity building support for regional economic growth.
- Are environmentally conscious and business focused.
- Include Applicant and selected partners/vendors located in Northwest Florida.

Applications will be evaluated and scored based on compliance with the statutory requirements of the Triumph Gulf Coast legislation, including but not limited to the priorities identified therein and the geographic region served by the proposed project or program.

**Applicant Information**

Name of Individual (if applying in individual capacity): \_\_\_\_\_

Name of Entity/Organization: Franklin County School Board

Background of Applicant Individual/Entity/Organization: K-12 Public School System

\_\_\_\_\_  
(If additional space is needed, please attach a Word document with your entire answer.)

Federal Employer Identification Number: 596000611

Contact Information:

Primary Contact Information: Traci Moses

Title: Superintendent of Schools, Franklin County

Mailing Address: 85 School Road, Eastpoint, FL, 32328

Phone: (850)670-2810

Email: tmoses@franklin.k12.fl.us

Website: franklincountyschools.org

Identify any co-applicants, partners, or other entities or organizations that will have a role in the proposed project or program and such partners proposed roles.

Lively Technical Center will partner with FCSB to hire teachers and provide curriculum. FCSB is  
\_\_\_\_\_  
also partnering with Apalachicola Bay Charter School to maintain uniformity in the courses  
\_\_\_\_\_  
offered in our district.  
\_\_\_\_\_

\_\_\_\_\_  
(If additional space is needed, please attach a Word document with your entire answer.)

Total amount of funding requested from Triumph Gulf Coast: \$2,327,322

\_\_\_\_\_

Has the applicant in the past requested or applied for funds for all or part of the proposed project/program?

☐ Yes      ☒ No

If yes, please provide detailed information concerning the prior request for funding, including:

- the date the request/application for funding was made;
- the source to which the request/application for funding was made,
- the results of the request/application for funding, and
- projected or realized results and/or outcomes from prior funding.

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(If additional space is needed, please attach a Word document with your entire answer.)

Describe the financial status of the applicant and any co-applicants or partners:

All three institutions have secure financial status. See attachments 1, 2 and 3.

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(If additional space is needed, please attach a Word document with your entire answer.)

In a separate attachment, please provide financial statements or information that details the financial status of the applicant and any co-applicants or partners.

Has the applicant or any co-applicants, partners or any associated or affiliated entities or individuals filed for bankruptcy in the last ten (10) years?

☐ Yes      ☒ No

If yes, please identify the entity or individual that filed for bankruptcy and the date of filing.

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(If additional space is needed, please attach a Word document with your entire answer.)

## **Eligibility**

Pursuant to Section 288.8017, Triumph Gulf Coast, Inc. was created to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. The disproportionately affected counties are: Bay County, Escambia County, Franklin County, Gulf County, Okaloosa County, Santa Rosa County, Walton County, or Wakulla County. *See*, Section 288.08012.

1. From the choices below, please check the box that describes the purpose of the proposed project or program (check all that apply):

- ☐ Ad valorem tax rate reduction within disproportionately affected counties;
- ☐ Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
- ☐ Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
- ☐ Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
- ☒ Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education, encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
- ☒ Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
- ☐ Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

- See attachment #4.

[illegible]

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3. Explain how the proposed project or program is considered transformational and how it will effect the disproportionately affected counties in the next ten (10) years.

See attachment #5.

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(If additional space is needed, please attach a Word document with your entire answer.)

4. Describe data or information available to demonstrate the viability of the proposed project or program.

See attachment #6.

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(If additional space is needed, please attach a Word document with your entire answer.)

5. Describe how the impacts to the disproportionately affected counties will be measured long term.

See attachment #6.

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(If additional space is needed, please attach a Word document with your entire answer.)

6. Describe how the proposed project or program is sustainable. (Note: Sustainable means how the proposed project or program will remain financially viable and continue to perform in the long-term after Triumph Gulf Coast, Inc. funding.)

See attachment #7.

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(If additional space is needed, please attach a Word document with your entire answer.)

7. Describe how the deliverables for the proposed project or program will be measured.

See attachment #7.

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(If additional space is needed, please attach a Word document with your entire answer.)

### **Priorities**

1. Please check the box if the proposed project or program will meet any of the following priorities (check all that apply):

- ☐ Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
- ☒ Increase household income in the disproportionately affected counties above national average household income.
- ☒ Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.



- ☐ Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
- ☐ Benefit the environment, in addition to the economy.
- ☐ Provide outcome measures.
- ☒ Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
- ☒ Are recommended by the board of county commissioners of the county in which the project or program will be located.
- ☐ Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

2. Please explain how the proposed project meets the priorities identified above.

See attachment #8.

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(If additional space is needed, please attach a Word document with your entire answer.)

3. Please explain how the proposed project or program meets the discretionary priorities identified by the Board.

See attachment #9.

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(If additional space is needed, please attach a Word document with your entire answer.)

4. In which of the eight disproportionately affected county/counties is the proposed project or program located? (Circle all that apply)

Escambia Santa Rosa Okaloosa Walton Bay Gulf Franklin Wakulla

5. Was this proposed project or program on a list of proposed projects and programs submitted to Triumph Gulf Coast, Inc., by one (or more) of the eight disproportionately affected Counties as a project and program located within its county?

☒ Yes ☐ No

If yes, list all Counties that apply: Franklin

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6. Does the Board of County Commissioners for each County listed in response to question 5, above, recommend this project or program to Triumph?

☐ Yes ☒ No

**\*\*Please attach proof of recommendation(s) from each County identified.**

### **Approvals and Authority**

1. If the Applicant is awarded grant funds based on this proposal, what approvals must be obtained before Applicant can execute an agreement with Triumph Gulf Coast, Inc.?

Franklin County School Board approval

(If additional space is needed, please attach a Word document with your entire answer.)

2. If approval of a board, commission, council or other group is needed prior to execution of an agreement between the entity and Triumph Gulf Coast:

A. Provide the schedule of upcoming meetings for the group for a period of at least six months.

B. State whether that group can hold special meetings, and if so, upon how many days' notice.

FCSB meets on the last Thursday of each month. Special meetings need a two day notice.

(If additional space is needed, please attach a Word document with your entire answer.)

3. Describe the timeline for the proposed project or program if an award of funding is approved, including milestones that will be achieved following an award through completion of the proposed project or program.

See attachment #10

(If additional space is needed, please attach a Word document with your entire answer.)

4. Attach evidence that the undersigned has all necessary authority to execute this proposal on behalf of the entity applying for funding. This evidence may take a variety of forms, including but not limited to: a delegation of authority, citation to relevant laws or codes, policy documents, etc. In addition, please attach any support letters from partners.

See attachment #11.

### **Funding and Budget:**

Pursuant to Section 288.8017, awards may not be used to finance 100 percent of any project or program. An awardee may not receive all of the funds available in any given year.

1. Identify the amount of funding sought from Triumph Gulf Coast, Inc. and the time period over which funding is requested.  
\$2,327,322.00 over 2.5 years  

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(If additional space is needed, please attach a Word document with your entire answer.)
  
2. What percentage of total program or project costs does the requested award from Triumph Gulf Coast, Inc. represent? (Please note that an award of funding will be for a defined monetary amount and will not be based on percentage of projected project costs.)  
70.3%  

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(If additional space is needed, please attach a Word document with your entire answer.)
  
3. Please describe the types and number of jobs expected from the proposed project or program and the expected average wage.  
See attachment #12  

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(If additional space is needed, please attach a Word document with your entire answer.)
  
4. Does the potential award supplement but not supplant existing funding sources? If yes, describe how the potential award supplements existing funding sources.  
☒ Yes    ☐ No  

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(If additional space is needed, please attach a Word document with your entire answer.)
  
5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

A. Project/Program Costs:

Example Costs (Note: Not exhaustive list of possible Cost categories.)

Construction	\$ See Attachment #10
Reconstruction	\$
Design & Engineering	\$
Land Acquisition	\$
Land Improvement	\$
Equipment	\$
Supplies	\$
Salaries	\$

Other (specify) \$ \_\_\_\_\_

Total Project Costs: \$ 3,311.822.00

B. Other Project Funding Sources:

Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)

City/County \$ \_\_\_\_\_

Private Sources \$ \_\_\_\_\_

Other (e.g., grants, etc.) \$ 984,500.00

Total Other Funding \$ 984,500.00

**Total Amount Requested: \$ 2,327,322.00**

Note: The total amount requested must equal the difference between the costs in 3A. and the other project funding sources in 3.B.

C. Provide a detailed budget narrative, including the timing and steps necessary to obtain the funding and any other pertinent budget-related information.

See attachment #13.

(If additional space is needed, please attach a Word document with your entire answer.)

Applicant understands that the Triumph Gulf Coast, Inc. statute requires that the award contract must include provisions requiring a performance report on the contracted activities, must account for the proper use of funds provided under the contract, and must include provisions for recovery of awards in the event the award was based upon fraudulent information or the awardee is not meeting the performance requirements of the award.

☒ Yes      ☐ No

Applicant understands that awardees must regularly report to Triumph Gulf Coast, Inc. the expenditure of funds and the status of the project or program on a schedule determined by Triumph Gulf Coast, Inc.

☒ Yes      ☐ No

Applicant acknowledges that Applicant and any co-Applicants will make books and records and other financial data available to Triumph Gulf Coast, Inc. as necessary to measure and confirm performance metrics and deliverables.

☒ Yes      ☐ No

Applicant acknowledges that Triumph Gulf Coast, Inc. reserves the right to request additional information from Applicant concerning the proposed project or program.

☒ Yes      ☐ No

## **ADDENDUM FOR INFRASTRUCTURE PROPOSALS:**

### 1. Program Requirements

- A. Is the infrastructure owned by the public?  
☐ Yes      ☐ No
- B. Is the infrastructure for public use or does it predominately benefit the public?  
☐ Yes      ☐ No
- C. Will the public infrastructure improvements be for the exclusive benefit of any single company, corporation or business entity?  
☐ Yes      ☐ No
- D. Provide a detailed explanation of how the public infrastructure improvements will connect to a broader economic development vision for the community and benefit additional current and future businesses.

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(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of, and quantitative evidence demonstrating how the proposed public infrastructure project will promote:
- Economic recovery,
  - Economic Diversification,
  - Enhancement of the disproportionately affected counties,
  - Enhancement of a Targeted Industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

### 2. Additional Information

- A. Is this project an expansion of existing infrastructure project?  
☐ Yes      ☐ No
- B. Provide the proposed beginning commencement date and number of days required to complete construction of the infrastructure project.

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. What is the location of the public infrastructure? (Provide the road number, if applicable.)

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(If additional space is needed, please attach a Word document with your entire answer.)

- D. Who is responsible for maintenance and upkeep? (Indicate if more than one are applicable.)

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(If additional space is needed, please attach a Word document with your entire answer.)

- E. What permits are necessary for the infrastructure project?

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(If additional space is needed, please attach a Word document with your entire answer.)

Detail whether required permits have been secured, and if not, detail the timeline for securing these permits. Additionally, if any required permits are local permits, will these permits be prioritized?

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(If additional space is needed, please attach a Word document with your entire answer.)

- F. What is the future land use and zoning designation on the proposed site of the Infrastructure improvement, and will the improvements conform to those uses?

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(If additional space is needed, please attach a Word document with your entire answer.)

- G. Will an amendment to the local comprehensive plan or a development order be required on the site of the proposed project or on adjacent property to accommodate the infrastructure and potential current or future job creation opportunities? If yes, please detail the timeline  
☐ Yes ☐ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- H. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.  
☐ Yes ☐ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- I. Provide any additional information or attachments to be considered for this proposal.

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(If additional space is needed, please attach a Word document with your entire answer.)



## **ADDENDUM FOR WORKFORCE TRAINING PROPOSALS**

### 1. Program Requirements

- A. Will this proposal supports programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties? If yes, please identify where the campuses are located and provide details on how the proposed programs will prepare students for future occupations and at which K-20 institutions that programs will be provided.

☒ Yes ☐ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Will the proposed program (check all that apply):

- ☒ Increase students' technology skills and knowledge
- ☒ Encourage industry certifications
- ☒ Provide rigorous, alternative pathways for students to meet high school graduation requirements
- ☒ Strengthen career readiness initiatives
- ☐ Fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors
- ☐ Encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties (similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission on Education)

For each item checked above, describe how the proposed program will achieve these goals

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See attachment #14

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Will this proposal provide participants in the disproportionately affected counties with transferable, sustainable workforce skills but not confined to a single employer? If yes, please provide details.

☒ Yes ☐ No

See attachment #14

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(If additional space is needed, please attach a Word document with your entire answer.)

- D. Identify the disproportionately affected counties where the proposed programs will operate or provide participants with workforce skills.

The program will operate in Franklin County, with potential impacts on

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surrounding counties as students have the potential to commute for work.

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(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of, and quantitative evidence demonstrating how the proposed project or program will promote:

- Economic recovery,
  - Economic Diversification,
  - Enhancement of the disproportionately affected counties,
  - Enhancement of a Targeted Industry.
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See attachment #12

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(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Is this an expansion of an existing training program? Is yes, describe how the proposed program will enhance or improve the existing program and how the proposal program will supplements but not supplant existing funding sources.

☐ Yes ☒ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Indicate how the training will be delivered (*e.g.*, classroom-based, computer based, other).

If in-person, identify the location(s) (*e.g.*, city, campus, etc.) where the training will be available.

If computer-based, identify the targeted location(s) (e.g., city, county) where the training will be available.  
All training will be at the face-to-face at the facilities. There will be computer aided

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Instruction and hands-on learning incorporated as well.  
(If additional space is needed, please attach a Word document with your entire answer.)

- C. Identify the number of anticipated enrolled students and completers.

50 enrolled in welding with approximately 10 completers each year

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550 enrolled in computer technology classes with apr. 300 certificates earned each year.  
(If additional space is needed, please attach a Word document with your entire answer.)

- D. Indicate the length of the program (e.g, quarters, semesters, weeks, months, etc.) including anticipated beginning and ending dates.

~~The programs will be yearly. They will run during the regular school year, beginning in August and ending in May. The summer camp will be in June.~~

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(If additional space is needed, please attach a Word document with your entire answer.)

- E. Describe the plan to support the sustainability of the proposed program.

Student enrollment numbers will generate an allocation for state funding per student, known as

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Full-Time Equivalent (FTE).  
(If additional space is needed, please attach a Word document with your entire answer.)

- F. Identify any certifications, degrees, etc. that will result form the completion of the program.

~~CWS and NCCER certifications will be earned in Welding and ICT Essentials Certificates will be~~

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Earned by students in 3-8 with Microsoft Certificates earned by students in grades 8-12.  
(If additional space is needed, please attach a Word document with your entire answer.)

- G. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.

☒ Yes

☐ No

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\$984,500 from FCSB and ABC initially, then 100% sustainability for the future of the project  
Including teachers, maintenance, technology, materials, etc.

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(If additional space is needed, please attach a Word document with your entire answer.)

- H. Provide any additional information or attachments to be considered for this proposal.

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(If additional space is needed, please attach a Word document with your entire answer.)

## **ADDENDUM FOR AD VALOREM TAX RATE REDUCTION:**

### **1. Program Requirements**

- A. Describe the property or transaction that will be supported by the ad valorem tax rate reduction.

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Provide a detailed explanation of how the ad valorem tax rate reduction will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide a detailed description of the quantitative evidence demonstrating how the proposed ad valorem tax reduction will promote:
- Economic recovery,
  - Economic Diversification,
  - Enhancement of the disproportionately affected counties,
  - Enhancement of a Targeted Industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

### **2. Additional Information**

- A. What is the location of the property or transaction that will be supported by the ad valorem tax rate reduction?

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the property or transaction that will be supported by the ad valorem tax rate reduction and provide a detailed description of when and how the ad valorem tax rate reduction will be implemented.

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Does this proposed project have a local match amount? If yes, please describe the entity providing the match and the amount.  
☐ Yes      ☐ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- D. Provide any additional information or attachments to be considered for this proposal.

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(If additional space is needed, please attach a Word document with your entire answer.)

**ADDENDUM FOR LOCAL MATCH REQUIREMENTS OF SECTION 288.0655,  
FLORIDA STATUTES**

1. Program Requirements

- A. Describe the local match requirements of Section 288.0655 and the underlying project, program or transaction that will be funded by the proposed award.

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Provide a detailed explanation of how the local match requirements and the underlying project or program will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide a detailed description of, and quantitative evidence demonstrating how the proposed local match requirements will promote:
- Economic recovery,
  - Economic Diversification,
  - Enhancement of the disproportionately affected counties,
  - Enhancement of a Targeted Industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. What is the location of the property or transaction that will be supported by the local match requirements?

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the property or transaction that will be supported by the local match requirement and provide a detailed description of when and how the local match requirement will be implemented.

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

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(If additional space is needed, please attach a Word document with your entire answer.)



## ADDENDUM FOR LOCAL ACTION PLAN

### 1. Program Requirements

- A. Describe how the proposed award will establish and maintain equipment and trained personnel for local action plans of response to respond to disasters.
- B. Describe the type and amount of equipment and trained personnel that will be established or maintained by the proposed award.
- C. Identify the specific local action plans (*e.g.*, Coastal Impacts Assistance Program) that will benefit from the proposed award.
- D. Provide a detailed explanation of how the proposed award will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of the quantitative evidence demonstrating how the proposed will promote:
  - Economic recovery,
  - Economic Diversification,
  - Enhancement of the disproportionately affected counties,
  - Enhancement of a Targeted Industry.

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(If additional space is needed, please attach a Word document with your entire answer.)

### 2. Additional Information

- A. What is the location of the local action program that will be supported by the proposed award?

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(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the local action plans (*e.g.*, new plans, existing plans, etc.) that will be supported by the proposed award and provide a detailed description of when and how the proposed award will be implemented.

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

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(If additional space is needed, please attach a Word document with your entire answer.)

## ADDENDUM FOR ADVERTISING/PROMOTION

### 1. Program Requirements

- A. Is the applicant a tourism entity created under s. 288.1226, Florida Statutes?  
☐ Yes ☐ No
- B. Does the applicant advertise and promote tourism and Fresh From Florida? If yes, provide details on how it advertises and promotes tourism and Fresh From Florida.  
☐ Yes ☐ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. Does the proposed award promote workforce and infrastructure on behalf of the disproportionately affected counties? If yes, describe how workforce and infrastructure is promoted on behalf of the disproportionately affected counties.  
☐ Yes ☐ No

---

(If additional space is needed, please attach a Word document with your entire answer.)

- D. Provide a detailed explanation of how the proposed award will connect to a broader economic recovery, diversification, enhancement of the disproportionately affected counties and/or enhancement of a targeted industry.

---

(If additional space is needed, please attach a Word document with your entire answer.)

- E. Provide a detailed description of the quantitative evidence demonstrating how the proposed will promote:
- Economic recovery,
  - Economic Diversification,
  - Enhancement of the disproportionately affected counties,
  - Enhancement of a Targeted Industry.

---

(If additional space is needed, please attach a Word document with your entire answer.)

2. Additional Information

- A. Describe the advertising and promotion mediums and locations where the advertising and promotion will occur.

---

(If additional space is needed, please attach a Word document with your entire answer.)

- B. Detail the current status of the advertising and promotion (*e.g.*, new plans, existing plans, etc.) that will be supported by the proposed award and provide a detailed description of when and how the proposed award will be implemented.

---

(If additional space is needed, please attach a Word document with your entire answer.)

- C. Provide any additional information or attachments to be considered for this proposal.

---

(If additional space is needed, please attach a Word document with your entire answer.)

I, the undersigned, do hereby certify that I have express authority to sign this proposal on my behalf or on behalf of the above-described entity, organization, or governmental entity:

Name of Applicant: Franklin County School Board

Name and Title of Authorized Representative: \_\_\_\_\_

Representative Signature: \_\_\_\_\_

Signature Date: \_\_\_\_\_

# STATE OF FLORIDA AUDITOR GENERAL

## Financial and Federal Single Audit

Report No. 2018-099  
February 2018

### FRANKLIN COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended  
June 30, 2017



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2016-17 fiscal year, Traci Moses served as Superintendent of the Franklin County Schools from 11-22-16, Nina M. Marks served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
George Thompson, Vice Chair through 11-21-16	1
Pamela J. Marshall	2
Teresa Ann Martin, Vice Chair from 11-22-16	3
Stacy Kirvin, Chair from 11-22-16	4
Carl Whaley from 11-22-16	5
Pam Shiver, Chair through 11-21-16	5

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

The team leader was Douglas R. Conner, CPA, and the audit was supervised by Shelly G. Curti, CPA.

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

This report and other reports prepared by the Auditor General are available at:

[FLAuditor.gov](http://FLAuditor.gov)

Printed copies of our reports may be requested by contacting us at:

**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722**

**FRANKLIN COUNTY DISTRICT SCHOOL BOARD**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## SUMMARY OF REPORT ON FEDERAL AWARDS

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

## AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal program; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program.

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

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
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

### 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 Franklin County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 18 percent of the assets and 92 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin County District School Board, as of June 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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

#### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 25, 2018

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

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

### **FINANCIAL HIGHLIGHTS**

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

- Net position at June 30, 2017, totals \$46,867,370.92, which represents a decrease of \$250,995.54 (less than 1 percent) from the previous fiscal year.
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures by \$325,205.99. This may be compared to last fiscal year's results, when revenues and other financing sources exceeded expenditures by \$403,248.33. The increase in the current fiscal year fund balance is primarily due to increased property values and related property tax collections.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$2,312,928.99, which is \$325,205.99 more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances totaled \$2,021,137.98, or 17 percent of total General Fund revenues.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

#### **Government-Wide Financial Statements**

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The Apalachicola Bay Charter School, Inc., the District's charter school, meets the criteria for inclusion in the reporting entity as provided by generally accepted accounting principles. The charter school is reported separately from the financial information for the primary government as a discretely presented component unit.

The Franklin School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation have 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, Special Revenue – Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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



**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, 2017, compared to net position as of June 30, 2016:

<b>Net Position, End of Year</b>		
	<b>Governmental Activities</b>	
	<b>6-30-17</b>	<b>6-30-16</b>
Current and Other Assets	\$ 5,407,859.22	\$ 5,906,241.60
Capital Assets	53,817,071.66	54,528,167.43
<b>Total Assets</b>	<b>59,224,930.88</b>	<b>60,434,409.03</b>
<b>Deferred Outflows of Resources</b>	<b>2,646,261.00</b>	<b>1,266,949.00</b>
Long-Term Liabilities	14,272,145.45	13,311,559.43
Other Liabilities	310,986.51	394,748.14
<b>Total Liabilities</b>	<b>14,583,131.96</b>	<b>13,706,307.57</b>
<b>Deferred Inflows of Resources</b>	<b>420,689.00</b>	<b>876,684.00</b>
Net Position:		
Net Investment in Capital Assets	45,922,846.07	45,514,747.99
Restricted	3,074,804.65	3,805,065.72
Unrestricted (Deficit)	(2,130,279.80)	(2,201,447.25)
<b>Total Net Position</b>	<b>\$ 46,867,370.92</b>	<b>\$ 47,118,366.46</b>

The largest portion of the District's net position 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 represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of reporting \$5,826,134 in net pension liabilities.

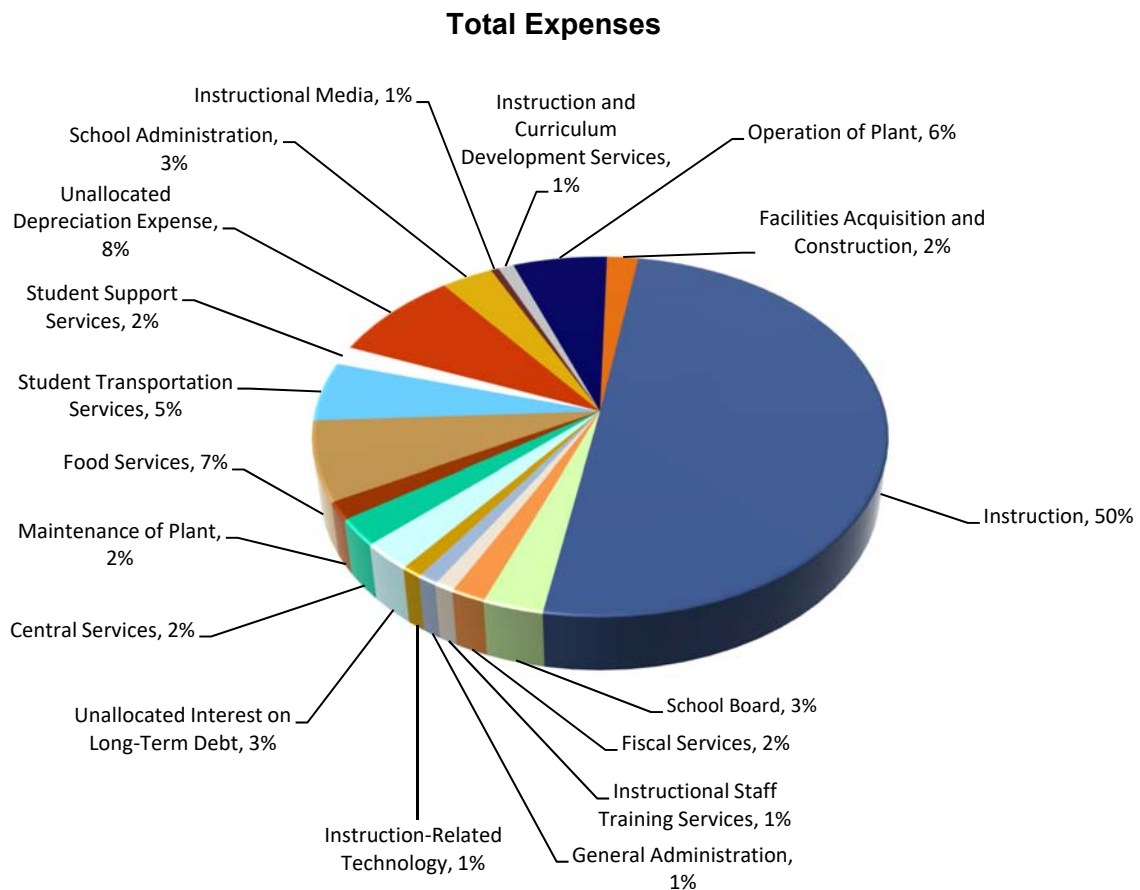
The key elements of the changes in the District's net position for the fiscal years ended June 30, 2017, and June 30, 2016, are as follows:

## Operating Results for the Fiscal Year Ended

	<b>Governmental Activities</b>	
	<b>6-30-17</b>	<b>6-30-16</b>
Program Revenues:		
Charges for Services	\$ 133,201.96	\$ 93,423.09
Operating Grants and Contributions	1,185,666.12	1,263,085.48
Capital Grants and Contributions	202,435.25	157,915.42
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,682,299.52	8,358,511.07
Property Taxes, Levied for Capital Projects	1,827,852.51	1,740,268.79
Grants and Contributions Not Restricted to Specific Programs	4,478,116.83	4,529,740.44
Unrestricted Investment Earnings	37,400.38	22,881.03
Miscellaneous	249,492.10	488,912.90
<b>Total Revenues</b>	<b>16,796,464.67</b>	<b>16,654,738.22</b>
Functions/Program Expenses:		
Instruction	8,521,268.46	8,160,957.64
Student Support Services	295,139.83	303,548.81
Instructional Media Services	80,585.56	76,071.24
Instruction and Curriculum Development Services	188,721.44	178,168.59
Instructional Staff Training Services	90,923.40	138,500.85
Instruction-Related Technology	150,435.36	124,567.40
Board	477,499.59	458,844.77
General Administration	228,889.04	243,638.55
School Administration	560,251.44	467,303.01
Facilities Acquisition and Construction	480,875.27	405,531.40
Fiscal Services	281,889.30	270,401.53
Food Services	1,253,769.33	1,152,399.69
Central Services	412,690.82	413,113.36
Student Transportation Services	910,549.19	780,854.92
Operation of Plant	970,128.44	988,091.82
Maintenance of Plant	271,403.40	236,584.21
Administrative Technology Services	34,505.40	34,869.84
Unallocated Interest on Long-Term Debt	418,580.77	469,469.43
Unallocated Depreciation Expense	1,417,260.07	1,419,904.76
Loss on Disposal of Capital Assets	2,094.10	2,964.03
<b>Total Functions/Program Expenses</b>	<b>17,047,460.21</b>	<b>16,325,785.85</b>
<b>Change in Net Position</b>	<b>(250,995.54)</b>	<b>328,952.37</b>
Net Position - Beginning	47,118,366.46	46,789,414.09
<b>Net Position - Ending</b>	<b>\$46,867,370.92</b>	<b>\$47,118,366.46</b>

Governmental activities decreased the District's net position by \$250,995.54, or less than 1 percent. The largest revenue source is the local property taxes (63 percent). Property taxes levied for operating purposes and capital projects increased by \$411,372.17 primarily due to the increase in local property

values in Franklin County. Operating Grants and Contributions decreased by \$77,419.36 due to a reduction in the food service supper program. Capital Grants and Contributions increased by \$44,519.83 primarily from an increase in Public School Capital Outlay funding. Grants and Contributions Not Restricted decreased by \$51,623.61 primarily from the expiration of the ARRA – State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act funding source. Miscellaneous revenues decreased by \$239,420.80 primarily from the conclusion of British Petroleum litigation proceeds and a decline in Federal Indirect Cost receipts. Instruction expenses represent 50 percent of total governmental expenses in the 2015-16 and 2016-17 fiscal years. There were no significant changes in the ratio of functional expenditures from the prior fiscal year. The following chart provides a graphical presentation of District expenses by functional category for the 2016-17 fiscal year:



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### **Governmental Funds**

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

The total fund balances of governmental funds decreased by \$414,318.56 during the fiscal year to \$5,096,872.71 at June 30, 2017. Approximately 39 percent of this amount is unassigned fund balance (\$1,993,026.25), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$62,152.90), (2) restricted for particular purposes (\$3,012,651.75), or (3) assigned for particular purposes (\$29,041.81).

