STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-158
March 2016

FLAGLER COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Jacob Oliva served as Superintendent and the following individuals served as Board members:

	District No.
Andy Dance, Chair to 11-17-14	1
John Fischer to 11-17-14	2
Janet McDonald from 11-18-14	2
Colleen Conklin, Vice Chair to 11-17-14, Chair from 11-18-14	3
Trevor Tucker, Vice Chair from 11-18-14	4
Sue Dickinson	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 audit was supervised by Keith A. Wolfe, CPA.

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

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FLAGLER COUNTY DISTRICT SCHOOL BOARD

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FLAGLER COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Additional Matters

Finding 1: The District needs to establish a mechanism for noninstructional employees to report time worked and ensure documented supervisory review and approval of such time.

Finding 2: Contrary to Board policy, the Superintendent did not always review and approve applicable temporary duty elsewhere (TDE) leave forms, and supervisors did not always maintain records to demonstrate that TDE assignments were performed.

Finding 3: The District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education. A similar finding was noted in our report No. 2015-174.

Finding 4: The fiscal viability of community education classes and activities continue to need improvement.

Finding 5: As similarly noted in our report No. 2015-174, the VIP provider contract did not contain certain necessary provisions and District records did not evidence the basis upon which District personnel determined the reasonableness of virtual instruction student-teacher ratios.

Finding 6: Some unnecessary or inappropriate information technology access privileges continue to exist.

Summary of Report on Federal Awards

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster, Special Education Cluster, and Teacher Incentive Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: (1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; (2) the economic and efficient operation of the District; (3) the reliability of records and reports; and (4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2015-174.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Flagler County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 22 percent of the assets and 41 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matters

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

As discussed in Note II.B. to the financial statements, the District's Extended Day program activities have been reported within the General Fund in prior fiscal years; however, the Extended Day program was reported as Business-Type Activity in the Enterprise Fund – Extended Day Program for the 2014-15 fiscal year. This affects the comparability of amounts reported for the 2014-15 fiscal year with amounts reported for the 2013-14 fiscal year. Subsequently, the District decided to report the Extended Day program activities within the General Fund effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL**

REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Flagler County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 fiscal year are as follows:

- In total, net position decreased $43,256,362, or 26 percent, from the 2013-14 fiscal year. Of this amount, $43,756,117 was the result of restatement to beginning net position for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*
- Governmental Activities general revenues total $115,951,029, or 93 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $8,703,079, or 7 percent of all revenues.
- Governmental Activities expenses total $124,529,353. Only $8,703,079 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $3,426,145, or 4 percent of the total General Fund revenues. The fund balance decreased $610,133 from the prior year. The General Fund unassigned fund balances was $2,914,058, or 3 percent of total General Fund revenues.
- The District's total debt, decreased by $5,036,000, or approximately 7 percent. The key factors in this decrease were the annual principal payments applied against the outstanding balances and the refunding of two debt issues.

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 and business-type 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.
- Business-type activities – This represents the activities of the Extended Day Program (before and after school child care) which is administered by the District.
- Component units – The District presents four separate legal entities in this report, including Flagler County Education Direct-Support Organization, Inc.; The Flagler Auditorium Governing Board, Inc.; and the Imagine Schools at Town Center and Palm Harbor Academy, Inc., charter schools. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

  The Flagler County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the Extended Day Program.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for its self-insurance health programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise fund is the Extended Day Program. The internal service fund is presented in a single column in the proprietary fund financial statements.

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

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

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

Notes to Financial Statements

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

Other Information

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

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities		Business-Type Activities	
	6-30-15	**6-30-14**	**6-30-15**	**6-30-14**
Current and Other Assets	$ 27,883,717	$ 25,626,243	$ 54,917	$ -
Capital Assets