### **Major Governmental Funds**

**General Fund**. The General Fund is the primary operating fund. At June 30, 2017, the General Fund's unassigned fund balance is \$1,993,026.25, while the total fund balance is \$2,312,928.99. From the prior fiscal year, the total fund balance increased by \$325,205.99 and the unassigned fund balance increased by \$312,786.33. The increases are primarily due to an increase of \$323,788.45 in property tax revenues.

**Special Revenue – Other Fund**. The Special Revenue – Other Fund has total revenues and expenditures of \$1,280,235.94 each. This fund is used to account for certain Federal grant program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, this fund generally does not accumulate a fund balance.

**Capital Projects – Local Capital Improvement Fund**. The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$1,922,586.68 generated by the local capital improvement tax levy for educational capital outlay needs, including new Board-advertised construction and renovation and remodeling projects. The fund balance decreased \$810,049.78 in the current fiscal year due to an increase in expenditures for various equipment and improvement needs and the purchase of five school buses.

**Capital Projects – Other Fund**. The fund balance of the Capital Projects – Other Fund has a total fund balance of \$9,916.49, a \$36 increase from the previous fiscal year. The fund is restricted for educational capital outlay needs, including new construction, renovation and remodeling projects, and equipment.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2016-17 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$730,453.22, or 7 percent. At the same time, final appropriations are less than the original budgeted amounts by \$388,316.78, or 3 percent. Budget revisions occurred primarily from changes in estimated State funding levels and local revenues. Actual revenues and appropriations are in line with final budgeted amounts.

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

#### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2017, is \$53,817,071.66 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software.

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

### **Long-Term Debt**

At June 30, 2017, the District has total long-term debt consisting of two promissory notes for a lease-purchase agreement with the Leasing Corporation, whereby the District secured original financing of \$16,350,000 at an interest rate of 4.58 percent for educational facilities. The purpose of this debt was for partial funding of construction of the District's new K-12 Franklin County School. Interest and principal totaling \$1,537,740.06 was paid in the current year and will be paid every June 30 until paid in full on June 30, 2023.

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

REQUESTS FOR INFORMATION
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This report is designed to provide a general overview of the Franklin County District School Board'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 Director of Financial Services, Franklin County District School Board, 85 School Road, Eastpoint, Florida 32328.

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# ***BASIC FINANCIAL STATEMENTS***

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

	<b>Primary Government Governmental Activities</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,898,057.18	\$ 252,175.00
Investments	-	1,492,515.00
Accounts Receivable	15,102.37	1,390.00
Interest Receivable	-	4,164.00
Due from Other Agencies	432,546.77	13,135.00
Prepaid Items	-	49,022.00
Inventories	62,152.90	-
Capital Assets:		
Nondepreciable Capital Assets	14,736,955.66	360,944.00
Depreciable Capital Assets, Net	39,080,116.00	1,086,271.00
<b>TOTAL ASSETS</b>	<b>59,224,930.88</b>	<b>3,259,616.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	2,646,261.00	-
<b>LIABILITIES</b>		
Accrued Salaries and Benefits	39,931.71	101,712.00
Payroll Deductions and Withholdings	4,282.53	-
Accounts Payable	29,668.25	31,581.00
Deposits Payable	92,026.02	-
Unearned Revenues	145,078.00	-
Long-Term Liabilities:		
Portion Due Within One Year	1,283,073.42	61,605.00
Portion Due After One Year	12,989,072.03	30,611.00
<b>TOTAL LIABILITIES</b>	<b>14,583,131.96</b>	<b>225,509.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	420,689.00	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	45,922,846.07	1,416,220.00
Restricted for:		
Capital Projects	2,331,726.73	-
Food Service	451,286.91	-
Workforce Development	291,791.01	
Unrestricted	(2,130,279.80)	1,617,887.00
<b>TOTAL NET POSITION</b>	<b>\$ 46,867,370.92</b>	<b>\$ 3,034,107.00</b>

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



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

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 8,521,268.46	\$ 32,548.00	\$ -
Student Support Services	295,139.83	-	-
Instructional Media Services	80,585.56	-	-
Instruction and Curriculum Development Services	188,721.44	-	-
Instructional Staff Training Services	90,923.40	-	-
Instruction-Related Technology	150,435.36	-	-
Board	477,499.59	-	-
General Administration	228,889.04	-	-
School Administration	560,251.44	-	-
Facilities Acquisition and Construction	480,875.27	-	-
Fiscal Services	281,889.30	-	-
Food Services	1,253,769.33	88,947.96	1,185,666.12
Central Services	412,690.82	-	-
Student Transportation Services	910,549.19	11,706.00	-
Operation of Plant	970,128.44	-	-
Maintenance of Plant	271,403.40	-	-
Administrative Technology Services	34,505.40	-	-
Unallocated Interest on Long-Term Debt	418,580.77	-	-
Unallocated Depreciation Expense*	1,417,260.07	-	-
Loss on Disposal of Capital Assets	2,094.10	-	-
<b>Total Governmental Activities</b>	<u>\$ 17,047,460.21</u>	<u>\$ 133,201.96</u>	<u>\$ 1,185,666.12</u>
<b>Component Unit</b>			
The Apalachicola Bay Charter School, Inc.	<u>\$ 3,158,113.00</u>	<u>\$ 0.00</u>	<u>\$ 226,683.00</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

Special Items

**Total General Revenues and Special Items**

**Change in Net Position**

Net Position - Beginning

**Net Position - Ending**

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

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

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit	
\$ -	\$ (8,488,720.46)	\$ -	
-	(295,139.83)	-	
-	(80,585.56)	-	
-	(188,721.44)	-	
-	(90,923.40)	-	
-	(150,435.36)	-	
-	(477,499.59)	-	
-	(228,889.04)	-	
-	(560,251.44)	-	
202,435.25	(278,440.02)	-	
-	(281,889.30)	-	
-	20,844.75	-	
-	(412,690.82)	-	
-	(898,843.19)	-	
-	(970,128.44)	-	
-	(271,403.40)	-	
-	(34,505.40)	-	
-	(418,580.77)	-	
-	(1,417,260.07)	-	
-	(2,094.10)	-	
<u>\$ 202,435.25</u>	<u>(15,526,156.88)</u>	<u>-</u>	
<u>\$ 212,378.00</u>	<u>-</u>	<u>(2,719,052.00)</u>	
	8,682,299.52	-	
	1,827,852.51	-	
	4,478,116.83	2,753,304.00	
	37,400.38	15,688.00	
	249,492.10	-	
	-	109,308.00	
	<u>15,275,161.34</u>	<u>2,878,300.00</u>	
	(250,995.54)	159,248.00	
	<u>47,118,366.46</u>	<u>2,874,859.00</u>	
	<u>\$ 46,867,370.92</u>	<u>\$ 3,034,107.00</u>	

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

	<b>General Fund</b>	<b>Special Revenue - Other Fund</b>	<b>Capital Projects - Local Capital Improvement Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,193,764.85	\$ 5,336.20	\$ 1,922,586.68
Accounts Receivable	14,034.37	1,068.00	-
Due from Other Funds	237,597.50	-	-
Due from Other Agencies	4,283.81	244,326.32	-
Inventories	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,449,680.53</b>	<b>\$ 250,730.52</b>	<b>\$ 1,922,586.68</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued Salaries and Benefits	\$ 13,089.25	\$ 24,342.72	\$ -
Payroll Deductions and Withholdings	1,968.02	1,925.30	-
Accounts Payable	29,668.25	-	-
Due to Other Funds	-	224,462.50	-
Deposits Payable	92,026.02	-	-
Unearned Revenues	-	-	-
<b>Total Liabilities</b>	<b>136,751.54</b>	<b>250,730.52</b>	<b>-</b>
Fund Balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Capital Projects	-	-	1,922,586.68
Food Service	-	-	-
Workforce Development	291,791.01	-	-
Total Restricted Fund Balance	291,791.01	-	1,922,586.68
Assigned for:			
School Supplies	28,111.73	-	-
Debt Service	-	-	-
Total Assigned Fund Balance	28,111.73	-	-
Unassigned Fund Balance	1,993,026.25	-	-
<b>Total Fund Balances</b>	<b>2,312,928.99</b>	<b>-</b>	<b>1,922,586.68</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,449,680.53</b>	<b>\$ 250,730.52</b>	<b>\$ 1,922,586.68</b>

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

<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 9,916.49	\$ 766,452.96	\$ 4,898,057.18
-	-	15,102.37
-	-	237,597.50
145,078.00	38,858.64	432,546.77
-	62,152.90	62,152.90
<u>\$ 154,994.49</u>	<u>\$ 867,464.50</u>	<u>\$ 5,645,456.72</u>
\$ -	\$ 2,499.74	\$ 39,931.71
-	389.21	4,282.53
-	-	29,668.25
-	13,135.00	237,597.50
-	-	92,026.02
145,078.00	-	145,078.00
<u>145,078.00</u>	<u>16,023.95</u>	<u>548,584.01</u>
-	62,152.90	62,152.90
9,916.49	399,223.56	2,331,726.73
-	389,134.01	389,134.01
-	-	291,791.01
<u>9,916.49</u>	<u>788,357.57</u>	<u>3,012,651.75</u>
-	-	28,111.73
-	930.08	930.08
-	930.08	29,041.81
-	-	1,993,026.25
9,916.49	851,440.55	5,096,872.71
<u>\$ 154,994.49</u>	<u>\$ 867,464.50</u>	<u>\$ 5,645,456.72</u>

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

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 5,096,872.71</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	53,817,071.66
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Notes Payable	\$ (7,894,225.59)	
Compensated Absences Payable	(306,216.86)	
Net Pension Liability	(5,826,134.00)	
Other Postemployment Benefits Payable	(245,569.00)	(14,272,145.45)

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	\$ 2,646,261.00	
Deferred Inflows Related to Pensions	(420,689.00)	2,225,572.00

<b>Net Position - Governmental Activities</b>	<b><u>\$ 46,867,370.92</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

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

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Through State and Local	\$ 186,784.98	\$ 1,280,235.94	\$ -
State	2,705,095.91	-	-
Local:			
Property Taxes	8,682,299.52	-	1,827,852.51
Charges for Services - Food Service	-	-	-
Miscellaneous	307,931.81	-	14,444.50
Total Local Revenues	8,990,231.33	-	1,842,297.01
<b>Total Revenues</b>	11,882,112.22	1,280,235.94	1,842,297.01
<b>Expenditures</b>			
Current - Education:			
Instruction	7,549,748.40	893,882.79	-
Student Support Services	222,454.90	72,684.93	-
Instructional Media Services	80,585.56	-	-
Instruction and Curriculum Development Services	30,915.99	157,805.45	-
Instructional Staff Training Services	8,141.31	82,782.09	-
Instruction-Related Technology	150,435.36	-	-
Board	477,499.59	-	-
General Administration	192,065.25	36,823.79	-
School Administration	481,889.12	569.77	-
Facilities Acquisition and Construction	213,478.15	-	166,282.79
Fiscal Services	281,889.30	-	-
Food Services	-	-	-
Central Services	408,146.45	4,544.37	-
Student Transportation Services	766,391.40	20,771.73	-
Operation of Plant	926,396.04	10,371.02	-
Maintenance of Plant	271,403.40	-	-
Administrative Technology Services	34,505.40	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	655,319.27
Other Capital Outlay	100,175.85	-	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	12,196,121.47	1,280,235.94	821,602.06
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(314,009.25)	-	1,020,694.95
<b>Other Financing Sources (Uses)</b>			
Transfers In	634,656.69	-	-
Loss Recoveries	4,558.55	-	-
Transfers Out	-	-	(1,830,744.73)
<b>Total Other Financing Sources (Uses)</b>	639,215.24	-	(1,830,744.73)
<b>Net Change in Fund Balances</b>	325,205.99	-	(810,049.78)
Fund Balances, Beginning	1,987,723.00	-	2,732,636.46
<b>Fund Balances, Ending</b>	\$ 2,312,928.99	\$ 0.00	\$ 1,922,586.68

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

<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 1,168,492.12	\$ 2,635,513.04
-	525,911.44	3,231,007.35
-	-	10,510,152.03
-	88,947.96	88,947.96
36.00	4,175.62	326,587.93
36.00	93,123.58	10,925,687.92
36.00	1,787,527.14	16,792,208.31
-	-	8,443,631.19
-	-	295,139.83
-	-	80,585.56
-	-	188,721.44
-	-	90,923.40
-	-	150,435.36
-	-	477,499.59
-	-	228,889.04
-	-	482,458.89
-	121,582.00	501,342.94
-	-	281,889.30
-	1,224,496.43	1,224,496.43
-	-	412,690.82
-	-	787,163.13
-	-	936,767.06
-	-	271,403.40
-	-	34,505.40
-	-	655,319.27
-	29,272.90	129,448.75
-	1,119,193.85	1,119,193.85
-	418,580.77	418,580.77
-	2,913,125.95	17,211,085.42
36.00	(1,125,598.81)	(418,877.11)
-	1,537,740.04	2,172,396.73
-	-	4,558.55
-	(341,652.00)	(2,172,396.73)
-	1,196,088.04	4,558.55
36.00	70,489.23	(414,318.56)
9,880.49	780,951.32	5,511,191.27
\$ 9,916.49	\$ 851,440.55	\$ 5,096,872.71



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

**Net Change in Fund Balances - Governmental Funds** **\$ (414,318.56)**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (709,001.67)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (2,094.10)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 1,119,193.85

The governmental funds reported deferred inflows of resources related to unavailable capital outlay and debt service (CO&DS) revenue in the prior fiscal year. The amount became available and was recognized as revenue in the current fiscal year. This amount was accrued and reported as revenue on the statement of activities in the prior fiscal year. (302.19)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 125.13

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 decrease in the other postemployment benefits liability for the current fiscal year. 21,620.00

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

FRS Pension Contribution	\$	391,709.00	
HIS Pension Contribution		99,048.00	
FRS Pension Expense		(575,170.00)	
HIS Pension Expense		(181,805.00)	(266,218.00)

**Change in Net Position - Governmental Activities** **\$ (250,995.54)**

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

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

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 186,560.12
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,567.36
Internal Accounts Payable	184,992.76
<b>TOTAL LIABILITIES</b>	<b>\$ 186,560.12</b>

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

# ***NOTES TO FINANCIAL STATEMENTS***

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

### **A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component 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 Franklin County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

### **B. Reporting Entity**

The Franklin 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 Franklin County.

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

**Blended Component Unit.** Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Franklin County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.G.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation

are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

**Discretely Presented Component Unit.** The component unit's columns in the government-wide financial statements include the financial data of the District's other component unit. A separate column is used to emphasize that it is legally separate from the District.

The Apalachicola Bay Charter School, Inc. (Charter School), 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 Charter School operates under a charter approved by its sponsor, the Board. The Charter School is considered to be a component unit of the District because the District is financially accountable for the Charter School as the District established the Charter School by approval of the charter, which is tantamount to the initial appointment of the Charter School, and there is the potential for the Charter School to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the Charter School is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2017. The audit report is filed in the District's administrative offices at 85 School Road, Eastpoint, Florida 32328.

### **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 and blended component unit. 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 are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on notes payable.

- Capital Projects – Other Fund – to account for the Classrooms First Program resources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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 statements.

## **E. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures

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

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

The Charter School 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, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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

### **2. Investments**

Investments consist of amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

### **3. Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the 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 and adjusted at fiscal year end to reflect year-end physical inventories.

## 4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

Capital assets 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	15 - 30 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Computer Software	5 years

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

## 5. Pensions

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

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

## 6. Long-Term Liabilities

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

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.

## 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*,

represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pension are discussed in a subsequent note.

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

## **8. Net Position Flow Assumption**

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

## **9. Fund Balance Flow Assumptions**

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

## **10. Fund Balance Policies**

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

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



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

Section 1011.051, Florida Statutes requires the District to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. In addition, the District has adopted Board Policy No. 6233 which provides that any time the portion of the General Fund's ending fund balance not classified as restricted, committed, or nonspendable in the District's approved operating budget is projected to fall below 6 percent of projected General Fund revenues during the current fiscal year, the Superintendent shall develop and submit to the Board for approval a plan to restore the ending fund balance to 6 percent of projected General Fund revenues.

## **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.

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. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Classrooms First Program funds as advanced revenue until such time as an encumbrance authorization is received.

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

### **3. District Property Taxes**

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

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

The Board adopted the 2016 tax levy on September 15, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

### **4. Federal Revenue Sources**

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

## 5. Compensated Absences

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

## II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash Deposits with Financial Institutions

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

### B. Investments

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	39 Day Average	<u>\$ 4,193,037.21</u>

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

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments to a maximum of 5 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour

moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2017, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

### **Credit Risk**

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

The District’s investment in Florida PRIME is rated AAAm by Standard & Poor’s.

## C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 4,711,650.00	\$ -	\$ -	\$ 4,711,650.00
Land Improvements	10,025,305.66	-	-	10,025,305.66
Total Capital Assets Not Being Depreciated	14,736,955.66	-	-	14,736,955.66
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,126,639.22	12,105.00	6,776.96	5,131,967.26
Buildings and Fixed Equipment	44,112,013.51	-	-	44,112,013.51
Furniture, Fixtures, and Equipment	1,801,281.67	103,939.09	14,284.00	1,890,936.76
Motor Vehicles	1,882,650.43	626,038.50	-	2,508,688.93
Computer Software	147,208.53	33,880.20	1,200.00	179,888.73
Total Capital Assets Being Depreciated	53,069,793.36	775,962.79	22,260.96	53,823,495.19
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,736,336.19	338,453.02	5,549.82	3,069,239.39
Buildings and Fixed Equipment	7,848,306.68	874,847.46	-	8,723,154.14
Furniture, Fixtures, and Equipment	860,944.60	176,701.96	13,937.02	1,023,709.54
Motor Vehicles	1,725,109.35	67,704.39	-	1,792,813.74
Computer Software	107,884.77	27,257.63	680.02	134,462.38
Total Accumulated Depreciation	13,278,581.59	1,484,964.46	20,166.86	14,743,379.19
Total Capital Assets Being Depreciated, Net	39,791,211.77	(709,001.67)	2,094.10	39,080,116.00
Governmental Activities Capital Assets, Net	\$ 54,528,167.43	\$ (709,001.67)	\$ 2,094.10	\$ 53,817,071.66

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 67,704.39
Unallocated	1,417,260.07
Total Depreciation Expense - Governmental Activities	<u>\$ 1,484,964.46</u>

## D. Retirement Plans

### 1. FRS – Defined Benefit Pension Plans

#### General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any

State-administered retirement system in paying the costs of health insurance.

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

The District's FRS and HIS pension expense totaled \$756,975 for the fiscal year ended June 30, 2017.

### **FRS Pension Plan**

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

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

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

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

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

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

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 2016-17 fiscal year were as follows:

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

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.  
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$391,709 for the fiscal year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, the District reported a liability of \$3,678,655 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.014568885 percent, which was a decrease of 0.000743624 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$575,170. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b><u>Description</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 281,666	\$ 34,251
Change of assumptions	222,548	-
Net difference between projected and actual earnings on FRS pension plan investments	950,887	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	237,256	286,184
District FRS contributions subsequent to the measurement date	391,709	-
<b>Total</b>	<b>\$ 2,084,066</b>	<b>\$ 320,435</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$391,709, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 205,243
2019	205,243
2020	575,958
2021	346,861
2022	26,853
Thereafter	11,764
<b>Total</b>	<b>\$ 1,371,922</b>

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.6 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating

the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2016 valuation was updated from 7.65 to 7.6 percent.

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

	<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
District's proportionate share of the net pension liability	\$ 6,772,653	\$ 3,678,655	\$ 1,103,310

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

### **HIS Pension Plan**

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

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

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

The District's contributions to the HIS Plan totaled \$99,048 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the District reported a net pension liability of \$2,147,479 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.01842604 percent, which was an increase of 0.001297979 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of \$181,805. 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	\$ -	\$ 4,891
Change of assumptions	336,994	-
Net difference between projected and actual earnings on HIS pension plan investments	1,086	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	125,067	95,363
District contributions subsequent to the measurement date	99,048	-
<b>Total</b>	<b>\$ 562,195</b>	<b>\$ 100,254</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$99,048, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 63,041
2019	63,041
2020	62,834
2021	62,736
2022	50,900
Thereafter	60,341
<b>Total</b>	<b>\$ 362,893</b>

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	2.85 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

**Discount Rate.** The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2016 valuation was updated from 3.8 percent to 2.85 percent.

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

	<b>1% Decrease (1.85%)</b>	<b>Current Discount Rate (2.85%)</b>	<b>1% Increase (3.85%)</b>
District's proportionate share of the net pension liability	\$ 2,463,646	\$ 2,147,479	\$ 1,885,077

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

## **2. FRS – Defined Contribution Pension Plan**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in

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

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

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

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

The District's Investment Plan pension expense totaled \$21,887 for the fiscal year ended June 30, 2017.

## **E. Other Postemployment Benefit Obligations**

**Plan Description.** The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. Additionally, the Board contributed \$55 per month toward the cost of retiree health insurance premiums for members who retired prior to March 1, 2013. The Board paid the full cost of life insurance premiums for members who retired through December 31, 2016. Effective January 1, 2017, the Board no longer contributes toward retiree life insurance premiums. As the number of eligible retirees fluctuates, so does the amount of the subsidy. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 9 retirees received other postemployment health benefits. The District provided required contributions of \$86,195 toward the annual OPEB cost, net of retiree contributions totaling \$167,278, which represents 1.8 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 14,186
Amortization of Unfunded Actuarial Accrued Liability	<u>79,608</u>
Annual Required Contribution	93,794
Interest on Net OPEB Obligation	8,951
Adjustment to Annual Required Contribution	<u>(38,170)</u>
Annual OPEB Cost (Expense)	64,575
Contribution Toward the OPEB Cost	<u>(86,195)</u>
Decrease in Net OPEB Obligation	(21,620)
Net OPEB Obligation, Beginning of Year	<u>267,189</u>
Net OPEB Obligation, End of Year	<u>\$ 245,569</u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 52,886	149.15%	\$ 298,931
2015-16	57,656	155.05%	267,189
2016-17	64,575	133.48%	245,569

**Funded Status and Funding Progress.** As of October 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$548,156, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$548,156 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$4,827,275, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.36 percent.

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

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial

calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of October 1, 2016, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.35 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.35 percent per year, projected salary increases 3.7 to 7.8 percent, and an annual healthcare cost trend rate of 4.5 percent beginning in the January 2017 plan year, increased to 7.0 percent beginning January 1, 2018, and decreasing to an ultimate rate of 4.72 percent beginning January 2040. The investment rate of return and projected salary increase rates include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 9-year period. The remaining amortization period at June 30, 2017, was 7 years.

## **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 Franklin County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

Health and hospitalization coverage for District employees is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

## **G. Long-Term Liabilities**

### **1. Notes Payable**

The District entered into a financing arrangement on December 29, 2006, which was characterized as a lease-purchase agreement, with the Leasing Corporation, whereby the District secured financing of various educational facilities in the amount of \$16,350,000. The financing was accomplished through the issuance of two promissory notes, Notes 2006 and 2007, to be repaid from the proceeds of rents paid by the District.



As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$1 per year. The initial term of the lease commenced on December 29, 2006, and ends on the earlier of the date on which the notes have been paid, or June 30, 2034 (both dates inclusive). The property covered by the ground lease is together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through the term, the District may be required to surrender the site included under the Ground Lease Agreement to the Leasing Corporation, or the Bank as the assignee of the Leasing Corporation.

The District property included in the ground lease under this arrangement is located in the West one half of Fractional Section 23, Township 8 South, Range 6 West, as more fully described in the Ground Lease Agreement. The lease payments are payable by the District annually, on June 30, at an interest rate of 4.58 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,537,740.05	\$ 1,171,162.42	\$ 366,577.63
2019	1,537,740.06	1,225,546.65	312,193.41
2020	1,537,740.05	1,281,756.86	255,983.19
2021	1,537,740.05	1,341,976.07	195,763.98
2022	1,537,740.05	1,404,292.22	133,447.83
2023	1,537,740.10	1,469,491.37	68,248.73
<b>Total</b>	<b>\$ 9,226,440.36</b>	<b>\$ 7,894,225.59</b>	<b>\$ 1,332,214.77</b>

## 2. Changes in Long-Term Liabilities

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

<b>Description</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Due In One Year</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes Payable	\$ 9,013,419.44	\$ -	\$ 1,119,193.85	\$ 7,894,225.59	\$ 1,171,162.42
Compensated Absences Payable	306,341.99	40,975.20	41,100.33	306,216.86	50,000.00
Net Pension Liability	3,724,609.00	3,426,932.00	1,325,407.00	5,826,134.00	61,911.00
Other Postemployment Benefits Payable	267,189.00	64,575.00	86,195.00	245,569.00	-
<b>Total Governmental Activities</b>	<b>\$13,311,559.43</b>	<b>\$ 3,532,482.20</b>	<b>\$ 2,571,896.18</b>	<b>\$14,272,145.45</b>	<b>\$ 1,283,073.42</b>

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

## H. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the Note I.F.10., fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually

required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

## I. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$237,597.50	\$ -
Special Revenue:		
Other	-	224,462.50
Nonmajor Governmental	-	13,135.00
<b>Total</b>	<b>\$237,597.50</b>	<b>\$237,597.50</b>

The above interfund receivables and payables represent moneys owed to the General Fund for temporary loans to the Special Revenue – Other Fund to cover expenditures incurred awaiting reimbursement from various grant sources and charter school capital outlay funds advanced to the charter school. These amounts are expected to be repaid within 1 year.

## J. Revenues

### 1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Categorical Educational Program - Class Size Reduction	\$ 1,317,682.00
Florida Education Finance Program	945,136.00
State Forest Funds	220,424.15
Charter School Capital Outlay Funds	121,582.00
Voluntary Prekindergarten Program	76,480.46
Workforce Development Program	73,197.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	45,438.00
Gross Receipts Tax (Public Education Capital Outlay)	35,652.00
Food Service Supplement	17,174.00
Miscellaneous	378,241.74
<b>Total</b>	<b>\$ 3,231,007.35</b>

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

## 2. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
<b>General Fund</b>		
Nonvoted School Tax:		
Required Local Effort	3.502	\$ 6,624,293
Basic Discretionary Local Effort	0.748	1,414,898
Voted School Tax:		
Additional Operating	0.500	945,787
<b>Capital Projects - Local Capital Improvement Fund</b>		
Nonvoted Tax:		
Local Capital Improvements	1.000	1,891,574
<b>Total</b>	<u>5.750</u>	<u>\$ 10,876,552</u>

## K. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 634,656.69	\$ -
Capital Projects:		
Local Capital Improvement	-	1,830,744.73
Nonmajor Governmental	1,537,740.04	341,652.00
<b>Total</b>	<u>\$ 2,172,396.73</u>	<u>\$ 2,172,396.73</u>

Transfers from the Capital Projects - Local Capital Improvement Fund and nonmajor capital projects fund to the General Fund were for reimbursements of maintenance expenditures, purchase of computer hardware, and property insurance premiums. Additionally, \$306,000 of unrestricted debt service moneys were transferred from a nonmajor debt service fund to the General Fund. Transfers from the Capital Projects - Local Capital Improvement Fund to a nonmajor debt service fund were to cover debt service costs.

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 100,000.00	\$ 186,784.98	\$ 186,784.98	\$ -
State	2,266,029.00	2,705,095.91	2,705,095.91	-
Local:				
Property Taxes	8,593,605.00	8,682,299.52	8,682,299.52	-
Miscellaneous	192,025.00	307,931.81	307,931.81	-
Total Local Revenues	8,785,630.00	8,990,231.33	8,990,231.33	-
<b>Total Revenues</b>	11,151,659.00	11,882,112.22	11,882,112.22	-
<b>Expenditures</b>				
Current - Education:				
Instruction	8,000,457.51	7,549,748.40	7,549,748.40	-
Student Support Services	225,713.88	222,454.90	222,454.90	-
Instructional Media Services	71,668.84	80,585.56	80,585.56	-
Instruction and Curriculum Development Services	53,194.93	30,915.99	30,915.99	-
Instructional Staff Training Services	48,918.44	8,141.31	8,141.31	-
Instruction-Related Technology	145,454.21	150,435.36	150,435.36	-
Board	400,560.09	477,499.59	477,499.59	-
General Administration	175,726.02	192,065.25	192,065.25	-
School Administration	485,337.58	481,889.12	481,889.12	-
Facilities Acquisition and Construction	186,824.15	213,478.15	213,478.15	-
Fiscal Services	295,797.88	281,889.30	281,889.30	-
Central Services	431,421.16	408,146.45	408,146.45	-
Student Transportation Services	730,875.06	766,391.40	766,391.40	-
Operation of Plant	940,477.38	926,396.04	926,396.04	-
Maintenance of Plant	257,329.87	271,403.40	271,403.40	-
Administrative Technology Services	34,505.40	34,505.40	34,505.40	-
Fixed Capital Outlay:				
Other Capital Outlay	100,175.85	100,175.85	100,175.85	-
<b>Total Expenditures</b>	12,584,438.25	12,196,121.47	12,196,121.47	-
<b>Deficiency of Revenues Over Expenditures</b>	(1,432,779.25)	(314,009.25)	(314,009.25)	-
<b>Other Financing Sources</b>				
Transfers In	623,630.87	634,656.69	634,656.69	-
Loss Recoveries	-	4,558.55	4,558.55	-
<b>Total Other Financing Sources</b>	623,630.87	639,215.24	639,215.24	-
<b>Net Change in Fund Balances</b>	(809,148.38)	325,205.99	325,205.99	-
Fund Balances, Beginning	1,987,723.00	1,987,723.00	1,987,723.00	-
<b>Fund Balances, Ending</b>	\$ 1,178,574.62	\$ 2,312,928.99	\$ 2,312,928.99	\$ 0.00

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,430,749.75	\$ 1,280,235.94	\$ 1,280,235.94	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,430,749.75	1,280,235.94	1,280,235.94	-
975,947.19	893,882.79	893,882.79	-
48,631.00	72,684.93	72,684.93	-
-	-	-	-
178,278.21	157,805.45	157,805.45	-
150,037.00	82,782.09	82,782.09	-
-	-	-	-
-	-	-	-
43,045.98	36,823.79	36,823.79	-
470.00	569.77	569.77	-
-	-	-	-
-	-	-	-
-	-	-	-
5,136.88	4,544.37	4,544.37	-
16,065.18	20,771.73	20,771.73	-
13,138.31	10,371.02	10,371.02	-
-	-	-	-
1,430,749.75	1,280,235.94	1,280,235.94	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/12	\$ -	\$ 1,129,228	\$ 1,129,228	0.0%	\$ 5,540,043	20.38%
10/01/14	-	568,486	568,486	0.0%	4,783,801	11.88%
10/01/16	-	548,156	548,156	0.0%	4,827,275	11.36%

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

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

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.014568885%	0.015312509%	0.017170163%	0.014538978%
District's proportionate share of the FRS net pension liability	\$ 3,678,655	\$ 1,977,816	\$ 1,407,632	\$ 2,502,805
District's covered-employee payroll	\$ 5,700,813	\$ 5,204,464	\$ 5,525,154	\$ 5,286,385
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	64.53%	38.00%	25.48%	47.34%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 391,709	\$ 359,944	\$ 373,332	\$ 376,100
FRS contributions in relation to the contractually required contribution	(391,709)	(359,944)	(373,332)	(376,100)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,982,636	\$ 5,700,813	\$ 5,204,464	\$ 5,525,154
FRS contributions as a percentage of covered-employee payroll	6.55%	6.31%	7.17%	6.81%

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)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
District's proportion of the HIS net pension liability	0.018426040%	0.017128061%	0.018593058%	0.018197119%
District's proportionate share of the HIS net pension liability	\$ 2,147,479	\$ 1,746,793	\$ 1,738,496	\$ 1,584,298
District's covered-employee payroll	\$ 5,700,813	\$ 5,204,464	\$ 5,525,154	\$ 5,286,385
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	37.67%	33.56%	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required HIS contribution	\$ 99,048	\$ 94,511	\$ 65,474	\$ 63,694
HIS contributions in relation to the contractually required contribution	(99,048)	(94,511)	(65,474)	(63,694)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,982,636	\$ 5,700,813	\$ 5,204,464	\$ 5,525,154
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.15%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

## 1. Budgetary Basis of Accounting

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

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



## **2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.65 percent to 7.60 percent, and the active member mortality assumption was updated.

## **3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability was decreased from 3.80 percent to 2.85 percent.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
<b>Clustered</b>				
<b>Child Nutrition Cluster:</b>				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 308,480.64
National School Lunch Program	10.555	17001, 17003	-	772,115.71
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007	-	43,973.73
<b>Total Child Nutrition Cluster</b>			-	1,124,570.08
<b>Special Education Cluster:</b>				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	68,229.00	239,860.99
Special Education - Preschool Grants	84.173	267	9,664.00	29,306.65
<b>Total Special Education Cluster</b>			77,893.00	269,167.64
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4187	-	18,072.04
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	15004	-	25,850.00
<b>Total United States Department of Agriculture</b>			-	43,922.04
<b>United States Department of Education:</b>				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	106,044.00	452,815.97
Career and Technical Education - Basic Grants to States	84.048	161	-	56,788.00
Education for Homeless Children and Youth	84.196	127	-	24,007.40
Twenty-First Century Community Learning Centers	84.287	244	-	358,481.82
Rural Education	84.358	110	-	38,723.70
Improving Teacher Quality State Grants	84.367	224	15,478.00	80,251.41
<b>Total United States Department of Education</b>			121,522.00	1,011,068.30
<b>Total Expenditures of Federal Awards</b>			\$ 199,415.00	\$ 2,448,728.06

The notes below are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Franklin County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program – Includes \$96,215.98 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722  
Fax: (850) 488-6975

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 Franklin County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 25, 2018



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



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

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

### Report on Compliance for the Major Federal Program

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

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

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

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

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

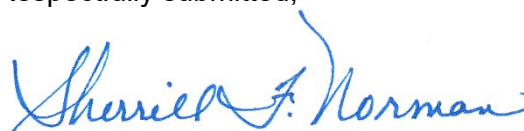
District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,

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

Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 25, 2018

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **SECTION I – SUMMARY OF AUDITOR'S RESULTS**

#### **Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

#### **Federal Awards**

Internal control over major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal program:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

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

No matters are reported.

### **SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters are reported.



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

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There were no prior financial statement or Federal awards findings requiring follow-up.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Superintendent Traci Moses  
tmoses@franklin.k12.fl.us  
(850)670-2810 ex. 4111

## Franklin County District Schools

85 School Rd., Suite 1  
Eastpoint, FL 32328

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2016-110 (2015-001)	Special Education Cluster (CFDA Nos. 84.027 and 84.173)	The District did not have adequate procedures to monitor compliance with the Special Education Cluster maintenance of effort requirement, resulting in questioned costs of \$58,531.	Fully Corrected.	The District restored the \$58,531 in questioned costs to the grantor.

DISTRICT 1  
GEORGE THOMPSON

DISTRICT 2  
PAM MARSHALL

DISTRICT 3  
TERESA ANN MARTIN

DISTRICT 4  
STACY KIRVIN

DISTRICT 5  
CARL WHALEY

The Franklin County School District does not discriminate on the basis of race, color, national origin, gender, age, disability, pregnancy or marital status in its educational programs, services or activities, or in its hiring or employment practices. The district also provides equal access to its facilities to the Boy Scouts and other patriotic youth groups, as required by the Boy Scouts of America Equal Access Act. Questions, complaints or request for additional information regarding discrimination or harassment may be sent to: Karen Peddie, Director of Human Resources, 85 School Road, Eastpoint, Florida 32328 850-670-2810 X 4101, kpeddie@franklin.k12.fl.us

Financial Statements  
and Other Financial Information

Leon County District School Board  
Tallahassee, Florida

*Year ended June 30, 2016  
with Report of Independent Auditors*

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## Report of Independent Auditors

Superintendent of Schools  
Leon County District School Board Members  
Leon County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leon County District School Board (the District) as of and for the year ended June 30, 2016, 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 of the District 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, Section 218.39, *Florida Statutes* and Chapter 10.800, *Rules of the Auditor General* for District School Board Audits. Management is also responsible for 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the component unit columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is 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 of 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 auditor judgment, including the assessment of the risk 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 opinion.

### **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Leon County School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America, Section 218.39, *Florida Statutes* and Chapter 10.800, *Rules of the Auditor General* for School District Audits.

### **Other Matters**

As discussed in the Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, material weaknesses and a significant deficiency have been noted with respect to internal controls over capital assets, cash and investments, and financial reporting. Lack of timely corrective action by management to address these deficiencies may result in material errors in financial records and reports. Our opinion is not modified with respect to this matter.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of Contributions – Florida Retirement System Pension Plan, Schedule of Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Program, and Schedule of Contributions – Health Insurance Subsidy Program, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 and schedule of findings and questioned costs relating to federal awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe P.A.

**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
March 29, 2017

**Law, Redd, Crona & Munroe P.A.**  
Tallahassee, Florida

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management of the Leon County District School Board (the District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2016. 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 2015-16 fiscal year are as follows:

- Total Net Position is \$158,061,930, which represents a 20.4 percent increase from the 2014-15 fiscal year.
- General revenues total \$319,469,164 or 93.3 percent of all revenues which is \$342,236,897. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$22,767,733 or 6.7 percent of all revenues.
- Expenses total \$315,509,506; only \$22,767,733 of these expenses were offset by program revenues, with the remainder paid from general revenues. Total revenues exceed total expenses by \$26,727,391.
- The total combined assigned and unassigned fund balance of the General Fund, representing the net fund balance that is spendable and not restricted, totals \$25,229,521 at June 30, 2016, or 9.8 percent of total General Fund revenues. The unassigned fund balance totals \$12,828,889, which represents 5 percent of total General Fund revenues.
- The District's capital assets \$397,868,029 (net of depreciation) increased by \$42,630,751 as capital asset additions exceeded depreciation expense in the current year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- Government-wide financial statements

- Fund financial statements

- Notes to 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 primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets, its liabilities, and its deferred outflows of resources using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities, equal 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, which is the result of operations during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is increasing or decreasing.

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

- Governmental activities—This represents most of the District's services, basic, vocational, adult, and exceptional education programs. 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 supporting these activities.

- Component units—The District presents six separate legal entities in this report including the Foundation for Leon County Schools, Inc.; The School of Arts and Sciences Foundation, Inc.; Tallahassee School of Math and Science; Imagine-Leon County, LLC (d/b/a Imagine School at Evening Rose); Governors Charter Academy, a department of Renaissance Charter School Inc.; and the Woodville Educational Foundation, Inc. (d/b/a The Woodville Middle School of Leadership Through History and Civics). Although these entities do not meet the specific financial accountability criteria, they are included in this report as component units based on the nature and significance of their relationship with the District to prevent the District's financial statements from being misleading. Financial information for these component units are reported separately from the financial information presented for the primary government.

The Leon County School Board Leasing Corporation, Inc. (Leasing Corporation), also a legally separate entity, was formed to facilitate financing the acquisition of

facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

## **Fund Financial Statements**

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

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue-Federal Fund, Capital Projects – Bond Fund, and Capital Projects – Other Capital Projects Fund. Data from the other thirteen governmental funds are considered nonmajor and are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and are presented as supplementary information.

**Proprietary Fund**— Proprietary funds may be established to account for activities where a fee is charged for services. The District's only proprietary fund is classified as an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for the activities of the District Permitting Office.

**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 a private-purpose trust fund to account for scholarship funds established by private donors.

The District uses an employee benefits trust fund to account for the financial resources of the Leon County District School Board Voluntary Employee Benefits Trust.

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.

#### **Required Supplementary Information**

The District adopts an annual budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and the major Special Revenue Fund to demonstrate compliance with the budget. Additional required supplementary information is presented related to the funding progress for other postemployment benefits and net pension liabilities and contributions.

#### **Notes to Required Supplementary Information**

The notes provide additional information that is essential for a full understanding of the data provided in the required supplementary information.

#### **Other Supplementary Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time 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, 2016, compared to net position as of June 30, 2015:

	<b>Net Position, End of Year</b>	
	Governmental Activities	
	6-30-16	6-30-15
Current Assets	\$ 143,610,786	\$ 180,456,759
Other Assets	-	-
Capital Assets, Net of Depreciation	397,868,029	355,237,278
<b>Total Assets</b>	<b>541,478,815</b>	<b>535,694,037</b>
Deferred Outflow of Resources	27,050,092	20,002,128
Long Term Liabilities	374,182,498	359,169,898
Other Liabilities	17,324,817	14,121,825
<b>Total Liabilities</b>	<b>391,507,315</b>	<b>373,291,723</b>
Deferred Inflow of Resources	19,031,898	51,145,652
Net Position:		
Net Investment in Capital Assets	189,721,389	200,957,008
Restricted	61,471,303	151,983,837
Unrestricted (Deficit)	(93,202,998)	(221,682,055)
<b>Total Net Position</b>	<b>\$ 157,989,694</b>	<b>\$ 131,258,790</b>

The largest portion of the District's net position reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding net of unspent debt proceeds. 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 represents resources subject to external restrictions on how they can be used.

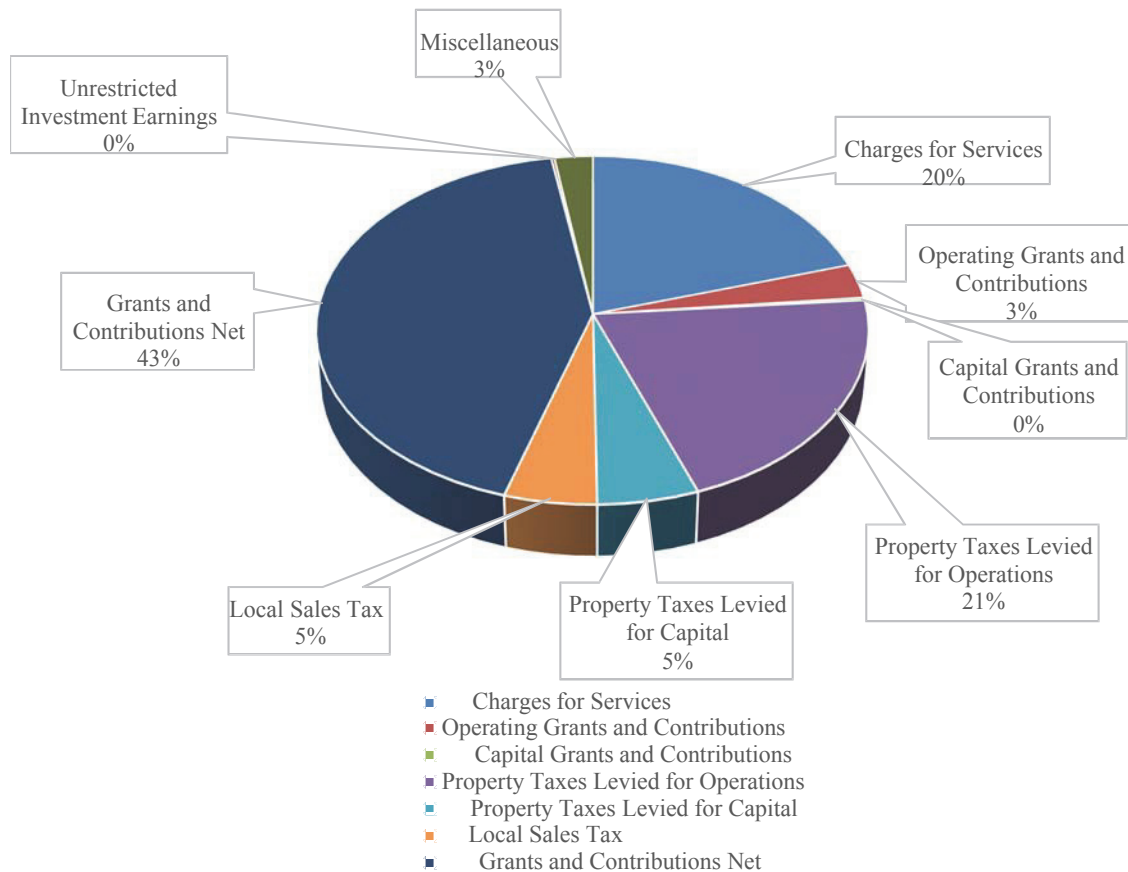
The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015, are as follows:

- The increase in capital assets is due primarily to capital outlay additions exceeding depreciation and capital outlay deletions in the current year.

Governmental activities increased the District's net position by \$26,730,904 during the 2015-16 fiscal year, detailed as follows:

<b>Operating Results for the Fiscal Year Ended</b>			
Governmental Activities			
	6-30-16	6-30-15	
Program Revenues:			
Charges for Services	\$ 8,485,789	\$ 8,764,734	
Operating Grants and Contributions	13,288,855	12,115,072	
Capital Grants and Contributions	993,089	664,206	
General Revenues:			
Property Taxes Levied for Operational Purposes	86,459,721	86,345,288	
Property Taxes Levied for Capital Projects	22,761,938	22,053,345	
Local Sales Tax	21,003,294	19,937,353	
Grants and Contributions Not Restricted to Specific Programs	183,362,584	174,111,799	
Unrestricted Investment Earnings	817,032	132,037	
Miscellaneous	5,064,417	8,639,347	
<b>Total Revenues</b>	<b>342,236,719</b>	<b>332,763,181</b>	
Functions/Program Expenses:			
Instruction	157,511,024	154,394,979	
Student Personnel Services	9,639,003	9,446,201	
Instructional Media Services	3,760,019	3,596,830	
Instruction and Curriculum Development	15,216,758	14,545,714	
Instructional Staff Training Services	1,648,972	1,903,629	
Instruction Related Technology	2,470,701	2,327,678	
Board	1,000,491	1,158,770	
General Administration	2,299,339	3,032,868	
School Administration	19,687,035	19,306,371	
Facility Acquisition and Construction	2,139,460	1,224,214	
Fiscal Services	2,392,184	2,182,373	
Food Services	12,105,248	12,969,602	
Central Services	5,941,535	6,633,304	
Student Transportation Services	12,685,516	12,764,569	
Operation of Plant	19,168,787	19,679,952	
Maintenance of Plant	8,843,049	8,769,744	
Administrative Technology Services	5,155,485	4,865,146	
Community Services	6,923,223	7,066,741	
Unallocated Interest on Long-Term Debt	9,490,166	8,850,057	
Unallocated Depreciation Expenses	17,427,820	16,500,829	
<b>Total Functions/Program Expenses</b>	<b>315,505,815</b>	<b>311,219,571</b>	
<b>Increase in Net Position</b>	<b>26,730,904</b>	<b>21,543,610</b>	
Net Position - Beginning	131,258,790	225,479,371	
Adjustment to Restate Beginning Net Position	—	(115,764,191)	
Net Position - Beginning - Restated	131,258,790	109,715,180	
Net Position - Ending	\$ 157,989,694	\$ 131,258,790	

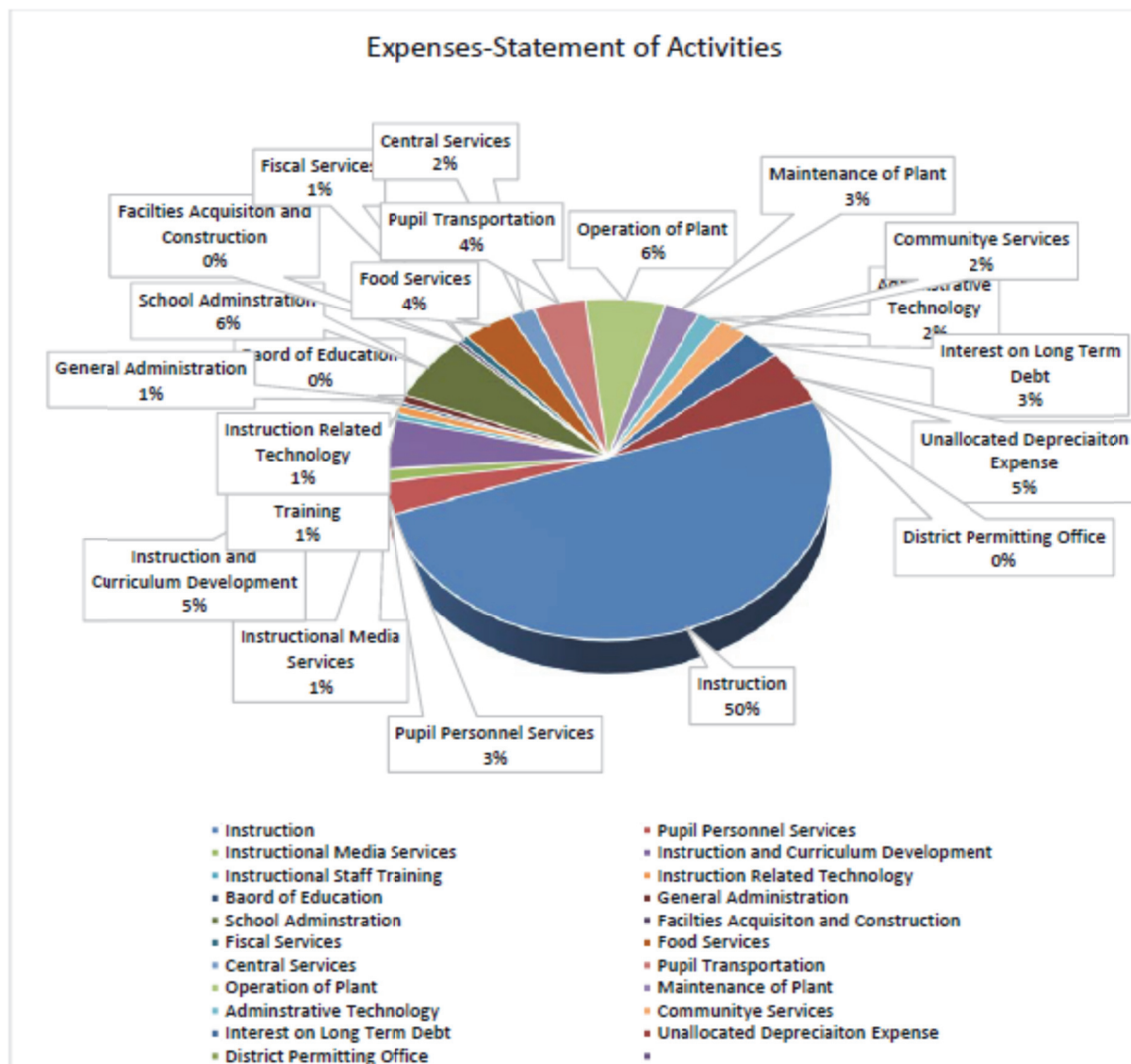
## Revenues by Source -Statement of Activities



Key elements of the change in net position are as follows: Operating grants and contributions increased for the 2015-16 fiscal year by approximately \$1.2 million due primarily to an increase in several Federal projects.

- Grants and contributions not restricted to specific programs increased approximately \$4.7 million as a result of increased funding for the State's Florida Education Finance Program.
- Overall expenses increased \$4.3 million.
- Instructional expense increased by approximately \$3.1 million, primarily due to salary and benefits increases.





## Major Governmental Funds

**General Fund:** This fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$12.83 million while the total fund balance is \$34.38 million. The total fund balance increased by \$1.66 million during the 2015-16 fiscal year. The increase in fund balance is reflected by an increase of \$424 thousand in the unassigned fund balance and \$1.24 million in the assigned/restricted carryforward balances. Revenues and transfers exceeded expenditures by \$1.66 million in FY 2016, compared to expenditures exceeding revenues and transfers by \$1.36 million in FY 2015.

**Special Revenue – Other Federal Fund:** This fund has revenues totaling \$21,007,093, which is restricted for grants program services.

**Capital Projects – Capital Bond Fund:** This fund has a total fund balance of \$17,409,224, which is restricted for the acquisition, construction, and maintenance of capital assets.

**Capital Projects - Other Capital Projects Fund:** This fund has a total fund balance of \$34,567,541, which is restricted for the acquisition, construction, and maintenance of capital assets.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Ending results of the final unassigned and assigned fund balances indicate the District far exceeded the minimum requirement of Florida Statute 1011.051. This statute requires the District maintain a budgeted fund balance of at least 3 percent of General Fund revenues during the course of the fiscal year. The District amended the General Fund budget several times during the fiscal year, primarily to account for changes in estimated local and Federal through State revenues and make the corresponding adjustments to budgeted expenditures. The District maintained a budgeted fund balance of at least 3 percent of General Fund revenues as required by Florida Statute 1011.051. The Florida Department of Education includes the assigned and unassigned fund balances for purposes of this calculation. The ending unassigned fund balance of \$64.8 million is 25.1% of General Fund Revenues (\$257.7 million). The unassigned and the assigned ending fund balance (\$77.21 million) is 29.96% of General Fund revenues. The District exceeded the minimum 3% (\$7.88 million) by \$69.48 million with the combined unassigned and assigned fund balance, and it exceeded the minimum 3% by \$56.92 million using only the unassigned fund balance.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$397,868,029 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the following:

- New land purchase was made totaling approximately \$100,000.
- Several renovations additions to schools and re-roofing projects were completed during the year totaling approximately \$35 million.
- Purchase of 50 Compressed Natural Gas buses totaling \$8.6 million.
- Disposal of portable buildings, equipment, and vehicles totaled approximately \$11.7 million.
- Depreciation expense totaled \$17,427,820.

### Capital Assets (Net of Depreciation)

	<b>Governmental Activities</b>	
	<b>6/30/2016</b>	<b>6/30/2015</b>
Land	\$ 15,682,454	\$ 15,587,417
Construction in Progress	21,171,649	38,466,056
Improvements Other Than Buildings	10,739,945	11,705,232
Buildings and Fixed Equipment	319,368,666	268,664,678
Furniture, Fixture, and Equipment	13,876,278	10,660,004
Motor Vehicles	13,374,998	6,361,700
Audio Visual Materials	2,134,340	1,799,372
Computer Software	1,519,699	1,992,819
<b>Total Capital Assets</b>	<b>\$ 397,868,029</b>	<b>\$ 355,237,278</b>

Additional information on the District's capital assets can be found in Note 4. to the financial statements.

## Long-Term Debt

At June 30, 2016, the District has \$208,146,640 total capital asset-related debt outstanding. This amount is comprised of \$121,995,240 of certificates of participation payable, \$77,779,255 of bonds payable, \$1,120,000 note payable, and \$7,252,145 lease purchase agreement.

Other items classified as long-term liabilities, in the government-wide financial statements, include the compensated absences liability totaling \$28,619,911, other postemployment benefits payable in the amount of \$16,561,092, net pension liability \$116,640,006 and estimated insurance claims payable totaling \$4,214,849. The total debt outstanding is \$374,182,498.

### Schedule of Outstanding Capital Asset Related Debt

	Governmental Activities	
	6/30/2016	6/30/2015
Notes Payable	\$1,120,000	\$2,240,000
Lease Purchase Agreement	7,252,145	8,113,871
State Schools/Sales Tax Bonds	77,779,255	83,663,056
Certificates of Participation	121,995,240	131,188,259
<b>Total Long Term Debt</b>	<b>\$ 208,146,640</b>	<b>\$ 225,205,186</b>

Additional information on the District's long-term liabilities can be found in Note 12 to the financial statements.

### OTHER MATTERS OF SIGNIFICANCE

As a part of the State-wide educational funding formula, the District is given operational revenues through State appropriations. The District then aligns expenses to fall within those parameters.

Capital revenues are levied up to capacity based on the needs identified in the District Facilities Work Program to adequately house growth of the student population.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Leon County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Leon County School District, 2757 West Pensacola Street Tallahassee, Florida, 32304

Leon County District School Board

Statement of Net Position

June 30, 2016

	Primary Government				
	Governmental	Business-type			Component
	Activities	Activities	Total		Units
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 75,724,162	\$ 72,406	\$ 75,796,568	\$ 951,521	
Investments	13,656,365	-	13,656,365	-	
Taxes receivable	-	-	-	57,911	
Accounts receivable, net	319,614	-	319,614	221,097	
Deposits receivable	-	-	-	17,761	
Due from other agencies	6,950,678	-	6,950,678	577,832	
Internal balances	449,511	-	449,511	-	
Inventory	1,590,708	-	1,590,708	-	
Prepaid items	-	-	-	106,259	
Restricted assets:					
Cash with fiscal agents	16,839,981	-	16,839,981	-	
Investments with fiscal agents	28,079,767	-	28,079,767	-	
Total current assets	143,610,786	72,406	143,683,192	1,932,381	
Noncurrent assets:					
Capital assets:					
Nondepreciable capital assets	36,854,103	-	36,854,103	1,433,046	
Depreciable capital assets, net	361,013,926	-	361,013,926	13,881,141	
Total capital assets net of accumulated depreciation	397,868,029	-	397,868,029	15,314,187	
Total assets	541,478,815	72,406	541,551,221	17,246,568	
<b>Deferred outflows of resources</b>					
Pension	27,050,092	-	27,050,092	437,589	
Total deferred outflows of resources	27,050,092	-	27,050,092	437,589	
Total assets and deferred outflows of resources	\$ 568,528,907	\$ 72,406	\$ 568,601,313	\$ 17,684,157	

(continued)

Leon County District School Board  
Statement of Net Position (continued)

June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities and net position</b>				
<b>Liabilities</b>				
Salaries and wages payable	\$ 10,706,038	\$ -	\$ 10,706,038	\$ 166,353
Payroll deductions and withholdings	2,701,246	-	2,701,246	-
Accounts payable	2,093,396	170	2,093,566	645,399
Construction contracts retainage payable	1,573,957	-	1,573,957	-
Accrued interest payable	3,000	-	3,000	-
Deposits payable	237,854	-	237,854	-
Due to other agencies	9,326	-	9,326	137,244
Unearned revenue	-	-	-	11,996
Noncurrent liabilities:				
Portion due within one year	11,826,013	-	11,826,013	554,204
Portion due after one year	362,356,485	-	362,356,485	15,712,493
Total liabilities	391,507,315	170	391,507,485	17,227,689
<b>Deferred inflows of resources</b>				
Unearned revenue	9,012	-	9,012	-
Pension	19,022,886	-	19,022,886	307,053
Total deferred inflows of resources	19,031,898	-	19,031,898	307,053
<b>Net position</b>				
Net investment in capital assets	189,721,389	-	189,721,389	58,453
<i>Restricted for:</i>				
Debt service	25,918,532	-	25,918,532	-
Capital projects	10,497,450	-	10,497,450	-
Food service	11,729,078	-	11,729,078	-
Other purposes	13,326,243	-	13,326,243	160,049
Unrestricted	(93,202,998)	72,236	(93,130,762)	(69,087)
Total net position	157,989,694	72,236	158,061,930	149,415
Total liabilities, deferred inflows of resources and net position	\$ 568,528,907	\$ 72,406	\$ 568,601,313	\$ 17,684,157

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

# Leon County District School Board

## Statement of Activities

Year Ended June 30, 2016

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 157,511,024	\$ 6,843,541	\$ 1,098,342	\$ -
Student Support Services	9,639,003	-	-	-
Instructional Media Services	3,760,019	-	-	-
Instruction and Curriculum Development Services	15,216,758	-	-	-
Instructional Staff Training Services	1,648,972	-	-	-
Instruction-Related Technology	2,470,701	-	-	-
Board	1,000,491	-	-	-
General Administration	2,299,339	-	-	-
School Administration	19,687,035	-	-	-
Facilities Acquisition and Construction	2,139,460	-	-	993,089
Fiscal Services	2,392,184	-	-	-
Food Services	12,105,248	1,642,248	12,190,513	-
Central Services	5,941,535	-	-	-
Student Transportation Services	12,685,516	-	-	-
Operation of Plant	19,168,787	-	-	-
Maintenance of Plant	8,843,049	-	-	-
Administrative Technology Services	5,155,485	-	-	-
Community Services	6,923,223	-	-	-
Interest on Long-Term Debt	9,490,166	-	-	-
Unallocated Depreciation/Amortization Expense	17,427,820	-	-	-
Total governmental activities	315,505,815	8,485,789	13,288,855	993,089
Business-type activities:				
Other business-type activity	3,691	-	-	-
Total business-type activities	3,691	-	-	-
Total primary government	\$ 315,509,506	\$ 8,485,789	\$ 13,288,855	\$ 993,089
Component units:				
Charter schools and Foundation	\$ 15,876,804	\$ 457,737	\$ 1,247,016	\$ 271,382
Total component units	\$ 15,876,804	\$ 457,737	\$ 1,247,016	\$ 271,382

### General Revenues:

#### Taxes:

Property taxes, levied for operational purposes

Property taxes, levied for capital projects

Local sales taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues, special items, extraordinary items, and transfers

Change in net position

Net position at beginning of year

Adjustments to net position

Net position at end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (149,569,141)	\$ -	\$ (149,569,141)	\$ (5,832,713)
(9,639,003)	-	(9,639,003)	(185,095)
(3,760,019)	-	(3,760,019)	(25,930)
(15,216,758)	-	(15,216,758)	(17,021)
(1,648,972)	-	(1,648,972)	(28,384)
(2,470,701)	-	(2,470,701)	(121,422)
(1,000,491)	-	(1,000,491)	(100,042)
(2,299,339)	-	(2,299,339)	(893,226)
(19,687,035)	-	(19,687,035)	(1,461,009)
(1,146,371)	-	(1,146,371)	(210,890)
(2,392,184)	-	(2,392,184)	(207,061)
1,727,513	-	1,727,513	(18,174)
(5,941,535)	-	(5,941,535)	(56,123)
(12,685,516)	-	(12,685,516)	(167,866)
(19,168,787)	-	(19,168,787)	(2,191,789)
(8,843,049)	-	(8,843,049)	(387,643)
(5,155,485)	-	(5,155,485)	(55,506)
(6,923,223)	-	(6,923,223)	(40,174)
(9,490,166)	-	(9,490,166)	(833,163)
(17,427,820)	-	(17,427,820)	(23,869)
(292,738,082)	-	(292,738,082)	(12,857,100)
-	(3,691)	(3,691)	-
-	(3,691)	(3,691)	-
\$ (292,738,082)	\$ (3,691)	\$ (292,741,773)	\$ (12,857,100)
\$ -	\$ -	\$ -	\$ (13,900,669)
\$ -	\$ -	\$ -	\$ (13,900,669)
\$ 86,459,721	\$ -	\$ 86,459,721	\$ 2,081,035
22,761,938	-	22,761,938	-
21,003,294	-	21,003,294	144,475
183,362,584	-	183,362,584	11,692,036
817,032	-	817,032	(5,025)
5,064,417	178	5,064,595	212,514
319,468,986	178	319,469,164	14,125,035
26,730,904	(3,513)	26,727,391	224,366
131,258,790	75,749	131,334,539	585,390
-	-	-	(660,341)
\$ 157,989,694	\$ 72,236	\$ 158,061,930	\$ 149,415



# Leon County District School Board

## Balance Sheet - Governmental Funds

June 30, 2016

		Special Revenue	Capital Projects
		Other	
		Federal	District
	General	Programs	Bonds
<b>Assets</b>			
Cash and cash equivalents	\$ 42,278,246	\$ 258,788	\$ 227,155
Investments	3,574,344	-	-
Taxes receivable, net	-	-	-
Accounts receivable, net	283,065	491	2,605
Due from other funds:			
Budgetary funds	449,511	-	-
Due from other agencies	1,230,716	1,756,656	-
Cash with fiscal/service agents	100,000	-	16,632,709
Investments with fiscal agents	-	-	2,832,029
Inventory	925,611	-	-
Total assets	<u>\$ 48,841,493</u>	<u>\$ 2,015,935</u>	<u>\$ 19,694,498</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<b>Liabilities</b>			
Salaries, benefits, and payroll taxes payable	\$ 9,810,041	\$ 859,259	\$ -
Payroll deductions and withholdings	2,304,512	375,640	-
Accounts payable	1,023,702	189,966	772,398
Construction contracts payable - retained percentage	-	-	1,512,876
Matured interest payable	-	-	-
Sales tax payable	464	-	-
Deposits payable	-	-	-
Due to other funds:			
Budgetary funds	1,314,049	591,070	-
Due to other agencies	8,862	-	-
Total liabilities	<u>14,461,630</u>	<u>2,015,935</u>	<u>2,285,274</u>
<b>Deferred inflows of resources</b>			
Unearned revenues	-	-	-
<b>Fund balances</b>			
Nonspendable:			
Inventory	925,611	-	-
Restricted for:			
Debt service funds	-	-	-
Capital projects	-	-	-
Other	8,224,731	-	-
Assigned to:			
Other	12,400,632	-	-
Unassigned fund balance	<u>12,828,889</u>	<u>-</u>	<u>17,409,224</u>
Total fund balances	<u>34,379,863</u>	<u>-</u>	<u>17,409,224</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 48,841,493</u>	<u>\$ 2,015,935</u>	<u>\$ 19,694,498</u>

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

<b>Capital Projects</b>	<b>Non-major</b>	
<b>Other</b>	<b>Other</b>	<b>Total</b>
<b>Capital</b>	<b>Governmental</b>	<b>Governmental</b>
<b>Projects</b>	<b>Funds</b>	<b>Funds</b>
\$ 20,800,329	\$ 12,159,644	\$ 75,724,162
10,038,131	43,890	13,656,365
-	-	-
-	33,453	319,614
181,109	1,724,010	2,354,630
3,603,561	359,745	6,950,678
252	107,020	16,839,981
-	25,247,738	28,079,767
-	665,097	1,590,708
<u>\$ 34,623,382</u>	<u>\$ 40,340,597</u>	<u>\$ 145,515,905</u>
\$ -	\$ 36,738	\$ 10,706,038
-	21,094	2,701,246
32,495	74,835	2,093,396
23,346	37,735	1,573,957
-	3,000	3,000
-	-	464
-	237,854	237,854
-	-	1,905,119
-	-	8,862
<u>55,841</u>	<u>411,256</u>	<u>19,229,936</u>
-	9,012	9,012
-	-	925,611
-	25,918,532	25,918,532
-	10,497,450	10,497,450
-	3,504,347	11,729,078
-	-	12,400,632
34,567,541	-	64,805,654
<u>34,567,541</u>	<u>39,920,329</u>	<u>126,276,957</u>
<u>\$ 34,623,382</u>	<u>\$ 40,340,597</u>	<u>\$ 145,515,905</u>

Leon County District School Board

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-wide Statement of Net Position

June 30, 2016

<b>Total fund balances - governmental funds</b>	<b>\$ 126,276,957</b>
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Amounts reported for governmental activities in the governmental funds balance sheet 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.	397,868,029
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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.	8,027,206
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(374,182,498)</u>
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Total net position - governmental activities	<u><u>\$ 157,989,694</u></u>
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*The accompanying notes to financial statements are an integral part of this statement.*

Leon County District School Board

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds

Year ended June 30, 2016

		Special Revenue	Capital Projects
		Other	
		Federal	District
	General	Programs	Bonds
<b>Revenues</b>			
Federal direct	\$ 237,062	\$ 1,833,154	\$ -
Federal through state and local	56,177	19,173,939	-
State sources	158,962,013	-	-
Local sources:			
Property taxes levied for operational purposes	86,459,721	-	-
Property taxes levied for capital projects	-	-	-
Local sales taxes	-	-	-
Other local revenue	11,972,372	-	148,514
Total local sources	98,432,093	-	148,514
Total revenues	257,687,345	21,007,093	148,514
<b>Expenditures</b>			
Current:			
Instruction	150,846,817	9,759,561	-
Pupil personnel services	9,021,812	831,369	-
Instructional media services	3,836,587	9,095	-
Instruction and curriculum development services	10,284,658	5,287,785	-
Instructional staff training services	838,040	814,560	-
Instruction related technology	2,473,881	49,613	-
School board	1,005,373	6,403	-
General administration	1,257,780	1,066,067	-
School administration	20,140,565	34,441	-
Facilities acquisition and construction	1,274,723	878,123	-
Fiscal services	2,201,648	-	-
Central services	5,950,554	104,957	-
Pupil transportation services	12,851,120	81,428	-
Operation of plant	19,322,426	37,610	-
Maintenance of plant	8,990,286	3,660	-
Administrative technology services	5,249,819	-	-
Community services	4,921,725	2,042,421	-
Debt service:			
Redemption of principal	-	-	-
Interest	-	-	-
Dues, fees, and issuance costs	-	-	-
Capital outlay:			
Facilities acquisition and construction	522,742	-	41,727,003
Other capital outlay	17,351	-	-
Total expenditures	261,007,907	21,007,093	41,727,003
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(3,320,562)	-	(41,578,489)
<b>Other financing sources (uses)</b>			
Proceeds of lease purchase agreement	-	-	-
Payments to refunded bond escrow agent	-	-	-
Transfers in	5,013,900	-	-
Transfers out	(28,759)	-	-
Total other financing sources (uses)	4,985,141	-	-
Net change in fund balances	1,664,579	-	(41,578,489)
Fund balances, July 1, 2015	32,715,284	-	58,987,713
Fund balances, June 30, 2016	\$ 34,379,863	\$ -	\$ 17,409,224

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

<b>Capital Projects</b>	<b>Non-major</b>	
<b>Other</b>	<b>Other</b>	<b>Total</b>
<b>Capital</b>	<b>Governmental</b>	<b>Governmental</b>
<b>Projects</b>	<b>Funds</b>	<b>Funds</b>
\$ -	\$ 2,596,156	\$ 4,666,372
-	12,036,656	31,266,772
250,000	2,499,371	161,711,384
-	-	86,459,721
-	22,761,938	22,761,938
21,003,294	-	21,003,294
278,189	1,968,163	14,367,238
21,281,483	24,730,101	144,592,191
21,531,483	41,862,284	342,236,719
-	-	160,606,378
-	12,232,111	22,085,292
-	-	3,845,682
-	-	15,572,443
-	19,538	1,672,138
-	-	2,523,494
-	-	1,011,776
-	1,621	2,325,468
-	-	20,175,006
-	-	2,152,846
-	-	2,201,648
-	-	6,055,511
-	-	12,932,548
-	-	19,360,036
-	-	8,993,946
-	-	5,249,819
-	-	6,964,146
-	17,114,725	17,114,725
-	10,838,987	10,838,987
-	240,765	240,765
13,343,128	4,703,569	60,296,442
-	-	17,351
13,343,128	45,151,316	382,236,447
8,188,355	(3,289,032)	(39,999,728)
-	58,410,000	58,410,000
-	(57,005,000)	(57,005,000)
-	20,461,436	25,475,336
(7,508,950)	(17,937,627)	(25,475,336)
(7,508,950)	3,928,809	1,405,000
679,405	639,777	(38,594,728)
33,888,136	39,280,552	164,871,685
\$ 34,567,541	\$ 39,920,329	\$ 126,276,957

Leon County District School Board

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds to the  
Government-wide Statement of Activities

Year ended June 30, 2016

**Net change in fund balances - governmental funds** \$ (38,594,728)

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

Governmental funds report capital outlays 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 period. 60,296,442

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments in the current period. 15,709,725

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds. (10,680,535)

Pension contributions are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. -

Change in net position of governmental activities \$ 26,730,904

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

Leon County District School Board

Statement of Net Position -  
Proprietary Fund

June 30, 2016

	<b>Enterprise Fund - District Permitting Office</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 72,406
Total assets	<u>\$ 72,406</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 170
Total liabilities	<u>170</u>
<b>Net position</b>	
Unrestricted	<u>72,236</u>
Total net position	<u>72,236</u>
Total liabilities and net position	<u>\$ 72,406</u>

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

Leon County District School Board

Statement of Revenues, Expenses, and Changes in Fund Net Position -  
Proprietary Fund

Year ended June 30, 2016

	<b>Enterprise Fund - District Permitting Office</b>
<b>Operating Revenues</b>	
Charges for services	\$ -
Charges for sales	-
Total operating revenues	-
<b>Operating Expenses</b>	
Purchased services	2,328
Materials and supplies	208
Capital outlay	-
Other expenses	1,155
Total operating expenses	3,691
Operating loss	(3,691)
<b>Nonoperating revenues</b>	
Interest revenue	26
Miscellaneous local sources	152
Total nonoperating revenues	178
<b>Change in net position</b>	(3,513)
Net position - beginning	75,749
Net position - ending	\$ 72,236

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



Leon County District School Board

Statement of Cash Flows -  
Proprietary Fund

Year ended June 30, 2016

	<b>Enterprise Fund - District Permitting Office</b>
<b>Cash flows from operating activities</b>	
Other receipts (payments)	\$ (3,821)
Net cash used in operating activities	<u>(3,821)</u>
<b>Cash flows from investing activities</b>	
Interest and dividends received	26
Other receipts	152
Net cash provided by investing activities	<u>178</u>
Net decrease in cash and cash equivalents	(3,643)
Cash and cash equivalents - beginning	76,049
Cash and cash equivalents - ending	<u><u>\$ 72,406</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (3,691)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Decrease in accounts payable	<u>(130)</u>
Total adjustments	<u>(130)</u>
Net cash used in operating activities	<u><u>\$ (3,821)</u></u>

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

Leon County District School Board

Statement of Fiduciary Net Position -  
Fiduciary Funds

June 30, 2016

	<b>Voluntary Employee Benefits Trust Funds</b>	<b>Frank Stoutamire Private -Purpose Trust Funds</b>	<b>Internal Accounts Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 12,208,536	\$ 39,983	\$ 4,571,904
Accounts receivable, net	82,745	-	39,545
Investments	3,350	-	-
Total assets	<u>\$ 12,294,631</u>	<u>\$ 39,983</u>	<u>\$ 4,611,449</u>
<b>Liabilities</b>			
Payroll deductions and withholdings	\$ 7,259,559	\$ -	\$ -
Due to other funds - budgetary	-	-	449,511
Internal accounts payable	-	-	4,161,938
Total liabilities	<u>7,259,559</u>	<u>-</u>	<u>4,611,449</u>
<b>Net position</b>			
Assets held in trust for employee benefits	5,035,072	-	-
Assets held in trust for scholarships and other purposes	-	39,983	-
Total net position	<u>5,035,072</u>	<u>39,983</u>	<u>-</u>
Total liabilities and net position	<u>\$ 12,294,631</u>	<u>\$ 39,983</u>	<u>\$ 4,611,449</u>

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

Leon County District School Board

Statement of Changes in Fiduciary Net Position -  
Fiduciary Funds

Year ended June 30, 2016

	<b>Voluntary Employee Benefits Trust Funds</b>	<b>Frank Stoutamire Private-Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 20,478,785	\$ -
Plan members	18,848,733	-
Investment earnings:		
Interest	20,606	14
Total investment earnings, net	20,606	14
Total additions	39,348,124	14
<b>Deductions</b>		
Purchased services	25,702	-
Payments to providers	38,875,682	-
Total deductions	38,901,384	-
<b>Change in net position</b>	446,740	14
Net position - beginning	4,588,332	39,969
Net position - ending	<u>\$ 5,035,072</u>	<u>\$ 39,983</u>

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

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Leon County District School Board (District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the significant accounting policies and is an integral part of these general purpose financial statements.

**Reporting Entity**

The District 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, 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 Leon County.

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

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

Blended Component Units - Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as part of the District.

The District's employee group health, life, and dental insurance program, as well as its dependent care and medical expense reimbursement program, are administered through the Leon County District School Board Voluntary Employee Benefits Trust (VEBT). Due to the substantive economic relationship between the District and the VEBT, the financial activities of the VEBT are reported in the accompanying basic financial statements. Separate financial statements for the VEBT are not published.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Blended Component Units (continued)

The Leon County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 9. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units - The component units columns in the government-wide financial statements include the financial data of the District's other component units, which include the following:

The Foundation for Leon County Schools, Inc. (Foundation)

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to provide charitable and educational aid to the Board, to promote education, and to encourage research, learning, and dissemination of information. The Foundation is considered a component unit of the District because of the nature and significance of its relationship with the District.

Charter Schools

- The School of the Arts and Sciences (a charter school under the School of Arts and Sciences Foundation, Inc.)
- The School of Arts and Sciences at the Centre (a charter school under the School of Arts and Sciences Foundation, Inc.)
- Imagine – Leon County, LLC
- Stars Education Services, Inc. (d/b/a Tallahassee School of Math and Science)
- Governors Charter Academy, a department of Renaissance Charter School, Inc.
- The Woodville Educational Foundation, Inc. (d/b/a The Woodville Middle School of Leadership through History and Civics)

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Charter Schools (continued)**

The School of Arts and Sciences Foundation, Inc.; Stars Education Services, Inc.; Governors Charter Academy; and The Woodville Educational Foundation, Inc. are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. Imagine-Leon County, LLC is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes. Each charter school operates under a charter approved by its sponsor, the Board. A portion of these not-for-profit corporations' funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, charter schools are public schools and the District is responsible for the operation, control and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2016. These audit reports are filed in the District's administrative offices.

**Basis of Presentation**

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

The effects of interfund activity have been eliminated from the government-wide financial statements except for the net residual amounts between governmental and business-type activities.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

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

The District reports the following major governmental funds:

General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

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

Capital Projects – District Bonds Fund – to account for the financial resources generated by the Sales Tax Revenue Bond, Series 2014 to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Capital Projects – Other Capital Projects Fund – to account for the financial resources generated by various sources such as certificates of participation and local sales tax to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

Enterprise Fund – to account for the activities of the District Permitting Office.

Other Employee Benefits Trust Fund – to account for resources of the VEBT that administers the District's employee group health, life, and dental insurance programs, as well as the dependent care and medical expense reimbursement programs.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

Private-Purpose Trust Fund – to account for resources of the Frank Stoutamire Scholarship Trust Fund, the interest earnings of which are used for scholarships to students at Lively Technical Center.

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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**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.



Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

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 fiscal year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits, except for cash with fiscal agents, 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. Cash equivalents and investments with fiscal agents are uncollateralized, but held in a trust capacity both under a paying agent agreement for payment of maturing bond principal and interest and under a trust agreement.

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

All other investments consist of United States Treasury Securities and money market funds. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

**Inventories and Prepaid Items**

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

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 \$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.

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 Life</u>
Improvements, other than buildings	8-35 years
Buildings and fixed equipment	40 years
Furniture, fixtures and equipment	3-15 years
Motor vehicles	5-10 years
Audio visual materials	3-5 years
Computer software	5 years

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

**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. Bonds payable and certificates of participation payable are reported net of the applicable premiums. Bonds and certificates of participation premiums are amortized over the life of the debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and premiums are reported as other financing sources. Changes in long-term liabilities for the current year are reported in a subsequent note.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Pension**

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) and the Health Insurance Subsidy (HIS) and additions to/deductions from the FRS's and the HIS's 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.

**Net Position Flow Assumption**

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

**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.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 committed fund balances of \$0 at June 30, 2016.

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 District classifies amounts as assigned that are constrained to be used for specified purposes based on the actions of the Superintendent and Chief Financial Officer and are not included in other categories. 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 fiscal 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.

**Program Revenues**

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

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) 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 Department. The Department 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 five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The Department 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 Department 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.

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

**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 Leon County Property Appraiser, and property taxes are collected by the Leon County Tax Collector.

The Board adopted the 2016 tax levy on September 8, 2015. 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.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**District Property Taxes (continued)**

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 Leon 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.

**Capital Outlay Surtax**

On November 6, 2012, the voters of Leon County (County) approved a one-half cent school capital outlay surtax on sales in the County for 15 years, effective January 1, 2014, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

**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.

**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 for the current portion of compensating absences expected to be paid using expendable available resources.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Proprietary Funds Operating and Non-operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues and expenses of the District's proprietary fund relate to the services provided by the District Permitting Office. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**2. ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS**

**Governmental Accounting Standards Board (GASB) Statement No. 68**

A District charter school, reported as a component unit, implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB No. 68 requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of net pension liabilities of the defined benefit pension plans, which includes restating beginning net position. As such, the beginning net position of the District's component unit decreased by \$660,341 as a result of the implementation.

**Governmental Accounting Standards Board (GASB) Statement No. 72**

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has implemented this Statement for the fiscal year ending June 30, 2016.



Leon County District School Board  
Notes to Financial Statements

June 30, 2016

### 3. DEPOSITS AND INVESTMENTS

At June 30, 2016, the District had the following investments and investments with fiscal agent:

Fair Value Measurements at Reporting Date Using Quoted Prices

	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Government Agencies	\$ 11,990,480	\$ -	\$ 11,990,480	\$ -
Corporate Bonds	2,480,472	-	2,480,472	-
Municipal Bonds	1,965,601	-	1,965,601	-
Total investments by fair value level	<u>16,436,553</u>	<u>\$ -</u>	<u>\$ 16,436,553</u>	<u>\$ -</u>
<b>Investments reported at amortized cost:</b>				
Money Market	25,160,971			
Florida Prime (SBA)	57,881			
SBA Debt Service	42,010			
Other	38,717			
Total investments reported at amortized cost	<u>25,299,579</u>			
Total Investments and Investments with fiscal agents, Primary Government	<u>\$ 41,736,132</u>			

The District's recurring fair value measurements are valued using quoted prices for similar assets in active markets or identical or similar assets in inactive markets (Level 2 inputs). Florida Prime, SBA Debt Service, and Money Market funds are reported at amortized cost. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

Certain investments are measured at fair value using the net asset value per share (or its equivalent) and have not been classified in the fair value hierarchy. All investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. The District has no unfunded commitments to invest in any investment pool.

#### Interest Rate Risk

Interest rate risk is the risk that changes in investment rates will adversely affect the fair value of an investment. District policies limit the maturity of investments to a 5 year weighted average life as a means of limiting its exposure to fair value losses arising from rising interest rates.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**3. DEPOSITS AND INVESTMENTS (continued)**

The District has \$16,436,553 in U.S. Government Agencies, Corporate Bonds and Municipal Bonds. These securities included embedded options to call the entire security or a portion thereof, at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security intact, at stated interest rate, until final maturity. These securities have various call dates with final maturity dates being December 2051.

Investment	Fair Value	Investment Maturities			
		Less than 1 Year	1 to 5 years	6 to 10 Years	Over 10 Years
Money Market	\$ 25,160,971	\$ 25,160,971	\$ -	\$ -	\$ -
U.S. Government Agencies	11,990,480	3,450,556	7,314,159	13,275	1,212,489
Corporate Bonds	2,480,472	500,848	1,979,625	-	-
Municipal Bonds	1,965,601	1,197,505	768,096	-	-
Florida Prime (SBA)	57,881	57,881	-	-	-
SBA District Bonds	42,010	42,010	-	-	-
Other	38,717	38,717	-	-	-
Total Investments, Reporting Entity	<u>\$ 41,736,132</u>	<u>\$ 30,448,488</u>	<u>\$ 10,061,880</u>	<u>\$ 13,275</u>	<u>\$ 1,212,489</u>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchanges Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy states that it shall be the responsibility of the Superintendent or his authorized representative to promptly invest temporarily idle funds in the most efficient manner in those legal instruments prescribed by law, so as to earn the best return on those funds.

Investments authorized by District policy are:

- a. Direct Obligation of the United States Treasury;
- b. U.S. Government Sponsored Agencies or Federal Instrumentalities;
- c. Investments in the Florida Prime Fund;
- d. Certificates of Deposit and Savings Accounts;
- e. Repurchase Agreements;
- f. State and/or Local Government Taxable or Tax-Exempt Debt;
- g. Corporate Securities;
- h. Commercial Paper
- i. Mutual Funds;

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**3. DEPOSITS AND INVESTMENTS (continued)**

Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in a book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other State or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's \$16,436,553 investments in U.S. Government Agencies, Corporate Bonds and Municipal Bonds are held by the safekeeping agent, in the name of the District.

**Concentration of Credit Risk**

The District measures credit quality using the Standard and Poor's rating scale. As of June 30, 2016, the District's investment in U.S. Government Agencies, Corporate and Municipal Bonds is as follows:

Quality Breakdown	Portfolio Percentage
US Treasury	30.11%
US Agency	42.67
AAA	7.40
AA	17.76
A	0.00
BBB	0.00
Other	2.06
Total	100.00%

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

The District's investment in Florida PRIME is rated AAAm by Standard and Poor's.

The District's investment in First American Government Obligations Money Market Fund are rated AAAm by Standard and Poor's.

The District's investments in the Fidelity Institutional Money Market Fund – Federal Government Portfolio – Class I is rated AAA-mf by Moody's Investors Service.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**4. CAPITAL ASSETS**

**Changes in Capital Assets**

Changes in capital assets are presented in the table below:

<b>Governmental Activities</b>	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
Non-Depreciable Capital Assets:				
Land	\$ 15,587,417	\$ 95,037	\$ -	\$ 15,682,454
Construction-in-Progress	38,466,056	42,590,988	(59,885,395)	21,171,649
Total Non-Depreciable Assets	<u>\$ 54,053,473</u>	<u>\$ 42,686,025</u>	<u>\$ (59,885,395)</u>	<u>\$ 36,854,103</u>
Depreciable Assets:				
Improvements Other Than				
Buildings	\$ 36,369,097	\$ 19,390	\$ -	\$ 36,388,487
Buildings and Fixture Equipment	458,783,118	61,766,698	-	520,549,816
Furniture, Fixture & Equipment	54,201,328	6,232,360	(10,678,736)	49,754,952
Motor Vehicles	25,723,767	8,650,293	(411,972)	33,962,088
Audio Visual Materials	5,791,476	750,915	(691,064)	5,851,327
Computer Software	2,818,342	76,156	(159,850)	2,734,648
Total Depreciable Assets	<u>583,687,128</u>	<u>77,495,812</u>	<u>(11,941,622)</u>	<u>649,241,318</u>
Less Accumulated Depreciation:				
Improvements Other Than				
Buildings	24,663,865	984,677	-	25,648,542
Buildings and Fixture Equipment	190,118,440	11,062,710	-	201,181,150
Furniture, Fixture & Equipment	43,541,324	2,802,882	(10,465,532)	35,878,674
Motor Vehicles	19,362,067	1,636,365	(411,342)	20,587,090
Audio Visual Materials	3,992,104	403,263	(678,380)	3,716,987
Computer Software	825,523	537,923	(148,497)	1,214,949
Total Accumulated Depreciation	<u>282,503,323</u>	<u>17,427,820</u>	<u>(11,703,751)</u>	<u>288,227,392</u>
Net Depreciable Capital Assets	<u>\$ 301,183,805</u>	<u>\$ 60,067,992</u>	<u>\$ (237,871)</u>	<u>\$361,013,926</u>
Governmental Activities				
Capital Assets	<u>\$ 355,237,278</u>	<u>\$ 102,754,017</u>	<u>\$ (60,123,266)</u>	<u>\$397,868,029</u>

The District's capital assets serve multiple functions; therefore, depreciation expense was not allocated to the various expense functions on the statement of activities, but is shown as unallocated depreciation expense.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS**

**General Information about the Florida Retirement System (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 Health Insurance Subsidy (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 Florida Retirement System 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 two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense totaled \$7,795,657 for the 2015-16 fiscal year.

**FRS Pension Plan**

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

*Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

*Senior Management Service Class (SMSC)* – Members in senior management level positions.

*Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**FRS Pension Plan (continued)**

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 retirement plan and/or the 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.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Benefits Provided (continued)**

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

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
<b>Senior Management Service Class</b>	2.00
<b>Elected Officers' Class</b>	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.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Contributions**

Prior to July 1, 2011, the FRS was noncontributory for employees. Beginning July 1, 2011, employees who are not participating in DROP are required to contribute 3% of their salary to the FRS. The District is required to contribute at an actuarially-determined rate. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for the 2015-2016 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (1)
FRS, Regular	3.00	7.26
FRS, Senior Management Services	3.00	21.43
Elected Officers	3.00	42.27
FRS, Special Risk	3.00	22.04
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	N/A	12.88
FRS Reemployed Retiree	(2)	(2)

*Notes: (1) These Employer rates include 1.66 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 defined benefit pension plan totaled \$9,651,225 for the fiscal year ended June 30, 2016, excluding HIS plan contributions.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of \$58,092,266 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.449757910 percent, which was a decrease of 0.01414627 percent from its proportionate share measured as of June 30, 2014.



Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$3,783,003. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,132,823	\$ 1,377,772
Change of assumptions	3,855,779	–
Net difference between projected and actual earnings on FRS pension plan investments	–	13,871,461
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	–	1,943,070
District FRS contributions subsequent to the measurement date	9,651,225	–
Total	<u>\$ 19,639,827</u>	<u>\$ 17,192,303</u>

The deferred outflows of resources related to pensions totaling \$9,651,225 resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2017	\$ (1,777,754)
2018	(1,777,754)
2019	(1,777,754)
2020	(1,777,754)
2021	(1,764,239)
Thereafter	1,671,554
Total	<u><u>\$ (7,203,701)</u></u>

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions**

The total pension liability in the July 1, 2015, 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, 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 table.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. There were no changes in actuarial assumptions for the year ended June 30, 2016.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions (continued)**

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:

<b>Asset Class</b>	<b>Target Allocation <sup>1</sup></b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.00%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
	<u>100.0%</u>			
Assumed Inflation – Mean		2.6%		2.0%

<sup>1</sup> As outlined in the Plan's investment policy

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**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**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:

	<b>1% Decrease 6.65%</b>	<b>Current Discount Rate 7.65%</b>	<b>1% Increase 8.65%</b>
District's proportionate share of the net pension liability - FRS	\$ 150,530,200	\$ 58,092,266	\$ (18,831,278)

**Pension Plan Fiduciary Net Position**

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

**HIS Pension Plan**

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.

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**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Benefits Provided**

For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can 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, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS 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 \$2,772,392 for the fiscal year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a net pension liability of \$58,547,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.5741 percent, which was a decrease of 0.001 percentage from its proportionate share measured as of June 30, 2014.

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**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$4,012,654. 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	\$ 4,606,179	\$ –
Net difference between projected and actual earnings on HIS pension plan investments	31,694	–
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	–	1,830,583
District contributions subsequent to the measurement date	2,772,392	–
Total	<u>\$ 7,410,265</u>	<u>\$ 1,830,583</u>

The deferred outflows of resources totaling \$2,772,392 was related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. 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>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 296,940
2018	296,940
2019	296,940
2020	296,940
2021	296,940
Thereafter	1,322,590
Total	<u>\$ 2,807,290</u>

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**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions**

The total pension liability in the July 1, 2015, 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, including inflation
Municipal Bond Rate	3.80 percent

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. As of June 30, 2015, the municipal rate used to determine total pension liability decreased from 4.29% to 3.80%

**Discount Rate**

The discount rate used to measure the total pension liability was 3.80 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 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 3.80 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 (2.80 percent) or 1 percentage point higher (4.80 percent) than the current rate:

	<b>1% Decrease (2.80%)</b>	<b>Current Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
District's proportionate share of the net pension liability – HIS	\$ 66,712,424	\$ 58,547,740	\$ 51,739,618

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**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Pension Plan Fiduciary Net Position**

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

**FRS Investment Plan**

The State Board of Administration (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 already participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, 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.



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**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**FRS Investment Plan (continued)**

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$1,268,487 for the fiscal year ended June 30, 2016.

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**6. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

**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 and prescription drug 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 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 2015-2016 fiscal year, 306 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$1,745,907. This amount was comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling \$2,206,818, which represents 1.8 percent of covered payroll.

**Annual OPEB Cost and Net OPEB Obligation**

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

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**6. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

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:

<b>Description</b>	
Normal Cost (service cost for one year)	\$ 1,073,649
Amortization of Unfunded Actuarial Accrued Liability	2,080,170
Annual Required Contribution	3,153,819
Interest on Net OPEB Obligation	526,682
Adjustment to Annual Required Contribution	(1,333,548)
Annual OPEB cost (expense)	2,346,953
Contribution Toward the OPEB Cost	(1,745,907)
Increase in Net OPEB Obligation	601,046
Net OPEB Obligation, July 1, 2015	15,960,046
Net OPEB Obligation, June 30, 2016	<u>\$ 16,561,092</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, 2016, and the two preceding fiscal years, were as follows:

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Amount Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013 – 2014	\$ 2,735,532	\$ 1,648,639	60.27%	\$ 14,865,279
2014 – 2015	\$ 2,764,980	\$ 1,670,213	60.41%	\$ 15,960,046
2015 – 2016	\$ 2,346,953	\$ 1,745,907	74.39%	\$ 16,561,092

**Funded Status and Funding Progress**

As of October 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$24,494,807, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$24,494,807 and a funded ratio of zero percent (0.00%). The covered payroll (annual payroll of active participating employees) was \$119,756,603, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.45 percent.

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**6. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)**

**Funded Status and Funding Progress (continued)**

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 October 1, 2015, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2016, and the District's 2015-2016 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.30 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 3.25 percent per year, and an annual healthcare cost trend rate of 7.0 percent for the 2015-2016 fiscal year, reduced to an ultimate rate of 4.46 percent after 25 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016, was 12 years.

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**7. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

**Encumbrances**

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

The following is a schedule of encumbrances at June 30, 2016:

	Major Funds					
	General	Special Revenue Other	Capital Projects District Bonds	Capital Projects Other	Nonmajor Governmental Funds	Total Governmental Funds
Encumbrances	\$2,111,237	\$248,448	\$916,355	\$4,468	\$ 756,261	\$ 4,036,769

**Construction Contracts**

Encumbrances include the following major construction contract commitments at June 30, 2016:

	<b>Projects</b>	<b>Contract Amount</b>	<b>Completed To Date</b>	<b>Balance Committed</b>
Buck Lake	Site, New Wing, Dining, Kitchen Expansion and Remodeling	\$ 6,807,933	\$ 6,799,745	\$ 8,188
Deerlake	HVAC Bldg 1 and 5, Expand/Remodel Admin, drop off canopy	2,886,053	888,921	1,997,132
Desoto Trail	Site, New Wing, Dining, Kitchen Expansion and Remodeling	6,630,761	4,551,980	2,078,781
Gilchrist	Classroom Wing, Site, renovate Bldg 1	5,011,468	3,689,901	1,321,567
Ruediger	Renovate / Remodel, Site, New Dining	3,484,811	1,687,128	1,797,683
WT Moore	New Construction	3,269,948	2,144,722	1,125,226
TOTAL		<u>\$28,090,974</u>	<u>\$ 19,762,397</u>	<u>\$ 8,328,577</u>

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**7. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (continued)**

**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. Property protection, workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these District's self-insurance programs, including the processing, investigating, and payment of claim.

A liability in the amount of \$4,214,849 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2016.

The following schedule represents the changes in claims liability for the past two fiscal years for the for the self-insurance program:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
2014 – 2015	\$ 6,325,022	\$ (584,104)	\$ (1,260,698)	\$ 4,480,220
2015 – 2016	\$ 4,480,220	\$ 1,016,861	\$ (1,282,232)	\$ 4,214,849

Health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

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**8. LONG-TERM LIABILITIES**

**Note Payable**

Description	Amount Outstanding	Interest Rate	Final Maturity
Section 1011.14 FL Statutes, Note: School Buses	\$ 1,120,000	1.56%	October 1, 2016

The District entered into a financing arrangement on November 9, 2011, under the provision of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of one year, in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring future levy of taxes for certain purposes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed four years, for a total of five years, including the initial year of the loan. This obligation was undertaken to purchase 30 Compressed Natural Gas school buses and is due on October 1, 2016.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2017	\$ 1,128,753	\$ 1,120,000	\$ 8,753

**Lease Purchase Agreement**

Description	Amount Outstanding	Interest Rate	Final Maturity
Lease Purchase Agreement: School Buses	\$ 7,252,145	2.033%	October 1, 2023

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**8. LONG-TERM LIABILITIES (continued)**

**Lease Purchase Agreement (continued)**

The District entered into a financing arrangement on December 18, 2014, which was characterized as a lease purchase agreement, whereby the District secured financing to purchase 45 buses.

Amounts payable for the planned extended repayment of the lease purchase agreement is as follows:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 991,397	\$ 843,961	\$ 147,436
2018	991,397	861,119	130,278
2019	991,397	878,626	112,771
2020	991,397	896,488	94,909
2021	991,397	914,714	76,683
2022 - 2025	2,974,194	2,857,237	116,957
	<u>\$ 7,931,179</u>	<u>\$ 7,252,145</u>	<u>\$ 679,034</u>

**9. CERTIFICATES OF PARTICIPATION**

The District entered into a financing arrangement on October 1, 1997, which was characterized as a lease-purchase agreement with the Leon County School Board Leasing Corporation (Leasing Corporation), whereby the District secured financing of Lawton Chiles High School in the total amount of \$34,970,000. The financing was accomplished through the issuance of Certificates of Participation (COPs), Series 1997, to be repaid from the proceeds of rents paid by the District.

On November 1, 2004, the master financial arrangement was amended and the Leasing Corporation issued COPs, Series 2004 Qualified Zone Academy Bonds (QZABs), in the amount of \$3,313,000. Under the terms of the lease agreement for the Series 2004 QZABs, the District is required to make the five annual payments of \$418,854, which are deposited with a trustee and are to be invested in accordance with a repurchase agreement until maturity and, when combined with interest earnings, will be sufficient to pay off the principal balance in full, at maturity on November 23, 2020.

On March 9, 2005, the Leasing Corporation issued COPs, Series 2005, Refunding, in the amount of \$27,285,000, to advance refund a portion of the COPs, Series 1997.



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**9. CERTIFICATES OF PARTICIPATION (continued)**

On June 15, 2006, the master financing arrangement was amended and the Leasing Corporation issued COPs, Series 2006, in the amount of \$61,795,000. The COPs were issued to secure financing of various educational facilities throughout the District.

On March 6, 2008, the master financing arrangement was amended and the Leasing Corporation issued COPs, Series 2008A QZABs, in the amount of \$5,000,000. The QZABs were issued to secure financing of improvements to be made at three District schools.

On July 25, 2008, the master financing arrangement was amended and the Corporation issued COPs, Series 2008B QZABs, in the amount of \$15,000,000. The QZABs were issued to secure financing of improvements to be made at three District schools.

On September 24, 2010, the master financing arrangement was amended and the Corporation issued COPs, Series 2010 Qualified School Construction Bonds (QSCBs), in the amount of \$18,597,000. The QSCBs were issued to secure financing of improvements to be made at four District schools.

On December 28, 2010, the master financing arrangement was amended and the Corporation issued COPs, Series 2010 QZABs, in the amount of \$33,209,140. The QZABs were issued to secure financing of improvements to be made at ten District schools.

On April 14, 2016, the master financing arrangement was amended to refund COP Series 2005 and Series 2006, in the amount of \$58,410,000.

As a condition of the financing arrangements, the District gave ground leases on District properties to the Leasing Corporation, with a rental fee of \$10 per year. The initial terms of the leases are approximately 35 years commencing on October 1, 1997 (Series 1997); 16 years commencing on November 1, 2004 (Series 2004 QZABs); 17 years commencing on March 1, 2005 (Series 2005, Refunding); 20 years commencing June 15, 2006 (Series 2006); 16 years commencing on March 6, 2009 (Series 2008A QZABs); 15 years commencing on July 25, 2008 (Series 2008B QZABs); 15 years commencing on July 1, 2012 (Series 2010 QSCBs); and 18 years commencing on December 1, 2011 (Series 2010 QZABs). The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the COPs for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

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**9. CERTIFICATES OF PARTICIPATION (continued)**

The District properties included in the ground leases under these arrangements include the Lawton Chiles High School (Series 1997 and Series 2005, Refunding); technology equipment at 24 District school sites as listed in the lease schedule for the Series 2004 QZABs; construction of Montford Middle School, Conley Elementary School, and renovations to Pineview Elementary School, Deerlake Middle School, Killearn Lakes Elementary School, Lawton Chiles High School and Lincoln High School (Series 2006); technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School (Series 2008A QZABs and Series 2008B QZABs); new construction at Gilchrist Elementary School, Killearn Lakes Elementary School, Kate Sullivan Elementary School, and Gretchen Everhart School (Series 2010 QSCBs); and renovations at Astoria Park Elementary School, Canopy Oaks Elementary School, Ft. Braden School, Oak Ridge Elementary School, Sabal Palm Elementary School, Springwood Elementary School, Woodville Elementary School, Fairview Middle School, Raa Middle School, and Rickards High School (Series 2010 QZABs).

The Series 2016, Refunding, mature on July 1, 2026, with semiannual lease payments on July 1, and January 1 have a fixed interest rate of 1.818 percent. The Series 2004 QZABs mature on November 23, 2020, with interest paid by the Federal government in the form of annual tax credits to the holders of the COPs. The lease payments for the Series 2005, Refunding, and Series 2006 are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.5 to 4.25 percent and 3.625 to 4.5 percent, respectively. The lease payments for the Series 2008A QZABs are payable annually on March 9 at a fixed interest rate of 0.19 percent. The lease payments for the Series 2008B QZABs are payable annually on July 25 at a fixed interest rate of 1.7 percent. The lease payment for the Series 2010 QSCBs are payable annually on September 1 at a fixed rate of 4.84 percent. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68 percent. Both the Series 2010 QSCBs and the Series 2010 QZABs receive a Federal subsidy at the same rate of interest as the bond, resulting in a net zero percent cost to the District.

The Series 2010 QZABs include a 10% matching contribution, based on the amount issued, in the form of cash or in-kind contributions pledged by various vendors. The total amount of contributions received as of June 30, 2016 is \$59,450 in cash contributions and \$164,142.54 in in-kind contributions.

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**9. CERTIFICATES OF PARTICIPATION (continued)**

A schedule of future minimum lease payments under the lease agreement together with the present value of minimum lease payments is as follows:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 4,978,743	\$ 1,312,000	\$ 3,666,743
2018	10,394,294	6,507,000	3,887,294
2019	10,371,438	6,597,000	3,774,438
2020	10,356,855	6,697,000	3,659,855
2021	13,648,500	10,105,000	3,543,500
2022 – 2026	48,792,171	32,866,000	15,926,171
2027 – 2029	64,032,582	57,911,240	6,121,342
	<u>\$ 162,574,583</u>	<u>\$121,995,240</u>	<u>\$ 40,579,343</u>

**10. BONDS PAYABLE**

Bonds payable at June 30, 2016, are as follows:

<b>Bond Type</b>	<b>Amount Outstanding</b>	<b>Interest Rate</b>	<b>Annual Maturity To</b>
<b>State School Bonds:</b>			
Series 2009A (New Money)	\$ 800,000	2.00- 5.00%	2029
Series 2009A (Refunding)	110,000	3.00%	2019
Series 2010A (2001 Refunding)	430,000	3.00-5.00%	2021
Series 2014B (Refunding)	474,000	2.00-5.00%	2020
<b>District Revenue Bonds:</b>			
Series 2014	<u>68,325,000</u>	1.82-3.66%	2027
Total Bonds	70,139,000		
Add: Unamortized Bond Premiums	7,640,255		
Total Bonds Payable	<u><u>\$ 77,779,255</u></u>		

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**10. BONDS PAYABLE (continued)**

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

**State School Bonds**

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

**Sales Tax Revenue Bonds, Series 2014**

These bonds are authorized by Section 212.055(6), Florida Statutes. These bonds are secured by a pledge of proceeds from a one-half cent discretionary sales surtax levied as authorized by the voters of Leon County on November 6, 2012.

The District pledged a total of \$102,644,025 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2014 Sales Tax Revenue Bond issue described above. During the 2015-2016 fiscal year, the District recognized sales tax revenues totaling \$21,003,294 and expended \$7,506,000 (36 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or September 1, 2027. Assuming a nominal growth rate in the collection of sales tax revenues, approximately 35 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**10. BONDS PAYABLE (continued)**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
State School Bonds:			
2017	\$ 573,108	\$ 490,000	\$ 83,108
2018	296,608	238,000	58,608
2019	226,708	180,000	46,708
2020	189,558	151,000	38,558
2021	186,788	155,000	31,788
2022 – 2026	413,886	315,000	98,886
2027 – 2029	310,961	285,000	25,961
	<u>2,197,617</u>	<u>1,814,000</u>	<u>383,617</u>
Sales Tax Revenue Bonds:			
2017	7,461,075	4,295,000	3,166,075
2018	7,455,950	4,510,000	2,945,950
2019	7,449,825	4,735,000	2,714,825
2020	7,447,075	4,975,000	2,472,075
2021	7,442,075	5,225,000	2,217,075
2022 – 2026	37,096,625	30,305,000	6,791,625
2027 – 2029	14,856,800	14,280,000	576,800
	<u>89,209,425</u>	<u>68,325,000</u>	<u>20,884,425</u>
	<u>\$ 91,407,042</u>	<u>\$ 70,139,000</u>	<u>\$ 21,268,042</u>

**11. DEFEASED DEBT**

In prior years, the Board defeased in-substance various debt issues by placing a portion of the proceeds of the new COPs and bonds in an irrevocable trust to provide for all future debt service payments on the in-substance defeased COPs. Accordingly, the trust account assets and the liability for the in-substance defeased COPs are not included in the District's financial statements. The details of the in-substance defeased debt as of June 30, 2016, is as follows:

<u>COPs Issue</u>	<u>Defeased Debt</u>
COPs, Series 2005	\$ 14,425,000
COPs, Series 2006	\$ 42,580,000

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

## 12. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
Estimated liability for unpaid claims	\$ 4,480,220	\$ 147,682	\$ (413,053)	\$ 4,214,849	\$ 842,970
Notes Payable	2,240,000	—	(1,120,000)	1,120,000	1,120,000
Lease purchase agreements payable	8,113,870	—	(861,725)	7,252,145	843,961
Bonds Payable	83,663,056	—	(5,883,801)	77,779,255	4,785,000
Certificates of Participation Payable	131,188,260	58,410,000	(67,603,020)	121,995,240	1,312,000
Liability for compensated absences	29,963,956	685,626	(2,029,671)	28,619,911	2,922,082
Other Post-Employment Benefit Payable	15,960,046	2,346,953	(1,745,907)	16,561,092	—
Pension FRS / HIS	82,097,234	34,542,772	—	116,640,006	—
Total Governmental Activities	\$ 357,706,642	\$ 96,133,033	\$ (79,657,177)	\$ 374,182,498	\$ 11,826,013

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

## 13. 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. The District classifies amounts reported as inventories as nonspendable.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**13. FUND BALANCE REPORTING (continued)**

**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. The District classifies most of its fund balances other than General Fund, as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

**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.

**14. INTERFUND RECEIVABLES AND PAYABLES**

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 449,511	\$ 1,314,049
Special Revenue	—	591,070
Capital Projects	181,109	—
Non Major Governmental	1,724,010	—
Fiduciary	—	449,511
Total	<u>\$ 2,354,630</u>	<u>\$ 2,354,630</u>

The principal purposes of the interfund balances are to meet current obligations where sufficient moneys were not available. All balances are expected to be repaid within one year.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**15. REVENUE AND EXPENDITURES / EXPENSES**

**Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue sources for the 2015-2016 fiscal year:

<b><u>Source</u></b>	<b><u>Amount</u></b>
Florida Education Finance Program	\$109,086,002
Class Size Reduction	36,232,704
Community Instruction Inservice	6,287,075
Miscellaneous Revenue	5,180,098
Florida School Recognition	1,824,011
CO & DS Withheld SBE Bonds	1,077,812
PECO Funds	520,065
Voluntary Prekindergarten Program	485,123
CO & DS Distributed	255,754
Charter School Capital Outlay Funds	244,197
Racing Commission Funds	223,250
School Lunch Supplement	87,009
School Breakfast Supplement	79,332
Performance Based Incentive	54,173
State License Tax	51,176
CO & DS Withheld Administration Expense	20,325
Undistributed CO & DS Interest	3,073
SBE Bond Interest	205
Total State Revenue	<u><u>\$161,711,384</u></u>



Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**15. REVENUE AND EXPENDITURES / EXPENSES (continued)**

**Property Taxes**

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2015-2016 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b>General Fund</b>		
Nonvoted School Tax:		
Required Local Effort	4.949	\$ 74,906,296
Basic Discretionary Local Effort	0.748	11,321,461
<b>Capital Projects Funds:</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	<u>22,703,464</u>
<b>Total</b>		<u><u>\$ 108,931,221</u></u>

**16. INTERFUND TRANSFERS**

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfer In</u>	<u>Transfer Out</u>
Major:		
General	\$ 5,013,900	\$ 28,759
Capital Projects:		
Other Capital Projects	–	7,508,950
Non Major Governmental	<u>20,461,436</u>	<u>17,937,627</u>
Total	<u><u>\$ 25,475,336</u></u>	<u><u>\$ 25,475,336</u></u>

The principal purposes of the interfund transfers were to transfer Capital Projects – Local Capital Improvement Fund maintenance money to the General Fund, transfer funds from the Capital Projects – Local Capital Improvement and Capital Projects – Other Funds to the debt service funds (non-major governmental funds) for repayment of COPs and sales tax revenue bonds, respectively.

Leon County District School Board  
Notes to Financial Statements

June 30, 2016

**17. LITIGATION**

The District is involved in several pending and threatened legal actions. Although the outcome of these law suits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters should not materially affect the financial condition of the District.

The United States Attorney's Office, in coordination with other Federal and State government entities, has initiated an investigation into potential criminal activities. The Board has not been advised of any specific criminal violations or individuals targeted in this investigation and cannot predict at this time whether any criminal charges will be filed and, if so, whether there will be any impact on the District's financial condition.

## Other Required Supplementary Information

Leon County District School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Federal direct	\$ 232,000	\$ 237,062	\$ 237,062	\$ -
Federal through state	50,000	56,177	56,177	-
State sources	160,198,031	158,962,012	158,962,013	1
Local sources:				
Property taxes levied for operational purposes	86,352,757	86,459,721	86,459,721	-
Other local revenue	9,267,907	11,972,366	11,972,372	6
Total local sources	95,620,664	98,432,087	98,432,093	6
<b>Total revenues</b>	<b>256,100,695</b>	<b>257,687,338</b>	<b>257,687,345</b>	<b>7</b>
<b>Expenditures</b>				
Current:				
Instruction	167,768,557	163,059,705	150,846,817	12,212,888
Pupil personnel services	9,142,411	10,200,630	9,021,812	1,178,818
Instructional media services	4,112,432	4,049,759	3,836,587	213,172
Instruction and curriculum development services	7,865,175	11,317,418	10,284,658	1,032,760
Instructional staff training services	1,223,014	1,628,159	838,040	790,119
Instruction related technology	3,212,311	3,324,776	2,473,881	850,895
School board	1,440,743	1,465,221	1,005,373	459,848
General administration	1,669,551	1,609,873	1,257,780	352,093
School administration	20,213,475	20,398,733	20,140,565	258,168
Facilities acquisition and construction	2,046,065	1,919,977	1,274,723	645,254
Fiscal services	2,049,057	2,263,299	2,201,648	61,651
Central services	9,400,950	8,234,941	5,950,554	2,284,387
Pupil transportation	12,963,191	13,267,200	12,851,120	416,080
Operation of plant	23,666,012	21,664,122	19,322,426	2,341,696
Maintenance of plant	8,590,438	9,389,911	8,990,286	399,625
Administrative technology services	5,108,917	5,835,086	5,249,819	585,267
Community services	7,805,422	7,438,141	4,921,725	2,516,416
Capital outlay:				
Facilities acquisition and construction	-	-	522,742	(522,742)
Other capital outlay	-	-	17,351	(17,351)
<b>Total expenditures</b>	<b>288,277,721</b>	<b>287,066,951</b>	<b>261,007,907</b>	<b>26,059,044</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(32,177,026)</b>	<b>(29,379,613)</b>	<b>(3,320,562)</b>	<b>(26,059,037)</b>
<b>Other financing sources (uses)</b>				
Transfers in	4,777,744	5,013,900	5,013,900	-
Transfers out	-	(28,759)	(28,759)	-
<b>Total other financing sources (uses)</b>	<b>4,777,744</b>	<b>4,985,141</b>	<b>4,985,141</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(27,399,282)</b>	<b>(24,394,472)</b>	<b>1,664,579</b>	<b>(26,059,051)</b>
Fund balances - July 1, 2015	32,715,282	32,715,282	32,715,284	2
Fund balances - June 30, 2016	<u>\$ 5,316,000</u>	<u>\$ 8,320,810</u>	<u>\$ 34,379,863</u>	<u>\$ (26,059,049)</u>

See report of independent auditors.

Leon County District School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
Other Federal Programs  
For the Fiscal Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Federal direct	\$ 1,783,431	\$ 1,833,238	\$ 1,833,154	\$ (84)
Federal through state and local	33,092,916	33,802,758	19,173,939	(14,628,819)
<b>Total revenues</b>	<u>34,876,347</u>	<u>35,635,996</u>	<u>21,007,093</u>	<u>(14,628,903)</u>
<b>Expenditures</b>				
Current:				
Instruction	18,564,590	19,327,085	9,759,561	9,567,524
Pupil personnel services	2,238,258	1,993,627	831,369	1,162,258
Instructional media services		13,590	9,095	4,495
Instruction and curriculum development services	7,005,649	7,067,303	5,287,785	1,779,518
Instructional staff training services	2,475,274	2,367,412	814,560	1,552,852
Instruction related technology	70,607	71,707	49,613	22,094
School board		6,833	6,403	430
General administration	2,022,220	1,980,567	1,066,067	914,500
School administration	28,069	50,232	34,441	15,791
Facilities acquisition and construction	86,500	191,910	878,123	(686,213)
Fiscal services	121	121	-	121
Central services	127,303	230,461	104,957	125,504
Pupil transportation	175,034	142,688	81,428	61,260
Operation of plant	30,568	93,822	37,610	56,212
Maintenance of plant	11,289	10,789	3,660	7,129
Community services	2,040,865	2,087,849	2,042,421	45,428
<b>Total expenditures</b>	<u>34,876,347</u>	<u>35,635,996</u>	<u>21,007,093</u>	<u>14,628,903</u>
<b>Net change in fund balances</b>				
Fund balances - July 1, 2015	-	-	-	-
Fund balances - June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Other Postemployment Benefits Plan  
Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/1/2011	\$ -	\$ 27,721,142	\$ 27,721,142	0.00%	\$ 114,207,168	24.27%
10/1/2013	\$ -	\$ 25,234,070	\$ 25,234,070	0.00%	\$ 114,709,308	22.00%
10/1/2015	\$ -	\$ 24,494,807	\$ 24,494,807	0.00%	\$ 119,756,603	20.45%

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability -  
Florida Retirement System  
Last 10 Fiscal Years

	Fiscal Year Ending June 30,		
	2015	2014	2013
Proportion of the net pension liability	0.0449757910%	0.463930418%	0.464637005%
Proportionate share of the net pension liability	\$ 58,092,266	\$ 28,306,578	\$ 79,984,708
Covered-employee payroll	\$ 155,974,703	\$ 153,320,119	\$ 163,946,076
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.24%	18.46%	48.79%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Contributions -  
Florida Retirement System  
Last 10 Fiscal Years

	Fiscal Year Ending June 30,		
	2016	2015	2014
Contractually required contributions	\$ 9,651,225	\$ 10,965,480	\$ 10,162,045
Contributions in relation to the contractually required contribution	(9,651,225)	(10,965,480)	(10,162,045)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 155,974,703	\$ 155,392,691	\$ 153,320,119
Contributions as a percentage of covered-employee payroll	6.19%	7.06%	6.63%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*



Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability -  
Health Insurance Subsidy Program  
Last 10 Fiscal Years

	Fiscal Year Ending June 30,		
	2015	2014	2013
Proportion of the net pension liability	0.00574085981%	0.575286134%	0.602917578%
Proportionate share of the net pension liability	\$ 58,547,740	\$ 53,790,657	\$ 52,491,902
Covered-employee payroll	\$ 155,974,703	\$ 153,320,119	\$ 163,946,076
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.54%	35.08%	32.02%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Contributions -  
Health Insurance Subsidy Program  
Last 10 Fiscal Years

	Fiscal Year Ending June 30,		
	2016	2015	2014
Contractually required contributions	\$ 2,772,392	\$ 2,194,514	\$ 1,970,737
Contributions in relation to the contractually required contribution	(2,772,392)	(2,194,514)	(1,970,737)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 155,974,703	\$ 155,392,691	\$ 153,320,119
Contributions as a percentage of covered-employee payroll	1.78%	1.41%	1.29%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

## Federal Reports and Schedules

Report of Independent Auditors 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*

Superintendent of Schools  
The Leon County District School Board

We have audited, in accordance with the 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 Leon County District School Board (the District), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity'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 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001 and 2016-002 to be material weaknesses and Finding 2016-003 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 other matters that we reported to the District's management in a separate letter dated March 29, 2017.

### **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe P.A.

**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
March 29, 2017

**Law, Redd, Crona & Munroe P.A.**  
Tallahassee, Florida

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Superintendent of Schools  
Leon County District School Board Members

**Report on Compliance for Each Major Federal Program**

We have audited Leon County District School Board's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each 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 each of its major federal programs for the year ended June 30, 2016.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe P.A.*

**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
March 29, 2017

**Law, Redd, Crona & Munroe P.A.**  
Tallahassee, Florida

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
<u>United States Department of Agriculture</u>			
Pass-through Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	15002	2,533,993
National School Lunch Program	10.555	15001, 15003	8,499,563
Summer Food Service Program for Children	10.559	15006	219,662
Total Child Nutrition Cluster			<u>11,253,218</u>
Fresh Fruit and Vegetable Program	10.582	15004	<u>133,722</u>
Pass-through Florida Department of Health:			
Child and Adult Care Food Program	10.558	n/a	<u>628,575</u>
Total United States Department of Agriculture			<u>12,015,515</u>
<u>United States Department of Justice</u>			
Pass-through Florida Department of Juvenile Justice:			
Juvenile Justice Delinquency Prevention - Allocation to States	16.540	10245	<u>47,003</u>
<u>United States Department of Education</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	33,347
Federal Pell Grant Program	84.063	n/a	1,799,807
Total Student Financial Assistance Cluster			<u>1,833,154</u>
Total Direct Programs, United States Department of Education			<u>1,833,154</u>
Indirect Programs:			
Pass-through Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	6,980,720
Special Education - Preschool Grants	84.173	266, 267	488,204
Total Special Education Cluster			<u>7,468,924</u>
Adult Education - Basic Grants to States	84.002	191,193	308,609
ARRA- State Fiscal Stabilization Fund- Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111	21,159
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	8,307,434
Career and Technical Education - Basic Grants to States	84.048	161	553,382
Education for Homeless Children and Youth	84.196	127	56,759
Charter Schools	84.282	298	750,803
Twenty-First Century Community Learning Centers	84.287	244	671,088
English Language Acquisition State Grants	84.365	102, 104	102,555
Improving Teacher Quality State Grants	84.367	224	637,814
Total Indirect Programs, United States Department of Education			<u>11,409,603</u>
Total United States Department of Education			<u>20,711,681</u>
<u>Corporation for National and Community Service</u>			
Pass-through Volunteer Florida:			
AmeriCorps	94.006	245027-1	177,880
<u>United States Department of Homeland Security</u>			
Pass-through Florida Department of Education			
Homeland Security Grant Program	97.067	532	91,636

(continued)



**LEON COUNTY DISTRICT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
<u>United States Department of Defense</u>			
Direct Programs:			
Air Force Junior Reserve Officers Training Corps	none	n/a	56,420
Navy Junior Reserve Officers Training Corps	none	n/a	60,258
Army Junior Reserve Officers Training Corps	none	n/a	60,594
Marine Corps Junior Reserve Officers Training Corps	none	n/a	59,790
Total United States Department of Defense			<u>237,062</u>
Total Expenditures of Federal Awards			<u>\$ 33,280,777</u>

**Notes:**

- (1) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Leon County District School Board under programs of the Federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
- (2) Summary of Significant Accounting Policies - Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate - The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance: National School Lunch Program - Includes \$877,385 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Of the federal expenditures presented in the schedule, Leon County District School Board provided federal awards to subrecipients as follows:

<u>Program Title</u>	Federal CFDA <u>Number</u>	Amount Provided to <u>Subrecipients</u>
Special Education - Grants to States	84.027	\$ 200,578
Improving Teacher Quality State Grants	84.367	20,266
Special Education - Preschool Grants	84.173	97,007
Title I Grants to Local Educational Agencies	84.010	322,891
Charter Schools	84.282	750,803
Twenty-First Century Community Learning Centers	84.287	96,929
		<u>\$ 1,488,474</u>

*See report of independent auditors on the financial statements.*

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section I -- Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
	United States Department of Education
	Pass through Florida Department of Education
	Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$998,423

Auditee qualified as low-risk auditee? No

*See report of independent auditors on the financial statements.*

**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

**Section II – Financial Statement Findings**

**MATERIAL WEAKNESS**

**2016-001 Capital Assets**

*Criteria:* Capital assets, net of accumulated depreciation, were approximately \$400 million and represented approximately 70% of the District's total assets for the fiscal year ended June 30, 2016. To prevent material misstatements in its financial statements, the District should reconcile capital assets reported in its inventory to the financial accounting records. Procedures for recording and reporting construction-in-process (CIP) should be established to ensure the proper classification and capitalization of construction projects and related purchases. The activity recorded as CIP, additions, and disposals of capital assets should be properly recorded and reported in the financial records.

*Condition:* Construction-in-process (CIP) cost schedules generated by the Construction and Facilities Management Accounting Office, which were used to report construction-in-process in the Annual Financial Report (AFR) for the year ended June 30, 2016, were not reconciled to the financial accounting records and did not agree to the general ledger. During our audit procedures we also noted a project, completed in July 2015, was listed on the CIP schedule which required an audit adjustment to remove it from CIP for the year ended June 30, 2016. We also noted that CIP additions included items that should have been reported as furniture and equipment.

Assets acquired during the FY2015-16 were not added to the District's fixed asset records until after the year ended on June 30, 2016. In addition the assets acquired during FY2014-15 were not added to the District's fixed asset records until FY2015-16, although they were recorded on the General Ledger and annual Financial Statements. Of the fixed asset additions selected for testing during our audit, adequate support of the purchase was not provided. For three of the additions selected for testing, no support (normally consisting of invoices, contracts or cancelled checks) for the amount was provided. Of the five asset disposals selected for testing, four were not listed for removal in the Inventory Certification. No supporting documentation was available for the disposal of a school bus. This same exception was noted in the prior year audit for the disposal of another bus. Land valued at approximately \$1.5 million was donated to the District in a prior year and was not listed in the asset records of the District or reported in its accounting records.

The asset disposals and write-offs for the period May 2013 through June 2016 were approved at the November 22, 2016 Board meeting. In addition, a construction project was approved by the Board that was not based on a proper bidding process as required by the District's policies.

Water quality inspections were only performed for completed new construction projects. These inspections are required upon completion of all construction projects, including additions and renovations on existing buildings.

**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

*Effect:* Capital assets represent a huge commitment of resources for the District. Without adequate procedures to reconcile the physical inventory of assets to the subsidiary records, along with the reconciliation of the subsidiary records to the accounting records, the District cannot provide the proper accountability and valuation of the District's capital assets.

*Cause:* Lack of adequate procedures and supervision over the process of accounting and reporting of Capital Assets in the financial accounting records.

*Recommendation:* The capital asset inventory system should be reconciled to the physical inventory on an annual basis and any differences be researched and resolved in a timely manner, including any adjustments required to the asset management system and the financial accounting records. Procedures for additions and disposals of assets should be reviewed to ensure compliance with all District policies and procedures, especially the procedures over the bidding process and obtaining proper authorization and documentation of asset disposals. Additions and disposals of assets should be recorded on a timely basis. In addition, the capital asset inventory records should be reconciled to the financial accounting records on a regular basis to ensure the proper accounting and reporting of these assets.

The Finance Department should review its procedures over the recording and reporting of CIP. This should include establishing procedures for the review of invoices to determine the proper classification and recording of CIP additions and other fixed asset additions or expenses included in construction invoices. Procedures should be developed to facilitate communication between the construction "accounting office" currently located in the Construction and Facilities Management department and the Finance Department located at the District office. CIP additions should be reconciled on a monthly basis to ensure proper classification and reporting of these amounts. Management of the Finance Department should be directly involved in the management and coordination of reporting and recording assets acquired during the construction process. Involvement of the Finance Department throughout this process will facilitate the information required to:

- Support decisions on the development of capital asset management policies and practices that are supported by both financial and construction and facilities management expertise.
- Provide guidance on the asset classification and useful life determination of asset construction and acquisitions. In addition, asset information, funding sources, debt, revenue, and budget data are all necessary to ensure assets are appropriately reported and managed across their lifecycle.
- Provide access to information needed to ensure that effective asset management decisions are supported by current and relevant data. Management should ensure that information from asset management processes are used in financial models and decision making. Information should be relevant and systems should meet both operational and finance needs of the District.

**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

As part of its management of capital assets, the District should consider implementing a fleet management system. This will help provide a clear and objective view of asset condition, remaining useful life, cost of maintenance, and other factors to make informed decisions about when to repair, replace or retire the District's buses and other vehicles.

Lastly, the District should review its procedures to ensure compliance with all applicable inspections on new and existing buildings.

*Views of responsible officials and planned corrective actions:* Construction in Progress (CIP) – The district has been reconciling the schedule of fixed assets for a couple of years after transitioning from accounting for fixed assets using a combination of stand-alone excel spreadsheets and the software program TERMS, to exclusively accounting for fixed assets in the enterprise resource system Skyward. This has been a challenge from two aspects. One has been the exercise from the District side of reconciling assets from old records into the new system. The other aspect has been coping with Skyward fixed asset program debugging issues. We believe we are on the cusp of firmly reconciling fixed assets. We also believe most of the Skyward bugs have been eliminated.

During fiscal year 2015-2016, projects in the Skyward system have been identified that had been completed but were not removed from CIP in the fiscal years completed. We moved several projects from CIP to Buildings dating back to 2009. We moved five projects in 2016. One piece of this reconciliation process was a decision by Finance management to investigate Leon County Property Appraiser records for the possibility of discovering property owned by the District that had not been recorded in the fixed asset records. District staff discovered 21 properties totaling \$1.7 million with acquisition dates recorded back to the year 1900. These properties were entered during the 2016-2017 fiscal year.

The Finance Department has begun a quarterly reconciliation process with the Construction and Facilities Department. A staff member in Construction and Facilities Department is accounting for each project on a spreadsheet with key information needed for accounting in Skyward. The Finance Department will quarterly reconcile Skyward projects with the staff member in Construction and Facilities. The Finance and Construction department have developed a procedure to clearly identify furniture and equipment in the construction process to ensure it is not included in CIP.

Disposal and write-offs from 2013-2016 was part of the clean-up process of the Skyward conversion. The Property Management office will complete disposal and write-offs on a quarterly basis.

**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

**2016-002 CASH MANAGEMENT AND TREASURY**

*Criteria:* The District should reconcile all of its bank accounts, including its investment and project accounts to the financial accounting records on a regular basis. Each bank or investment account should have a unique general ledger account to facilitate the reconciliation process. A list of all bank and investment accounts should be maintained to provide a control over the cash management function and the monthly reconciliation process. Checks should be recorded in the period generated.

*Condition:* During our audit procedures we noted certain bank and investment accounts utilized by the District for investment purposes were not reconciled to the financial accounting records. In addition, adjustments were posted to a cash account after it was reconciled to the general ledger. This resulted in adjustments to cash in the amount of \$2.6 million posted during the audit to correct the reported cash balance. Voided checks and other reconciling items are being carried forward on the bank reconciliation and adjustments to correct these differences are not being posted. In addition, one general ledger account includes three separate cash and investment accounts. These accounts are not being reconciled on a regular basis. Checks dated in July 2016 were posted in June 2016, which resulted in an adjustment to correct the understatement of cash and accounts payables by approximately \$3.3 million. Finally, the District issued checks, which were processed within the same bank account, to resolve interfund transfers and due to/due from balances in lieu of preparing journal entries.

*Effect:* When reconciliation procedures are not performed for all cash and investment accounts, the controls over cash and investments may be circumvented. The lack of reconciliations increases the risk of undetected errors and misappropriations. In addition, the changes in fair market value and interest earnings may not be reported in a timely manner. Cash is misstated when proper cutoff procedures have not been followed. Also, generating checks to facilitate transfers between funds that involve the same bank is not an efficient procedure and may result in unreconciled cutoff differences.

*Cause:* The District has not implemented appropriate controls to ensure proper management and reporting of its cash and investment accounts.

*Recommendation:* We recommend that the District improve its controls over cash and investments by developing a list of all cash accounts and assigning preparation and review responsibilities for each account. The list of cash and investment accounts should be updated for any changes in the District's banking arrangements, especially for new accounts required under new debt covenants. Each bank or investment account should have its own unique general ledger account. Reconciliations should be performed on a regular basis for all cash and investment accounts. Reconciliations should be reviewed to ensure that all reconciling items have been identified and properly resolved on a regular basis. The District should review its year-end procedures to determine proper cutoff of checks, so that transactions are recorded in the proper period and

**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

accurately reflected in the District's financial reports. In addition, the District should review its procedures for transfers between funds that involve the same bank. These transfers should be performed using journal entries and not by the presentation of a check. Lastly, we recommend that a comprehensive review of the District's Cash Management and Treasury function be performed by an investment advisor that is independent of the District. This review should determine each account's purpose and ensure that the accounts continue to meet the District's need to balance liquidity and risk, along with maximizing the earnings on idle funds.

*Views of responsible officials and planned corrective actions:*

➤ **Certain bank and investment accounts were not reconciled to the financial records.**

The reconciliation process has been enhanced. All cash accounts are now reconciled to the financial records. As verification of this process Finance will print the proof of reconciliation, along with a copy of the corresponding bank statement.

➤ **Adjustments were posted to cash account after it was reconciled to the General Ledger**

This process has been addressed by the Budget Director and the Financial Services Director. Moving forward, all end of the year entries will be reviewed prior to closing out the fiscal year to ensure this does not happen again.

➤ **Voided Checks and other reconciling items are being carried forward**

This is currently being corrected. Items will be monitored and corrected prior to closing out.

➤ **One General Ledger account includes three separate cash and investment accounts, these accounts are not reconciled on a regular basis**

This has been corrected. These accounts are currently reconciled on a regular basis (please see the first bullet above). A list of all bank and investments accounts has been established and is maintained in a notebook in the Budget Director's office. An additional copy will be maintained by the Senior Accountant who works with the District accounts.

➤ **Checks dated July 2016 were posted to June 2016**

This process is being reviewed and processes are being put in place to correct this in future postings. The Budget Director will closely monitor the employee responsible for that particular posting to ensure the entry is made to the proper account to record the liability.

➤ **District issued checks, which were processed through the same bank account, to resolve interfund transfers and due to/due from balances in lieu of preparing journal entries**

We will use journal entries due to/due from balances for fiscal year ending June 30, 2017.

**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

**SIGNIFICANT DEFICIENCY**

**2016-003 FINANCIAL REPORTING**

*Criteria:* The District's Annual Financial Report (AFR) continues to require significant adjustments and revisions in order for the AFR to be accurately submitted to the Florida Department of Education.

*Condition:* During our audit procedures, schedules generated by departments outside of the Finance Department were not reviewed or reconciled before being reported in the AFR. Internal controls over journal entries were not operating effectively, therefore, journal entries were recorded to accounts that had been reconciled and recorded on the AFR without being detected. The schedule of payroll payables did not agree to the general ledger, which required adjusting journal entries to be posted during the audit process. Accounts receivables were not evaluated for proper cutoff and the accounts receivable detail listings were not reviewed to ensure consistent and accurate reporting. Receivables were estimated at year end and not adjusted when actual amounts were known. In addition, the compensated absences liability was not calculated, which also required adjustment.

*Effect:* The Annual Financial Report submitted to the Florida Department of Education contained errors and inaccuracies.

*Cause:* Lack of adequate procedures and supervision over the preparation process of the Annual Financial Report. Information provided by other departments, such as Construction and Facilities Management and Payroll, is not reviewed or reconciled to the accounting records.

*Recommendation:* The Finance Department should review its procedures over the financial reporting process. Reliable accounting and financial reporting information provides the basis for management's decisions over operations, evaluation of performance, the budgetary process, and strategic and long-range planning. We recommend that the Finance Department:

- Review its structure to maximize the communication between all departments that provide information in the financial reporting process and clearly define and communicate information requirements and deadlines,
- Reconcile subsidiary records on a regular basis and resolve any differences in a timely manner,
- Minimize the use of Excel spreadsheets as supporting documentation for account balances and utilize the District's accounting software to its fullest potential,
- Utilize the District's accounting software in the preparation of the AFR and minimize the manual calculation of inputs, and



**Leon County District School Board**  
**Schedule of Findings and Questioned Costs-Federal Awards**  
**and State Financial Assistance (continued)**  
**For the Year Ended June 30, 2016**

- Enhance its review process for the AFR to ensure that the document is complete and accurate prior to submission to the FDOE.

*Views of responsible officials and planned corrective actions:* Processes are being established to monitor end of the year payables to ensure they will be posted correctly. The Budget Director will closely monitor the employee responsible for that particular posting to ensure the entry is made to the proper account to record the liability. The Budget Department will be moving staff with accounting backgrounds into positions for posting payrolls and recording receivables during fiscal year 2017-2018 who should have the knowledge base to identify proper accounting entry into Skyward. These moves will also allow the Accounting and Budget Director to delegate more day-to-day tasks and spend more time on quality control.

The Finance Department will establish deadlines for district departments to turn in key components for financial reporting that have been allowed to have more latitude for deadlines in past years. The goal is to complete the AFR sooner than in past years to allow more time to verify accounts.

The Finance Department has begun a quarterly reconciliation process with the Construction and Facilities Department. A staff member in Construction and Facilities Department is accounting for each project on a spreadsheet with key information needed for accounting in Skyward. The Finance Department will quarterly reconcile Skyward projects with the staff member in Construction and Facilities. The Finance and Construction department have developed a procedure to clearly identify furniture and equipment in the construction process to ensure it is not included in CIP.

**LEON COUNTY DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Prior Year's Finding and Recommendation**

The current year status of the prior year recommendation is presented below:

**Finding 2015-004: Noncompliance with Allowable Costs/Cost Principles- Compensation of Personnel Services**

Per United States Office of Management and Budget (OMB) Circular A-87, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

The questioned costs of \$72,321 represent the total salary and benefits expense for the employee charged to the grant for the year ended June 30, 2015. After audit testing performed, it was noted that the semi-annual certifications for the fiscal year could not be located for an employee funded 100% by the grant.

**Recommendation:** The District should enhance its procedures to ensure all salaries and wages paid with federal awards are supported by the appropriate documentation outlined in OMB Circular A-87.

**FY 2016 Status:** Semi-annual certifications are not required under the Uniform Guidance. Corrective action has been implemented.

## Other Reports

## Management Letter

Board Chair and Members of the  
Leon County District School Board, Florida

### Report on the Financial Statements

We have audited the basic financial statements of the Leon County District School Board (the District) as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated March 29, 2017.

### Auditor's Responsibility

We conducted our audit 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.800, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 29, 2017, should be considered in conjunction with this management letter.

### Current Year June 30, 2016 Recommendations

#### 2016-004 Audit Committee and Internal Audit Department

The Audit Committee and Internal Audit function are an integral part of the system of internal control of the District. Regular monitoring of the District's system of internal controls provides vital information to the Superintendent and the School Board. The Internal Auditing Department's annual work plan should cover high risk areas and rotate through various audit areas of the District on a regular basis in order to monitor the system of internal controls, provide assurance that it is operating as expected, and to make recommendations for improvement. Currently, Internal Audit's work plan focuses largely on the District's internal accounts. Due to limited staffing, the Internal Audit Department is unable to perform audits of the District's high risk areas, such as capital assets and construction and facilities management, as well as operational and compliance reviews. We recommend that the annual work plan be expanded to include areas of high risk to broaden the overall audit coverage of the District, along with ensuring that an adequate system of internal control and reporting has been implemented and effectively maintained.

Additionally, we recommend that the Audit Committee and the District evaluate its organizational and reporting structure, including its formal and informal oversight and supervision, to provide the necessary independent direction and management of the Internal Auditing Department. The independence of Internal Audit, both in fact and appearance, is necessary to ensure that the results of its audit work is reported to the appropriate organizational level and that recommendations for improvement are acted upon by management. Although policy states that the internal audit function reports to the Board, the Internal Audit Department effectively reports to District management.

Finally, we recommend that consideration be given to the staffing and training levels to ensure that the Internal Audit Department has adequate staffing with the requisite levels of education, training and experience required to provide the monitoring and reporting of the District's system of internal controls. The limited staffing in the Internal Audit Department does not allow for an effective internal audit function.

*Management Response:* Office of Internal Auditing staff conducts an annual risk assessment to identify projects that should be included in the Annual Work Plan. As a part of the risk assessment process, a draft work plan is provided to the Audit committee for discussion and approval, with final approval by the School Board. In the future, the risk assessment process will be further formalized and additional documentation will be maintained to support each step of the process.

Per District Policy, the Director of Internal Auditing reports to the Audit Committee and School Board. This reporting structure has been consistently maintained by Internal Auditing Staff, the School Board, Audit Committee, and District Management. As previously noted, the Director of Internal Auditing has routine contact with the Audit Committee Chair, School Board Chair and Superintendent to discuss issues impacting the District. Office of Internal Auditing staff routinely attends all regular and special meetings of the School Board and provides direct response and follow-up to all requests of the Board.

Office of Internal Auditing staff will continue to pursue appropriate professional training and certification to keep abreast of the most current knowledge and skills relevant to the District and the profession of Internal Auditing. Further, all new hires will continue to be processed by the Human Resources Department to ensure that they possess the skill set necessary to effectively complete all assigned job responsibilities. Currently, Internal Auditing staff offers a combination of experience and professional expertise that includes college degrees (Bachelors and Masters), certification issued by the Institute of Internal Auditors and more than 20 years of relevant professional experience . The Office of Internal Auditing staff also holds memberships with national organizations that provide a continual educational resource relevant to the field.

### **2016-005 Succession Planning for Anticipated Changes in District Personnel**

During the past several years, the District has experienced changes in key positions due to the retirement or resignation of certain employees. Currently, the District has over 300 employees participating in DROP, including several key management positions such as the Chief Financial Officer and the Director of Risk Management. Internal controls and knowledge of the District's various operations could be significantly impacted by the impending retirement of these employees. Critical operational and accounting functions may not be performed as a result of the retirement or resignation of a long-term employee. When significant changes in personnel are anticipated, it is important that proper planning and training are in place to ensure the responsibilities and duties are adequately transitioned. We recommend that the District evaluate its succession planning for these anticipated changes in key District positions to ensure that all job duties and responsibilities are adequately transferred, that all new personnel have the required level of education and experience, and that sufficient time is available for proper training.

*Management Response:* The District will continue succession planning efforts for key vacancies. The succession plans will give consideration to appropriate transition of job duties and responsibilities, experience requirements and training needs for each vacancy to help ensure a successful transition.

### **2016-006 Debt Compliance**

The Series 2010 Qualified Zone Academy Bonds (QZAB's) issued in 2010 requires a private 10% matching in the amount of \$3,635,700. The QZAB provides a tax-exempt source of funding for the District and requires compliance with various rules and regulations to maintain its tax-exempt status. During 2015, the Internal Revenue Services (IRS) audited Series 2010 QZAB and issued a letter of no findings at the conclusion of its audit. In order to continue to comply with the requirements of the QZAB funding, we recommend that the District review its procedures and documentation of all debt covenants and matching requirements.

*Management Response:* The District has implemented a procedure for tracking the receipt of matching contributions. The procedure includes the development and utilization of a QZAB Tracking System that can be used to identify and track any contributions received. Further, quarterly reminders of contributions and remaining commitments are provided to all partners.

## **2016-007 Purchase Card Procedures and Transactions**

During single audit testing, it was noted that a scanned Hotel Reservation Credit Card Authorization Form containing full credit card information from a District purchasing card (p-card) was included among travel documentation linked in Skyward to an approved invoice. The Form displayed the full credit card account number, expiration date, CVP security code, and cardholder name. According to the Director of Purchasing, the form is used by Purchasing to set up a travel profile in Works, the Bank of America card system, and for non-cardholder travelers to provide to hotels in lieu of a card upon arrival. Additionally, the District's practice was to store the physical copies of the Form in a locked file cabinet. It should not have been necessary to include a scanned copy in Skyward. Including full p-card account information within documents loaded into Skyward increases the risk that the information could be compromised and used to attempt unauthorized purchases. The bank could refuse to credit unauthorized charges resulting from District breaches of its own card information, should they occur.

To test the controls surrounding the purchase card process, a sample of fifty (50) purchase card (p-card) transactions was selected for testing during the audit of the 2015-16 fiscal year. Several exceptions were noted, such as credit limits authorized on the p-card issuance form did not agree with credit limits reported on the Bank of America statement. In addition, there was no authorized approval on several p-card expense summary sheets as required by District policy.

Adherence to policies and procedures will minimize the likelihood of errors and irregularities in the p-card purchasing system. We recommend that the District review its p-card policies and procedures with p-card users to ensure compliance with established policies and procedures over purchase cards. In addition, we recommend that District personnel responsible for the review and approval of p-card transactions ensure that approval policies and procedures are followed and that a periodic review of p-card issuance and limits be established. We recommend that the District reevaluate the necessity of including all card information on the Authorization Form and, where practicable, include only non-sensitive information on the form. As long as the current form is still used, the District should take steps to ensure that the Form is not scanned and linked to Skyward. Example measures could include reminders for travelers regarding documentation requirements and expanding the review of travel documentation to include detection of unneeded documents within scanned document packets.

*Management Response:* The Hotel Reservation Credit Card Authorization form is not intended to be included with any travel reimbursement documentation that is scanned into Skyward. While this was likely an isolated instance, moving forward we will ensure that document is not included in Skyward files.

P-card Program Policy allows administrators to request adjustments to the single transaction limits of individual cardholders at their site. At the sole discretion of the p-card Program Administrator, temporary limit increases are made to facilitate the requested purchases. Documentation is maintained by the p-card Program Administrator of the requests for increases.

The p-card Program Auditor is tasked with ensuring that all appropriate approval signatures are received. Principals currently are not required to have an additional authorized approval signature as they are the authorized approver for their site.

### **2016-008 Cash Disbursement Transactions**

To test the controls surrounding the cash disbursements cycle, a sample of twenty-five (25) disbursements was selected. Instances were noted where products were accepted and invoiced without a purchase order. The purchase order was created after the issuance of the invoice, which is not in accordance with District policy.

We recommend that the current policies and procedures established by the District's Purchasing Department be reiterated with employees and related to Cost Centers as to the preparation, coding, and approval process.

*Management Response:* District staff and school bookkeepers are constantly reminded this exception fails to serve the purpose of budgetary control, and it does not comply with School Board Policy. This exception is discussed in Bookkeeper Training Sessions held throughout the year.

### **2016-009 Internal Accounts – Disbursements**

A sample of 15 schools was selected. From each school, 25 disbursements were tested. Our testing identified the following findings:

#### Sealey Elementary School

- 2 disbursements were missing approvals prior to purchases being made.
- 8 disbursements were missing purchase orders.
- 6 disbursements were missing fee or donation letters.

#### Swift Creek Middle School

- 3 disbursements were missing fee or donation letters.
- 2 disbursements were for teacher reimbursements when purchase cards should have been used. These disbursements also had no evidence of prior approvals.

#### Gretchen Everhart School

- 8 disbursements were missing purchase orders.
- 1 disbursement was missing all supporting documentation except the check requisition which was found in Skyward.



Roberts Elementary School

- 2 disbursements were for teacher reimbursements when purchase cards should have been used.

Gilchrist Elementary School

- 1 disbursement was for a gift card purchase and a gift card log was not maintained.

Leon High School

- 1 disbursement exceeded the purchase order amount and the overage was not approved by the Principal.

Lincoln High School

- 4 disbursements were missing approvals prior to purchases being made.
- 8 disbursements were missing fee or donation letters.

Deerlake Middle School

- 1 disbursement was missing a check requisition.
- 1 disbursement had a purchase order dated subsequent to the invoice date.
- 1 disbursement the check cleared the bank with only one authorized signature.
- 4 disbursements were missing fee letters.

Chiles High School

- 4 disbursements were refunds due to students for the 14-15 school year for science fees that were not issued until March 29, 2016.

Adult and Community Education

- 1 disbursement's check cleared the bank with only one authorized signature.
- 2 disbursements were manual checks written in lieu of utilizing purchasing cards. Blank checks were delivered to individuals to purchase items at a grocery store and a membership only warehouse club.

Godby High School

- 1 disbursement was coded to the incorrect account.

Canopy Oaks Elementary School

- No findings in the sample tested.

WT Moore Elementary School

- 1 disbursement for gift cards, but logs to acknowledge receipt of the gift cards were not completed.

Riley Elementary School

- A digital image of a check that cleared the bank was not returned with the monthly bank statement and was not requested by the school until the auditor noted it was missing.

Lively Technical Center

- 1 disbursement contained only a quote as supporting documentation.
- 1 disbursement was coded to the incorrect account.

To be in compliance with the internal accounts manual, all checks must be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement. Violation of the dual signature requirement should be investigated and documented. Additionally, reimbursements should only be issued for exceptions outlined in the Internal Accounts Manual. We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be approved by the principal and retained and filed in a manner that makes it easily accessible. If not evident from the receipt, the business purpose of the expense should be noted on the supporting documentation. The check signers should review supporting documentation, including an approved check requisition, prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. The accountant should also carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account. Fees collected must be spent for the purposes for which they were collected. Receipt descriptions should match the descriptions on the check requisition. Gift card logs should be maintained and distribution of gift cards should be evidenced by the signature of the employee receiving the gift card.

We recommend that all purchases over \$750 for tangible property should be reported to the District's facilities management and added to the property register.

*Management response:* All noted exceptions are discussed in Bookkeeper Training Sessions held during the year. The district Project Manager who works with the school sites, reminds Principals and Bookkeepers of the procedures. Continuous reinforcement of the proper procedures will remain a top priority.

**2016-010 Internal Accounts – Receipts**

A sample of 15 schools was selected. From each school, 25 receipts were tested. Our testing identified the following findings:

Sealey Elementary School

- 12 receipts were missing issued teacher receipts when the amount collected exceeded \$5.
- 6 receipts were missing fee or donation letters.

Swift Creek Middle School

- 3 receipts were missing issued teacher receipts when the amount collected exceeded \$5.
- 8 receipts were missing fee or donation letters.

Gretchen Everhart School

- 1 receipt was missing issued teacher receipts when the amount collected exceeded \$5.

Roberts Elementary School

- No findings in the sample tested.

Gilchrist Elementary School

- 1 deposit was not made within 3 days of collection.

Leon High School

- No findings in the sample tested.

Lincoln High School

- 1 deposit was not made within 3 days of collection.
- 24 receipts were missing issued teacher receipts when the amount collected exceeded \$5.
- 1 receipt was missing a fee or donation letter.

Deerlake Middle School

- No findings in the sample tested.

Chiles High School

- 2 deposits were not made within 3 days of collection.

Adult and Community Education

- 5 deposits were not made within 3 days of collection.

Godby High School

- No findings in the sample tested.

Canopy Oaks Elementary School

- 1 deposit was not made within 3 days of collection.

WT Moore Elementary School

- No findings in the sample tested.

Riley Elementary School

- 3 deposits were not made within 3 days of collection.

Lively Technical Center

- 1 deposit was not made within 3 days of collection.
- Several instances of receipts for tuition fees not being allocated to the correct fee accounts.

At many of the schools, fee letters were not available to support the amounts requested from students. We also noted many instances where student receipts were not written or could not be located for collections over \$5.00. In addition, we noted instances where monies collected, based on copies of student receipts, were not remitted to the bookkeeper on the same day.

Additionally, we noted that the timing of deposits made by the schools was inconsistent with the internal accounts manual. The internal accounts manual states, “Deposits should be made daily. If however, the cash on hand is not of an amount to warrant deposit, it should be placed in the school safe. At a minimum, it is recommended that cash receipts be deposited within three days of receipt.”

We continue to recommend that cash be deposited within three days of receipt in order to comply with the internal accounts manual. A deposit should be made on the last day of the week so that cash is not kept in the schools over the weekend and a deposit should be made on the last day of the month to facilitate the closing of that month’s books.

We also recommend that fees letters be maintained to support the amounts requested from students and that receipts are written for amounts over \$5.00 in accordance with District policies and procedures. It is also important that receipt books are retained as support for all cash receipts.

*Management response:* All noted exceptions are discussed in Bookkeeper Training Sessions held during the year. The district Project Manager who works with the school sites, reminds Principals and Bookkeepers of the procedures. Continuous reinforcement of the proper procedures will remain a top priority.

#### **2016-011 Internal Accounts – Internal Controls**

Based on our interviews and testing, we identified the following related matters/exceptions to internal controls.

1. Several schools did not complete the year end bank reconciliation within 15 days of the following month.
2. At one school, the chart of accounts does not contain separate accounts for fee related activity in order to appropriately track the funds.

We recommend that the Leon County School District work with principals, assistant principals and other principal designees, and accountants to emphasize the internal controls that should be in place at each school, especially the accurate and timely preparation of bank reconciliations. Effective controls reduce the risk of fraud and improve accuracy of financial information.

*Management response:* All noted exceptions are discussed in Bookkeeper Training Sessions held during the year. The district Project Manager who works with the school sites, reminds Principals and Bookkeepers of the procedures. Continuous reinforcement of the proper procedures will remain a top priority.

\*\*\*\*\*

## Prior Audit Findings

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Findings and Recommendations.

### Prior Year Findings and Recommendations

Corrective actions have been taken to address findings and recommendations in the preceding annual financial report, except for:

Tabulation of Uncorrected Audit Findings				
* Current Year Finding #	* 2014-15 FY Finding #	** 2013-14 FY Finding #	* 2012-13 FY Finding #	* 2011-12 FY Finding #
2016-001	2015-001	3	-	-
2016-002	2015-003	-	-	-
2016-003	2015-002	1	13-01	12-06
2016-004	2015-005	-	-	-
2015-007	2015-006	-	-	-
2015-009	2015-007	14-01	13-08	-
2015-010	2015-008	14-02	13-09	-
2015-011	2015-009	14-04	-	-

\* Thomas Howell Ferguson, P.A. / Law, Redd, Crona & Munroe, P.A.

\*\* Florida Auditor General

## Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires the auditor to report the results of our determination as to whether the District maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the District maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

## Other Matters

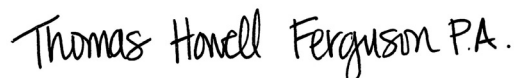
10.804(1)(f)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the matters discussed in the Current Year June 30, 2016 Recommendations section of this letter and the Schedule of Findings and Questioned Costs-Federal Awards and State Financial Assistance dated March 29, 2017.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

The District's responses to the Management Letter findings identified in our audit are included in this letter. We did not audit the District's responses and accordingly, we express no opinion on the responses.

## Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District School Board members, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



**Thomas Howell Ferguson P.A.**  
Tallahassee, Florida  
March 29, 2017



**Law, Redd, Crona & Munroe P.A.**  
Tallahassee, Florida

**APALACHICOLA BAY CHARTER SCHOOL, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**SKELTON, BRYANT, BRYANT & SCARBORO, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
TALLAHASSEE, FLORIDA**

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED

PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF CERTIFIED

PUBLIC ACCOUNTANTS

August 16, 2018

To The Board of Directors  
Apalachicola Bay Charter School, Inc.  
Apalachicola, Florida

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Apalachicola Bay Charter School, Inc., a component unit of the Franklin County District School Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Apalachicola Bay Charter School, Inc. as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2018, on our consideration of Apalachicola Bay Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and

not to provide an opinion on the effectiveness of the Apalachicola Bay Charter School, Inc.'s internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Apalachicola Bay Charter School, Inc.'s internal control over financial reporting and compliance.

*Skelton, Bryant, Bryant & Scarboro, P.A.*

Skelton, Bryant, Bryant & Scarboro, P.A.  
Certified Public Accountants

## **APALACHICOLA BAY CHARTER SCHOOL, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the Apalachicola Bay Charter School, Inc. (the School) has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the School's financial activities; (c) identify changes in the School's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 11 through 29.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-2018 fiscal year are as follows:

- Operating revenues exceeded expenses by \$58,843 in the current year, and cumulative net assets at June 30, 2018 increased to \$3,092,950.
- In May 2009 the School purchased the Chapman Elementary School building (Chapman) from the Franklin County School Board (the Sponsor) and it has become the School's permanent location. The facility, built in 1979, has been undergoing significant renovations, repair and maintenance in recent years. These activities occurred in the current fiscal year, and are expected to continue during the next few years. The land surrounding Chapman remains owned by the Sponsor and is leased to the School for 50 years. The former school campus has been dismantled, but is still owned by the School.
- The Sponsor again this year approved allocating a portion of its Capital Outlay Property Tax Levy (COPTL), \$93,334, to help pay for the ongoing renovation and maintenance of the Chapman facility, including painting the interior of the gymnasium building and converting shower area into a multi-purpose classroom.

### **NON-FINANCIAL HIGHLIGHTS**

- In the current fiscal year the School received a high B grade from the State of Florida (State). The School is appealing this grade as one student tested was excluded from the population used in the State scoring system. The School has earned an A grade in five of the past seven years.
- The school offers a pre-K program, and a K-8<sup>th</sup> grade school. Enrollment in the K-8<sup>th</sup> grade school decreased to 336 children this year from 345 last year. The pre-K program had 30 students this year, two less than a year ago.
- The School operates under a contract with its Sponsor which is effective until June 30, 2029.

# **APALACHICOLA BAY CHARTER SCHOOL, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- School-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis and budgetary comparison schedules.

### **School-Wide Financial Statements**

The school-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the School's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets, and its results of operations during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in student enrollment.

### **Fund Financial Statements**

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

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the school-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the school-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

**APALACHICOLA BAY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Funds (continued)**

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the school-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School's major funds are the General Fund and Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided 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 school-wide statements because the resources are not available to support the School's own programs. In its fiduciary capacity, the School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

**Notes to Financial Statements**

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

**APALACHICOLA BAY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SCHOOL-WIDE FINANCIAL ANALYSIS**

This section is used to present condensed financial information from the school-wide statements that compare the current year to the prior year.

**Statement of Net Assets**

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<i>Total Assets are comprised of the following elements:</i>		
Current Assets	\$ 1,903,379	\$ 1,812,401
Noncurrent Assets	<u>1,442,462</u>	<u>1,447,215</u>
<b>Total Assets</b>	<b>\$ <u>3,345,841</u></b>	<b>\$ <u>3,259,616</u></b>
<i>Total Liabilities are comprised of the following elements:</i>		
Current Liabilities	\$ 157,237	\$ 133,293
Noncurrent Liabilities	<u>95,654</u>	<u>92,216</u>
<b>Total Liabilities</b>	<b>\$ <u>252,891</u></b>	<b>\$ <u>225,509</u></b>
<i>Total Net Assets are comprised of the following elements:</i>		
Invested in Capital Assets	\$ 1,413,667	\$ 1,416,220
Restricted Assets	37,628	-
Unrestricted Assets	<u>1,641,655</u>	<u>1,617,887</u>
<b>Total Net Assets</b>	<b>\$ <u>3,092,950</u></b>	<b>\$ <u>3,034,107</u></b>

- The School's overall financial position improved by \$58,843 this year as noted on the next page showing total revenues exceeding expenses. This is the primary reason for the increase in Current Assets.
- Noncurrent assets primarily increased this year with continuing acquisition of technology to enhance classroom instruction.

**APALACHICOLA BAY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SCHOOL-WIDE FINANCIAL ANALYSIS (continued)**

**Statement of Net Assets (continued)**

The key elements of the increase in the School's net assets for the fiscal years ended June 30, 2018 and 2017 are as follows:

	<b>Operating Results for the Fiscal Year Ended</b>	
	<b><u>June 30, 2018</u></b>	<b><u>June 30, 2017</u></b>
Program Revenues:		
Operating Grants and Contributions	\$ 259,624	\$ 226,683
Capital Grants and Contributions	171,362	212,378
General Revenues:		
Grants and Contributions Not Restricted to		
Specific Programs	2,774,475	2,753,304
Investment Earnings	22,612	15,688
Special Items:		
Donated labor - professional services	113,955	101,643
Donated value of land usage	9,000	9,000
(Loss) on disposal of fixed assets	(3,002)	(1,335)
<b>Total Revenues</b>	<b>\$ 3,348,026</b>	<b>\$ 3,317,361</b>
Functions/Program Expenses:		
Instruction and Instruction Related Services	2,174,405	2,109,021
General Administration – Board	5,196	5,051
School Administration	611,860	547,156
Facilities Acquisition and Construction	7,139	18,485
Fiscal Services	58,459	58,029
Pupil Transportation Services	55,429	57,672
Operation of Plant	255,833	247,513
Maintenance of Plant	119,889	113,211
Interest on Long-Term Debt	973	1,975
<b>Total Functions/Program Expenses</b>	<b>3,289,183</b>	<b>3,158,113</b>
<b>Increase in Net Assets</b>	<b>\$ 58,843</b>	<b>\$ 159,248</b>

- Grants and Contributions Not Restricted to Specific Programs increased this year, primarily due to the \$34,500 received for earning an A grade last year. The State funding formula for general operations is based, in part, on the number of full-time equivalent students attending during the year.



**APALACHICOLA BAY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SCHOOL-WIDE FINANCIAL ANALYSIS (continued)**

**Statement of Net Assets (continued)**

- Capital Grants and Contributions decreased this year due to State legislation which revised the way public schools are funded for eligible capital outlay projects. Under the new statute, all charter schools eligible for capital outlay funding will participate in its local school District's COPTL according to a specified formula. This formula reduces a charter school's annual allocation of COPTL revenue by its annual State funded Public Education Capital Outlay revenue. As a result of this new legislation, the State reduced its funding of PECO to charter schools this year. The School was one of only a few charter schools in the State that in prior years had developed a sharing arrangement with its District.
- Donated labor – professional services is discussed in Note 11 to Financial Statements (see page 29).
- Instruction and Instruction Related Services expenses rose for several reasons. Regular staff and benefit increases were given again this year. Several teachers were awarded scholarships under the State's Best and Brightest program which amounted to \$53,600 this year, nearly twice the amount awarded a year ago. The School received \$34,500 from the State to reward its staff for earning an A grade last year.

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

This section provides an analysis of the balances and transactions of the individual funds. The analysis addresses the reasons for significant changes in fund balances and the effect of the availability of fund resources for future use.

- **General Fund.** See General Fund Budgetary Highlights Section below.
- **Capital Projects Fund.** Capital outlay monies have been primarily used for maintenance, renovation, and repair of Chapman, fixed asset additions, and debt service.
- **Other Governmental Funds.** This category consists of all funds that have been determined to be non-major funds according to Governmental Accounting Standards Board Statement No. 34. These funds may move in and out of this non-major status depending on the dollar value of activities in any one year. Examples of funds contained in this group are Special Revenue Funds received for Title I and Individuals with Disabilities Education Act.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Operations in the General Fund were positive this year, and a year ago. In the current year, actual operating revenues were under budget by \$21,373 and actual operating expenditures were under budget by \$5,693. The total actual revenues exceeded total actual expenditures by \$29,406 for the year. See page 30 for further detail.

**APALACHICOLA BAY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SIGNIFICANT ECONOMIC FACTORS**

- **Student Enrollment and Funding** - Revenues from the State for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 236.081, Florida Statutes. In accordance with this law, the School determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department establishes a per student funding formula each year, and the School receives revenues based on its actual student attendance during the year.
- **Capital Outlay Funding** – In addition to the operating funds discussed under student enrollment, the School annually receives funding for eligible capital outlay projects, including debt service, from State revenue.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Apalachicola Bay Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Apalachicola Bay Charter School, Inc., 98 12<sup>th</sup> Street, Apalachicola, Florida.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2018**

	<u><b>Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 415,852
Certificates of deposit	1,419,878
Accounts receivable	2,931
Due from other agencies	6,306
Interest receivable on investments	7,228
Prepaid expenses	51,184
Capital assets, net	<u>1,442,462</u>
<b>TOTAL ASSETS</b>	<u><b>3,345,841</b></u>
<b><u>LIABILITIES</u></b>	
Salaries, benefits, and payroll taxes payable	121,401
Accounts payable	35,836
Noncurrent liabilities:	
Portion due within one year:	
Liability for compensated absences	33,429
Notes payable	28,795
Portion due after one year:	
Liability for compensated absences	<u>33,430</u>
<b>TOTAL LIABILITIES</b>	<u><b>252,891</b></u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	1,413,667
Restricted for:	
Renovations and maintenance on Chapman facility	37,628
Unrestricted	<u>1,641,655</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 3,092,950</b></u>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
	<u>Expenses</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Governmental activities:				
Instruction and instruction				
related services	\$ (2,174,405)	\$ 259,624	\$ -	\$ (1,914,781)
General administration - Board	(5,196)	-	-	(5,196)
School administration	(611,860)	-	-	(611,860)
Facilities acquisition				
and construction	(7,139)	-	7,139	-
Fiscal services	(58,459)	-	-	(58,459)
Pupil transportation services	(55,429)	-	-	(55,429)
Operation of plant	(255,833)	-	69,364	(186,469)
Maintenance of plant	(119,889)	-	93,886	(26,003)
Interest on long-term debt	(973)	-	973	-
Total governmental				
activities	\$ <u>(3,289,183)</u>	\$ <u>259,624</u>	\$ <u>171,362</u>	\$ <u>(2,858,197)</u>
<b>GENERAL REVENUES:</b>				
Grants and contributions not restricted to specific purposes				2,774,475
Investment earnings				22,612
<b>SPECIAL ITEMS:</b>				
Donated labor - professional services				113,955
Donated value of land usage				9,000
(Loss) on disposal of fixed assets				<u>(3,002)</u>
Total general revenues and special items				<u>2,917,040</u>
<b>CHANGE IN NET ASSETS</b>				58,843
<b>NET ASSETS - BEGINNING OF YEAR</b>				<u>3,034,107</u>
<b>NET ASSETS - END OF YEAR</b>				<u><u>\$ 3,092,950</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Projects- Public Education Capital Outlay Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 378,224	\$ 37,628	\$ -	\$ 415,852
Certificates of deposit	1,419,878	-	-	1,419,878
Accounts receivable	2,931	-	-	2,931
Due from other agencies	-	6,306	-	6,306
Due from other funds	6,306	-	-	6,306
Interest receivable on investments	7,228	-	-	7,228
Prepaid expenses	51,184	-	-	51,184
<b>TOTAL ASSETS</b>	<b>\$ 1,865,751</b>	<b>\$ 43,934</b>	<b>\$ -</b>	<b>\$ 1,909,685</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Salaries, benefits and payroll taxes payable	\$ 121,401	\$ -	\$ -	\$ 121,401
Accounts payable	35,836	-	-	35,836
Due to other funds	-	6,306	-	6,306
<b>TOTAL LIABILITIES</b>	<b>157,237</b>	<b>6,306</b>	<b>-</b>	<b>163,543</b>
<b><u>FUND BALANCES</u></b>				
Restricted	-	37,628	-	37,628
Unassigned	1,708,514	-	-	1,708,514
<b>TOTAL FUND BALANCES</b>	<b>1,708,514</b>	<b>37,628</b>	<b>-</b>	<b>1,746,142</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,865,751</b>	<b>\$ 43,934</b>	<b>\$ -</b>	<b>\$ 1,909,685</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2018**

**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** **\$ 1,746,142**

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES**  
**IN THE STATEMENT OF NET ASSETS ARE DIFFERENT**  
**BECAUSE:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,267,696 and the accumulated depreciation is \$(825,234). 1,442,462

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

Liability for compensated absences	\$ (66,859)	
Notes payable	<u>(28,795)</u>	<u>(95,654)</u>

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 3,092,950**

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES:</u></b>				
Intergovernmental:				
Florida education finance program	\$ 2,619,611	\$ 19,060	\$ -	\$ 2,638,671
Capital outlay funds	-	171,362	-	171,362
Federal through state	-	-	205,024	205,024
State through local	143,753	-	-	143,753
Local	46,651	-	-	46,651
Interest income	22,612	-	-	22,612
<b>TOTAL REVENUES</b>	<b>2,832,627</b>	<b>190,422</b>	<b>205,024</b>	<b>3,228,073</b>
<b><u>EXPENDITURES:</u></b>				
Current:				
Instruction and instruction related services	1,965,449	-	205,024	2,170,473
General administration - Board	5,196	-	-	5,196
School administration	471,382	-	-	471,382
Fiscal services	58,459	-	-	58,459
Pupil transportation services	46,965	-	-	46,965
Operation of plant	218,848	36,985	-	255,833
Maintenance of plant	26,003	93,886	-	119,889
Debt service:				
Principal	-	2,200	-	2,200
Interest	-	973	-	973
Capital outlay	10,919	18,750	-	29,669
<b>TOTAL EXPENDITURES</b>	<b>2,803,221</b>	<b>152,794</b>	<b>205,024</b>	<b>3,161,039</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>29,406</b>	<b>37,628</b>	<b>-</b>	<b>67,034</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>29,406</b>	<b>37,628</b>	<b>-</b>	<b>67,034</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,679,108</b>	<b>-</b>	<b>-</b>	<b>1,679,108</b>
<b>FUND BALANCES - END OF YEAR \$</b>	<b>\$ 1,708,514</b>	<b>\$ 37,628</b>	<b>\$ -</b>	<b>\$ 1,746,142</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE**  
**SCHOOL-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 67,034**

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:**

Capital outlays to purchase or build/renovate capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of activities and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Capital outlay	\$ 141,819	
Depreciation expense	<u>(143,570)</u>	(1,751)

In the statement of activities, the loss on disposal of fixed assets is reported, but has no impact on the governmental funds.	(3,002)
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The accrual of compensated absences is not an expenditure in governmental funds, as no amounts were actually paid. However, for governmental activities, the cost of compensated absences is measured by the amounts earned during the year. This amount reflects the net adjustment to the compensated absences accrual at June 30, 2018.	(5,638)
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Repayment of mortgage and note principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	<u>2,200</u>
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>58,843</u></b>
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**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2018**

Agency Funds

**ASSETS**

Cash and cash equivalents

\$ 30,504

**NET ASSETS**

Assets held in trust for student activities

\$ 30,504

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Apalachicola Bay Charter School, Inc. conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

**Reporting Entity** – Apalachicola Bay Charter School, Inc., (the School), was created on July 1, 2001, to operate as a charter school under Florida Statute 228.056. As required by Florida Statute 228.056, the School operates as a nonprofit organization. The School is approved for nonprofit status under Section 501(c)(3) of the Internal Revenue Code.

The School presently maintains a charter with the Franklin County District School Board (the Sponsor) to provide an educational program for elementary and middle school students in grades pre - kindergarten through eight. The School receives a majority of its funding through the Sponsor based on a formula of student attendance, which is identical to that of other Franklin County public schools. The current charter is effective until June 30, 2029. At the end of the term of the charter, the Sponsor may choose not to renew the charter based on grounds specified in the charter. With just cause, the Sponsor is required to notify the School in writing, at least 90 days prior to the charter's expiration. During the term of the charter, the Sponsor may also terminate a charter if good cause is shown. The Apalachicola Bay Charter School, Inc. is considered a component unit of the Franklin County District School Board.

**Basis of Presentation** – Although the School is a nonprofit corporation, these financial statements are presented using the governmental reporting model. This treatment is required by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, due to the nature of the School and the potential for unilateral dissolution by the Sponsor.

The School's basic financial statements consist of school-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**School-wide Financial Statements** – The statement of net assets and the statement of activities display information about the School as a whole. These statements include the financial activities of the School, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**School-wide Financial Statements (continued)** – revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

**Fund Financial Statements** – During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Fund Accounting** – The School uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School's governmental funds:

**General Fund** – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. It is the primary operating fund of the School.

**Special Revenue Funds** – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Capital Projects Funds** – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities, certain facility maintenance expenses, and other permitted expenses.

Additionally, the School reports the following fiduciary fund type:

**Agency Funds** – Agency Funds are used to account for the resources of the School's internal funds, which are used to administer monies collected in connection with School student athletic, class and club activities.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Fund Balance Reporting** – The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as follows:

- *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
- *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors (the School's highest level of decision-making authority),
- *Assigned* fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as restricted or committed, and
- *Unassigned* fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

**Measurement Focus**

**School-wide Financial Statements** – The school-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets.

**Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the school-wide statements and the statements for governmental funds.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting** – Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues** – On the accrual basis, revenue is recognized when earned. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the School considers revenues to be available if they are collected within ninety days of the end of the current fiscal year.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Revenue from grants, entitlements and donations that have not satisfied all eligibility requirements are deferred.

**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Cash and Cash Equivalents** – The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents includes money market accounts as the School may deposit additional funds at any time, and withdraw funds at any time without penalty.

**Certificates of Deposit** – The School owns certificates of deposit at a local financial institution and through a brokerage account as authorized by the Board of Directors. Maturities range from three months to five years. The certificates of deposit are carried at cost. The difference between cost and market value is insignificant.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

**Capital Assets** – General capital assets result from expenditures in the governmental fund. These assets are reported in the government-wide statement of net assets but are not reported in the governmental fund financial statements.

Capital assets are defined by the School as assets with an initial individual cost of \$750 or more and an estimated useful life in excess of one year. Capital assets are capitalized at historical cost or estimated historical cost and updated for additions and retirements during the year. Donated assets are recorded at fair value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets except land and land improvements are depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements other than buildings	15 – 30 years
Buildings and fixed equipment	15 – 50 years
Furniture and equipment	5 years
Library books	3 – 5 years
Motor vehicles	5 – 10 years
Computer software	5 years

**Accumulated Compensated Absences** – The School's employees accumulate ten days of sick leave per service period year, and three days of annual leave per service period year. Unused annual and sick leave, up to five days, may be carried over to the next year up to a maximum total of twenty days. Unused annual and sick leave are not paid upon employee termination. All vacation and sick leave is accrued when incurred in the school-wide financial statements.

**State Revenue Sources** – Revenues from State sources for current operations are received primarily from the Franklin County District School Board (the Sponsor) pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33 (17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Sponsor. Under the provisions of Section 1011.62, Florida Statutes, the Sponsor reports the number of FTE students and related data to the Florida Department of Education (the Department) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the Department under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

**State Revenue Sources (continued)**

The School may receive federal, state or private awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For 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.

Under a new State statute enacted in fiscal year 2018, all charter schools eligible for capital outlay funding will participate in its local school District's COPTL according to a specified formula. This formula reduces a charter school's annual allocation of COPTL revenue by its annual State funded Public Education Capital Outlay revenue. As a result of this new legislation, the State reduced its funding of PECO to charter schools this year. The School was one of only a few charter schools in the State that in prior years had developed a sharing arrangement with its District.

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

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Budgets** – The School is required by the contract with the Sponsor to adopt annual budgets for the General Fund, Special Revenue Fund, and Capital Projects Fund. Each budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The legal level of budgetary control is the fund level. Budgets may be amended by the School's Board of Directors. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the required supplemental information represents both the original budget and final authorized amounts. Unused appropriations for all annually budgeted funds lapse at the end of the year.

A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as Required Supplementary Information.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2: CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Disposals & Adjustments	Balance June 30, 2018
<b>Nondepreciable capital assets:</b>				
Land	\$ 331,400	\$ -	\$ -	\$ 331,400
Land improvements-nondepreciable	29,544	-	-	29,544
Total nondepreciable	360,944	-	-	360,944
<b>Depreciable capital assets:</b>				
Building and improvements	1,028,948	18,750	-	1,047,698
Improvements other than building	148,366	1,007	-	149,373
Motor vehicles	147,143	-	-	147,143
Library books	12,842	-	-	12,842
Furniture, fixtures and equipment	424,798	121,172	(16,307)	529,663
Computer software	57,568	890	(38,425)	20,033
Total at cost	1,819,665	141,819	(54,732)	1,906,752
<b>Less accumulated depreciation and amortization:</b>				
Building and improvements	(254,757)	(63,661)	-	(318,418)
Improvements other than building	(26,417)	(9,652)	-	(36,069)
Motor vehicles	(137,974)	(8,464)	-	(146,438)
Library books	(12,842)	-	-	(12,842)
Furniture, fixtures and equipment	(253,589)	(58,408)	13,523	(298,474)
Computer software	(47,815)	(3,385)	38,207	(12,993)
Total accumulated depreciation and amortization	(733,394)	(143,570)	51,730	(825,234)
<b>Depreciable capital assets, net of accumulated depreciation</b>	1,086,271	(1,751)	(3,002)	1,081,518
<b>Government Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 1,447,215</u>	<u>\$ (1,751)</u>	<u>\$ (3,002)</u>	<u>\$ 1,442,462</u>

Depreciation and amortization for the fiscal year ended June 30, 2018, were charged to governmental functions as follows:

Instruction and instruction related services	\$ 111,003
School administration	24,103
Pupil transportation services	8,464
	<u>\$ 143,570</u>



**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

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

<b>Funds:</b>	Interfund	
	<u>Receivables</u>	<u>Payables</u>
Major Funds:		
General	\$ 6,306	\$ -
Capital Projects:		
Public Education Capital Outlay	<u>-</u>	<u>6,306</u>
Total	<u>\$ 6,306</u>	<u>\$ 6,306</u>

The above interfund receivables and payables represent temporary advances to the Capital Projects Fund, which are expected to be repaid from future capital outlay funding.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4: LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the School for the year ending June 30, 2018:

**Line of Credit** – On December 7, 2011, the School obtained a business line of credit with a local bank in an amount up to \$170,000, with a maturity date of December 6, 2016. Monthly payments of all accrued unpaid interest are required beginning January 7, 2012. Interest is calculated at an annual interest rate of 3.05%. Monthly principal payments prior to maturity are at the option of the School. In the promissory note agreement, the lender has the right to demand repayment prior to the scheduled maturity date. The line of credit is secured by a certificate of deposit.

On March 19, 2015, the School reduced the available line of credit from \$170,000 to \$100,000. All other terms of the original promissory note remain the same.

On December 6, 2016, the School renewed the line of credit, with a maturity date of December 6, 2021. There is no change to the terms of the promissory note renewal.

The School does not expect the bank to exercise its demand option under this financing agreement. However, should the bank demand early repayment, the line of credit will be fully paid by the certificate of deposit that collateralizes the line of credit.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u> <u>&amp; Payments</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Line of Credit-					
Centennial Bank	\$ <u>30,995</u>	\$ <u>-</u>	\$ <u>2,200</u>	\$ <u>28,795</u>	\$ <u>28,795</u>
Total Long-term					
Liabilities	\$ <u>30,995</u>	\$ <u>-</u>	\$ <u>2,200</u>	\$ <u>28,795</u>	\$ <u>28,795</u>

The debt requirements for outstanding long-term debt at June 30, 2018 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>28,795</u>	\$ <u>878</u>	\$ <u>29,673</u>

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5: SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's state revenues for the 2017-2018 fiscal year:

<u>Source</u>	
Florida Education Finance Program	\$ 1,430,364
ESE Guaranteed	62,719
Supplemental Academic Instruction	75,729
Sparsity Supplement	48,239
Discretionary Local Effort	379,489
Safe Schools Allocation	23,811
Instructional Materials Allocation	25,703
Digital Classrooms Allocation	140,700
Teachers Lead	5,593
Student Transportation	28,280
Class Size Reduction	370,496
Reading Allocation	44,631
Declining Enrollment	<u>2,917</u>
Total	\$ <u><u>2,638,671</u></u>

These funds were distributed as follows:

General Fund	\$ 2,619,611
Capital Outlay Fund (pursuant to state statutes)	<u>19,060</u>
	\$ <u><u>2,638,671</u></u>

**NOTE 6: DEFINED CONTRIBUTION PLAN**

The School is a single employer that contributes to the Apalachicola Bay Charter School, Inc. 401(K) Profit Sharing Plan (Plan), which is a defined contribution plan. There are two components to the Plan. Each year the School determines the percentage, up to 5%, that it will contribute under each component of the plan.

The 401(K) component of this plan covers all eligible school employees. Eligible employees may elect to contribute up to 5% of gross salaries to the Plan. In the current fiscal year, the School matched up to 5% of the employee's salary with immediate vesting. At June 30, 2018, there were 40 Plan members participating in the 401(K) component.

The profit sharing component of this Plan covers the School's full time teachers, principal, executive assistant, facilities manager, and business manager. In the current fiscal year the School contributed 5% of the eligible employee's salary to the Plan. At June 30, 2018, there were 32 Plan members participating in the profit sharing component.

School contributions to the Plan for the fiscal years ended June 30, 2016 through 2018 were \$114,542, \$123,319, and \$129,964 respectively.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7: DEPOSIT CONCENTRATIONS**

The School has deposits at various financial institutions and a brokered certificates of deposit account. All cash deposits and individual certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each institution. As of June 30, 2018, the School's uninsured cash deposits were \$184,798.

**NOTE 8: SIGNIFICANT FUNDING SOURCES**

A substantial amount of the School's funding is received from State and Federal Sources. The State transmits this funding to the Sponsor, which then remits it to the School. The School also is sharing in its Sponsor's Capital Outlay tax levy and is using its share to help pay for the Chapman School renovations. A significant reduction in the level of any of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

**NOTE 9: RISK MANAGEMENT**

The School is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage is consistent with previous years. The School does not sponsor a public entity risk pool. There have been no insurance settlements in the past three fiscal years.

**NOTE 10: RELATED PARTIES**

The School is considered a component unit of the Sponsor.

In May, 2009, the Sponsor sold the Chapman building and land underneath the building (Chapman) to the School. The warranty deed includes a reversion clause. In the event the School is dissolved, or the property is used for other than a classroom facility, Chapman would be deeded back to the Sponsor. The School is prohibited from mortgaging or encumbering the property without the written consent of the Sponsor.

In May, 2009 the Sponsor initiated a land lease with the School for the 2.67 acres of vacant land surrounding Chapman. The term of the lease is for a period of fifty years, and the School has an option to renew the lease for an additional fifty years. The cumulative rent for the entire term of the lease is \$50. The School has determined the fair value of the land lease at \$9,000 per year.

The Sponsor retains the right to cancel the lease and remove any property added by the School, and reimburse the School for the fair market value of any permanent improvements made to the property.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10: RELATED PARTIES (continued)**

Food services are provided to the School's students by the Sponsor daily at no cost. All students qualify for free meals under the National School Lunch Act program (NSLA). The Sponsor provides the food, equipment, and personnel to the School and collects any lunch monies related to the program from the NSLA.

**NOTE 11: DONATED SERVICES**

School health and vision services are provided to the School under a contract between the State of Florida, Department of Health, Franklin County Health Department (DOH-Franklin) and the Sponsor. The School is provided a full-time Licensed Practical Nurse and a part-time School Health Coordinator. The value of the donated professional services is determined based on the annual salary and benefits of the nursing professionals provided to the School and are valued at \$72,529.

The Franklin County Sheriff's Office (FCSO) is supporting and partnering with the School in providing a School Resource Officer (SRO) for the students and the faculty of the School during the school year. The value of the donated service is determined based on allocation of the annual salary and benefits received by the SRO over the 180 days of service to the School and valued at \$41,426 for services rendered this year.

**NOTE 12: INCOME TAXES**

The School operates as a 501(c)(3) non-profit organization in good standing. The School annually files the required income tax Form 990 for non-profit entities. The School does not have any for-profit activities. In the opinion of management, the School is in compliance with all non-profit operating and reporting requirements under Section 501(c)(3).

**NOTE 13: SUBSEQUENT EVENTS**

We have evaluated whether there were any subsequent events to be reported through August 16, 2018, which is the date the financial statements were distributed. There were no subsequent events to be disclosed.

**APALACHICOLA BAY CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>(GAAP BASIS)</b>	<b>WITH FINAL BUDGET – POSITIVE (NEGATIVE)</b>
<b><u>REVENUES:</u></b>				
Intergovernmental:				
Florida education finance program	\$ 2,633,000	\$ 2,633,000	\$ 2,619,611	\$ (13,389)
State through local	146,000	146,000	143,753	(2,247)
Local	55,000	55,000	46,651	(8,349)
Interest income	20,000	20,000	22,612	2,612
<b>TOTAL REVENUES</b>	<b>2,854,000</b>	<b>2,854,000</b>	<b>2,832,627</b>	<b>(21,373)</b>
<b><u>EXPENDITURES:</u></b>				
Current:				
Instruction and instruction related services	1,867,669	1,867,669	1,965,449	(97,780)
General administration - Board	5,800	5,800	5,196	604
School administration	565,830	565,830	471,382	94,448
Fiscal services	60,310	60,310	58,459	1,851
Pupil transportation services	47,325	47,325	46,965	360
Operation of plant	236,200	236,200	218,848	17,352
Maintenance of plant	23,380	23,380	26,003	(2,623)
Capital outlay	2,400	2,400	10,919	(8,519)
<b>TOTAL EXPENDITURES</b>	<b>2,808,914</b>	<b>2,808,914</b>	<b>2,803,221</b>	<b>5,693</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>45,086</b>	<b>45,086</b>	<b>29,406</b>	<b>(15,680)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,679,108</b>	<b>1,679,108</b>	<b>1,679,108</b>	<b>-</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,724,194</b>	<b>\$ 1,724,194</b>	<b>\$ 1,708,514</b>	<b>\$ (15,680)</b>

**SKELTON, BRYANT, BRYANT & SCARBORO, P.A.**

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**MEMBERS**

AMERICAN INSTITUTE OF CERTIFIED

PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF CERTIFIED

PUBLIC ACCOUNTANTS

August 16, 2018

To The Board of Directors  
Apalachicola Bay Charter School, Inc.  
Apalachicola, Florida

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Apalachicola Bay Charter School, Inc. as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Apalachicola Bay Charter School, Inc.'s basic financial statements and have issued our report thereon dated August 16, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Apalachicola Bay Charter School, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Apalachicola Bay Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Apalachicola Bay Charter School, Inc.'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Skelton, Bryant, Bryant & Scarboro, PA*

Skelton, Bryant, Bryant & Scarboro, P.A.  
Certified Public Accountants



**SKELTON, BRYANT, BRYANT & SCARBORO, P.A.**

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**MEMBERS**  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

August 16, 2018

To The Board of Directors  
Apalachicola Bay Charter School, Inc.  
Apalachicola, Florida

**MANAGEMENT LETTER**

**Report on the Financial Statements**

We have audited the financial statements of Apalachicola Bay Charter School, Inc., Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated August 16, 2018.

**Auditor's Responsibility**

We conducted our audit 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 Chapter 10.850, Rules of the Auditor General.

**Other Reports and Schedules**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated August 16, 2018, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Apalachicola Bay Charter School, Inc.

### **Financial Condition**

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Apalachicola Bay Charter School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Apalachicola Bay Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General we applied financial condition assessment procedures for the Apalachicola Bay Charter School, Inc. It is management's responsibility to monitor the Apalachicola Bay Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.854(1)(e)(3)., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the Apalachicola Bay Charter School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Apalachicola Bay Charter School, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management and the Franklin County District School Board, and is not intended to be and should not be used by anyone other than these specified parties.

*J. Skelton, Bryant, Bryant & Scarboro, P.A.*

Skelton, Bryant, Bryant & Scarboro, P.A.  
Certified Public Accountants

#### Attachment #4

2. Provide the title and a detailed description of the proposed project or program, including the location of the proposed project or program, a detailed description of, and quantitative evidence demonstrating how the proposed project or program will promote economic recovery, diversification, and enhancement of the disproportionately affected counties, a proposed timeline for the proposed project or program, and the disproportionately affected counties that will be impacted by the proposed project or program.

The title of the project is Franklin Environmental, Career and Technical Training Center. This first phase of the project will have three areas of focus, the first of which will include curriculum and materials for elementary and middle grade students to earn CAPE certificates as well as materials needed to support our Medical Academy and its students as they earn multiple certifications preparing them for an array of careers in the medical field. The second focus will include constructing and equipping a welding facility on the grounds of the Franklin County School located at 1250 U.S. Highway 98, Eastpoint, Florida. The third focus will include constructing and equipping a computer laboratory on the grounds of the Apalachicola Bay Charter School located at 98 12<sup>th</sup> Street, Apalachicola, Florida.

FCSB is seeking \$2,327,322 for this project which will produce 777 CAPE industry certifications over a 3.5 year period. This makes the cost per certification 2,995.27.

#### **Franklin Environmental, Career and Technical Training Center:**

Historically, Franklin County Schools have experienced difficulty in providing educational pathways which encouraged students to remain in school to graduate, or to be prepared for a career through earning industry certifications. The current administrative team has implemented many changes already which have allowed them to experience a 15.6% increase in our graduation rates from 2015 to 2017. In a community that ranks next to the lowest in the state among people ages 25 to 34 with a 2-year degree or higher (7.3%), we have an amazing thirteen students (16.25%) on target to graduate from high school with an AA degree this year.

The Franklin Environmental, Career and Technical Training Center will serve both Franklin County students and the community as we concentrate on preserving our history and culture while promoting educational opportunities that will prepare our students for both career pathways and higher education. It is our goal that all of our students will graduate having earned industry certifications which will afford them the opportunity to enter the work force at pay levels above those of the typical high school graduate.

#### **Phase 1: Welding**

Two career and technical (CTE) programs will initially be housed in the Franklin Environmental, Career and Technical Training Center. The first is the American Welding Society (AWS) program, and the second is the National Center for Construction Education & Research (NCCER) program. These programs will afford the Franklin County School District the opportunity to continue to increase graduation rates by

providing a program of interest to the young adults of our district and to bolster the availability for students to receive industry certifications, both of which will lead to the opportunity for the students of today, and the future, to earn salaries above those of the norm for citizens of Franklin County.

#### **Phase 1: STEM/Computer Education**

Apalachicola Bay Charter School is going to construct a new classroom to house a computer literacy program for students in grades K through 8. Franklin County School will purchase the curriculum needed to support a quality STEM and Computer Education program for its students in grades K-8. Students will participate in a pull out program which will provide explicit and hands-on instruction for coding including computer skills such as Multi-Media Essentials, Gaming Essentials, Web Design Essentials, and other programming and logic related skills for which CAPE industry certificates are available through ICT Essentials (see attached integration plan).

Ultimately, we want all Franklin County students to have the skills necessary to understand the uses for drones, be able to program the drones to perform specific tasks, and use these skills and abilities to study our local environment by land, sea and air. Drone proficiency will provide our students with the background knowledge necessary to place them at the forefront for the ever expanding number of jobs available in this field. To provide as much practical and hands-on experience as possible for our students, we are implementing several week long summer camps that focus on the drones and their use for studying our environment.

#### **Phase 1: Medical Academy**

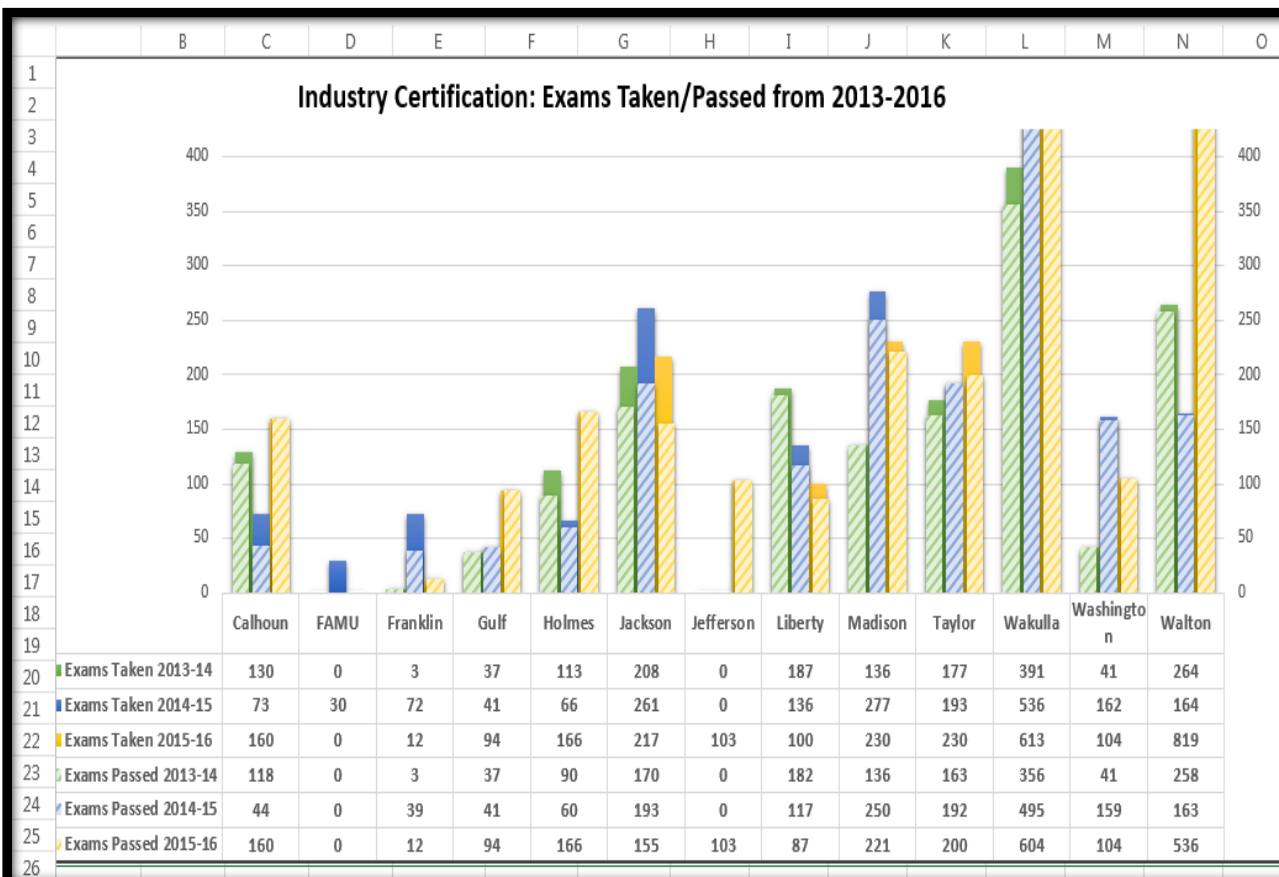
Our Medical Academy will allow our students to earn CPR, First Responder, EKG, and CNA certifications, among others. Students will leave this program with the experiences and certifications needed to enter many health related occupations straight out of high school, providing them with a way to earn money while furthering their education goals.

### **Franklin County Schools**

	<b>2015</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Graduation Rate</b>	49.0%	72.6%	74.6%	NA
<b>Number of Students Graduating with AA Degree</b>	NA	8.9%	12.3%	19.4%

As illustrated by the following graph, Franklin County students have not been successful in earning industry certifications in the past. The administrative team at Franklin County has proven itself by increasing both graduation rates and **more than doubling** the percentage of students earning AA degrees while in high school over the past three years. It is our plan to use the Franklin Environmental, Career and Technical Training Center to make sure that our students are given every opportunity to earn industry certifications, making them job ready upon graduation.

Our goal is to have 25% of the eligible students earn CAPE industry certifications by the 2020-2021 school year.



## Attachment #5

### 3. Explain how the proposed project or program is considered transformational and how it will effect the disproportionately affected counties in the next ten (10) years.

Northwest Florida Forward is focused on economic vitality and growth in our Florida Panhandle. This organization serves a 13 county region, one of which is Franklin County. Franklin County School Board shares their vision of creating an educational track that not only ensures our students graduate from high school prepared for their post-secondary education, but who are already in possession of certifications verifying their job readiness. Purchasing the ICT Certificate Programs will allow our elementary and middle grade students exposure to CAPE Digital Tools and will generate a more wide-ranging competence level for plausible career fields. Parents will be encouraged to take part in assisting their children to choose career goals that are reflective of their abilities and desires.

Over the next ten years, due in part to the approval of this project and the connection of skilled laborers to the career they are passionate about, we expect to see an increase in the median household income of Franklin County. The Franklin Environmental, Career and Technical Training Center will be transformational in the following ways:

- Construction of a modern welding facility housing multiple CTE programs will be self-sustainable without further request for funds due to student enrollment and success in the program. The program will provide a wave of fresh income opportunities for the citizens of our county.
- Allowing our Medical Academy to have on campus facilities that mirror those of the work place will allow more students interested in health related occupations to earn industry certifications.
- Providing more numerous pathways for students to access job-ready skills.
- Implement CAPE Digital Tools within five years of granting funds to continue planning.
- Increase the district graduation rate.
- Conduct a 3-year study to see impact of students earning CAPE certifications on the graduation rate.
- Extend the opportunity to receive industry certifications to our adult population.

## Attachment #6

### 4. Describe data or information available to demonstrate the viability of the proposed project or program.

FCSB and Lively Technical Center (LTC) have a partnership agreement for the Welding Program. An articulation agreement has been made which articulates clock hours from the program in Franklin County to the program at LTC. When the first phase of the Franklin Environmental, Career and Technical Training facility is completed, both initial programs housed there will be supported by LTC. The vision is to expand to encompass more programs, allowing us to maximize both economic benefits and regional assets. The education system takes in young children and focuses on their development so the end product is a graduate that is well prepared for their career choice. As a result of our funding by this board, we will be able to make this educational experience a brighter and more productive one for the elementary, secondary and adult student populations of Franklin County.

All utility expenses, personnel, and maintenance of the facility will be the responsibility of FCSB.

### 5. Describe how the impacts to the disproportionately affected counties will be measured long term.

Impacts to Franklin County will be measured long term through the following:

- U.S. Census Bureau with regards to increase in median household income
- Increase in industry certification credentials earned
- Increase in graduation rate
- Increase in number of students entering either 2-year, 4-year, or post-secondary CTE programs
- Increase the number of AA degrees earned by our graduating seniors

Each of the above impacts can be quantitatively defined and measured as this project moves forward.

## Attachment #7

6. Describe how the proposed project or program is sustainable. (Note: sustainable means how the proposed project or program will remain financially viable and continue to perform in the long-term after Triumph Gulf Coast, Inc. funding.)

Funding is requested to construct a new facility for the welding program at Franklin County School (FCS) and for the computer program at Apalachicola Bay Charter School, as well as to provide needed curriculum and materials for the elementary and middle school computer programs and the Medical Academy at FCS. The maintenance, staffing, utility resources and all other fees for future use will be assumed by FCSB as part of the regional strategic initiative Northwest Florida Forward has put into place to increase output of citizens ready for the workforce in the targeted areas.

7. Describe how the deliverables for the proposed project or program will be measured.

A. Build a new facility for the welding program at FCS

- Measured through completed construction of the site.
- Equipment for instruction purchased and in place for students.
- Professionals hired for instruction.

B. Build a new facility for the STEM program at ABC

- Measured through completed construction of the site

C. Student enrollment in programs

- Number of students exposed to curriculum

D. Student industry certification

- Track certificates earned in the initial year and every year after

E. Job-ready workforce

- Provide internship opportunities while students are enrolled in the program; encourage enrollment into 2-year, 4-year or Technical College after graduation; track data and analyze it quantitatively



**Priorities**

**2. Please explain how the proposed project meets the priorities identified.**

- *Increase household income in the disproportionately affected counties above national average household income.*

The U.S. Census Bureau reported that in September 2017 the national median household income was \$59,039 in 2016. In 2015 the median household income for the United States was \$55,775. Franklin County had a median household income of \$40,301. The state of Florida as a whole did not meet the median household income, and Franklin County had one of the lowest household incomes in the state. It is important to recognize that though this project will allow us to begin elevating the median household income, it could take a decade or longer for Franklin County to rise to the income level of the rest of the state and country.

- *Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.*

Two educational entities are partnering on this project to invest in the residents of an underserved disproportionately affected area. Lively Technical Center and Franklin County School Board. Education is considered an asset due to its power to increase cash flow. Referring to the point made above, education provides not only the hope, but the pathway by which to achieve higher incomes.

- *Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.*

FCSB is submitting this proposal on behalf of its 1,300 students.

Attachment #9

3. Please explain how the proposed project or program meets the discretionary priorities identified by the Board.

- Transformation for Franklin County will hinge on transforming the students. Education is the gateway to increase the earning potential for residents in Franklin County and in the Northwest Florida region. This project promotes and encourages an increase in education and industry certifications for this area.
- This project will begin immediately after the application is approved.
- We will be able to measure the impact of certifications earned and job skills incorporated into the program, on our average household income through the help of the U.S. Census Bureau.
- Alignment with Northwest Florida Forward regional strategic initiative will come into play with their “implementation Planning Phase” which follows an implementation matrix for carrying out strategies and actions to help implementation of projects and economic restoration (*Northwest Florida Forward, 2017, p 2*).
- The Franklin Environmental, Career and Technical Center will train students for targeted industries such as welding, health related fields, environmental fields, and manufacturing once all phases of this project are completed. This will provide job opportunities for our graduates above and beyond any that have ever been available to them.
- Industry cluster impact will be promoted by this multi-program facility due to students receiving industry certifications in all CTE programs housed here.
- Florida’s Rural Areas of Opportunity, include Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla and Washington counties (Florida Department of Economic Opportunity, *Floridajobs.org/business-growth, 2017*).
- FCSB, in Franklin County, is partnering with LTC in Leon County to help provide this opportunity. Any student who attends Franklin County Schools is allowed to enroll in these programs. Students are allowed to move across county lines for school choice, and therefore these programs have the ability to make a more regional impact. This data can be tracked through enrollment.
- If funded, Franklin County will possess a unique asset in the region that can leverage regional growth for targeted industries, specifically manufacturing and environmental related.
- The long term financial sustainability after the initial funding from Triumph Gulf Coast will come from student enrollment in the program, industry certification pass rate funding, and the partnership with LTC.
- Metrics will be quantitative. Student enrollment, industry certifications earned and graduation rate of students involved along with post-secondary enrollment or entry into the workforce will be tracked.
- A deliverable-based payment system will be created when funding is awarded. This will include draws for construction, and a clear time-line of follow-up with achievement data.
- Due to the investment of the school district to the success of its students and the permanent structure of the buildings on both the FCS and ABC campuses, along with the future expansion of CTE programs in Franklin County, the capacity for regional economic growth is unlimited.
- Building on our vision of maintaining our legacy while providing for a better future, we recognize that our most valuable asset, aside from education, is our natural environment. Keeping this in

mind, all CTE programs in Franklin County will be taught with safety and the environment in mind. Specific sections of curriculum will be introduced throughout the standards to help ensure students understand implications in their chosen field to the environment.

- A unique curriculum will be introduced in Franklin Secondary Schools that covers the unique attributes of the regional seafood industry. The curriculum will be 5 to 10 hours in duration and will be included in a current science course.

## GULF TRIUMPH PROPOSED PROJECTS FOR FRANKLIN COUNTY SCHOOL BOARD

## CASH FLOW ANALYSIS as of October 2018

CASH FLOW REQUIRED FROM GULF TRIUMPH				CASH OUTFLOW			CASH INFLOW	
MONTH	DESCRIPTION OF SERVICES	MONTHLY	CUMULATIVE	PROJECT SUMMER CAMP	PROJECT COMPUTER LAB	PROJECT WELDING BLDG	IN-KIND DONATION BY FCSB/ABC	CASH INPUT FROM ABC
1	Design of Planned Structures	\$ 18,804.38	\$ 18,804.38		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
2	Design of Planned Structures	\$ 18,804.38	\$ 37,608.76		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
3	Design of Planned Structures	\$ 18,804.38	\$ 56,413.14		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
4	Design of Planned Structures	\$ 18,804.38	\$ 75,217.52		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
5	Design of Planned Structures and Summer Camp	\$ 25,604.38	\$ 100,821.90	\$ 6,800.00	\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
6	Design of Planned Structures	\$ 18,804.38	\$ 119,626.28		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
7	Design of Planned Structures	\$ 18,804.38	\$ 138,430.66		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
8	Design of Planned Structures	\$ 18,804.38	\$ 157,235.04		\$ 2,030.87	\$ 16,773.51	\$ 29,483.33	\$ 3,333.33
9	Construction of Structures	\$ 98,331.23	\$ 255,566.27		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
10	Construction of Structures	\$ 98,331.23	\$ 353,897.50		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
11	Construction of Structures	\$ 98,331.23	\$ 452,228.73		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
12	Construction of Structures	\$ 98,331.23	\$ 550,559.96		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
13	Construction of Structures	\$ 98,331.23	\$ 648,891.19		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
14	Construction of Structures	\$ 98,331.23	\$ 747,222.42		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
15	Construction of Structures	\$ 98,331.23	\$ 845,553.65		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
16	Construction of Structures	\$ 98,331.23	\$ 943,884.88		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
17	Construction of Structures	\$ 98,331.23	\$ 1,042,216.11		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
18	Construction of Structures	\$ 105,131.23	\$ 1,147,347.34	\$ 6,800.00	\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
19	Construction of Structures	\$ 98,331.23	\$ 1,245,678.57		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
20	Construction of Structures	\$ 98,331.23	\$ 1,344,009.80		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
21	Construction of Structures	\$ 98,331.23	\$ 1,442,341.03		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
22	Construction of Structures	\$ 98,331.23	\$ 1,540,672.26		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
23	Construction of Structures	\$ 98,331.23	\$ 1,639,003.49		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
24	Construction of Structures	\$ 98,331.23	\$ 1,737,334.72		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
25	Construction of Structures	\$ 98,331.23	\$ 1,835,665.95		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
26	Construction of Structures	\$ 98,331.23	\$ 1,933,997.18		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
27	Construction of Structures	\$ 98,331.23	\$ 2,032,328.41		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
28	Construction of Structures	\$ 98,331.23	\$ 2,130,659.64		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
29	Construction of Structures	\$ 98,331.23	\$ 2,228,990.87		\$ 9,488.77	\$ 88,842.46	\$ 29,483.33	\$ 3,333.33
30	Construction of Structures	\$ 98,331.13	\$ 2,327,322.00		\$ 9,488.87	\$ 88,842.26	\$ 29,483.43	\$ 3,333.43



Attachment #11

4. Attach evidence that the undersigned has all necessary authority to execute this proposal on behalf of the entity applying for funding. This evidence may take a variety of forms including but not limited to: a delegation of authority, citation to relevant laws or codes, policy documents, etc. In addition, please attach any support letters from partners.

- Per Florida Statute 1001.42 Powers and duties of district school boards, the Franklin County School Board is responsible for the execution of plans and operation of the school of the district. This includes career classes and schools.
- Also attached is a letter from Lively Technical Center.

Attachment #12

3. Please describe the types and number of jobs expected from the proposed project or program and the expected average wage.

Our project will produce 998 CAPE certifications in computing, programming, coding, drone operations, medical support, medical health, welding, and culinary arts. The fields clearly align with regional job projections. In addition, we plan to continue to increase our graduation numbers for students who achieve their Associate of Arts Degree and high school diploma simultaneously.

Attachment #13

FRANKLIN COUNTY SCHOOLS

New Welding Facility

COST ANALYSIS 10/05/2018

NEW CONSTRUCTION – TOTAL GSF	6,300
COST PER GSF	\$180.00

TOTAL CONSTRUCTION PROJECT COST	\$ 1,134,000
Professional Fees (Architectural, Mechanical, Electrical, Plumbing, Structural, etc.)	\$ 79,380
Reimbursable (Civil, Survey, Geotechnical, Environmental, etc.)	\$ 100,000
Fixtures, Furniture & Equipment	\$ 116,342
Low Voltage Wiring/Equip for Data, A/V, Security, etc.	\$ 67,000
Permitting Fees (Environmental and Building)	\$ 37,000
Site Improvements (Including Lift Station)	\$ 325,000
Parking	\$ 100,000
Fencing	\$ 60,000
Utility Extension—Water	\$ 60,000
 TOTAL PROJECT COST ESTIMATE	 \$ 2,078,722

Summer Camp (2 weeks for grades 3-8)

COST ANALYSIS 10/05/2018

3 teachers for 2 weeks	8,100
Supplies	2,500
Transportation and Field Trip Costs	3,000
 TOTAL PROJECT COST ESTIMATE	 \$ 13,600

New Computer Lab at ABC

Cost Analysis 10/05/2018

NEW CONSTRUCTION—TOTAL GSF	1,200
COST PER GSF	\$180.00

TOTAL CONSTRUCTION PROJECT COST	\$216,000
Professional Fees (Architectural, Mechanical, etc.)	35,000
Electrical tie in, lab technology equipment, furniture and fixtures, permits, etc.	84,000
 TOTAL PROJECT COST ESTIMATE	 \$335,000



Attachment #14

A. Will this proposal support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties? If yes, please identify where the campuses are located and provide details on how the proposed programs will prepare students for future occupations and at which K-20 institutions that program will be provided.

The Franklin Environmental, Career and Technical Center will be housed at 1250 Highway 98, Eastpoint, Florida. This is the same campus as Franklin County School, so students have easy access to the facility. This center will prepare students for future occupations in the welding industry by providing multiple programs with an instructor and an industry certification tied to each program and to each student. Initially, students will be given the chance to become American Welding Society (AWS) certified as well as earning their National Center for Construction Education & Research (NCCER) certification. We are hoping that upon success of this program, others will be added to the center.

The new computer lab will be located at 98 12<sup>th</sup> Street, Apalachicola, Florida. This is on the campus of the Apalachicola Bay Charter School. This lab will allow elementary and middle school students at ABC to earn industry certificates and to begin them on the journey of selecting and preparing for a career path. Students will earn certificates ranging from ICT Essentials to Microsoft.

B. The proposed program will:

a) *Increase students' technology skills and knowledge*

The Welding program covers welding safety, oxyfuel cutting, plasma arc cutting, air carbon arc cutting and gouging, base metal preparation, weld quality, SMAW-equipment and safety, shielded arc electrodes, beads and fillet welds, joint fit-up and alignment, groove welds and backing, and open v-groove welds. Providing them with all knowledge needed to be successful on the certification exam. Success in the class demands that students have a clear understanding of the way different metals react to temperature, the stress that metal can withstand and other STEM related topics.

b) *Encourage industry certifications*

Each student enrolled in the Welding program will sit for the AWS exam and may sit for the NCCER exam as well. Each student in grades 4 through 8 at ABC will sit for one CAPE industry certification exam.

c) *Provide rigorous, alternative pathways for students to meet high school graduation requirements*

The Franklin County school community will work closely with students enrolled in the programs to ensure they meet all requirements for high school graduation. Through this process we will support and develop the traits of a good student while developing the skills necessary to be a good employee. Students will use the creativity and innovation imbedded in their programs of study to face their future with a clear purpose and career goal.

d) *Strengthen career readiness initiatives*

Based on the Northwest Florida's economic development strengths, weaknesses, opportunities, and threats (SWOT) analysis, Franklin's weaknesses include insufficient funding for workforce development and training along with high levels of generational poverty (*Northwest Florida Forward Strategic Plan*, 2017 p.5). If received, the funding provided through this legislation could be the catalyst needed to create changes that would create diversification in our workforce training while allowing us to meet the regional goal of leveraging existing talent and expanding the industry clusters for new and growing businesses.

C. Will this proposal provide participants in the disproportionately affected counties with transferable, sustainable workforce skills but not confined to a single employer?

CAPE industry certifications are built upon high skill/high wage jobs locally, regionally, nationally, and globally.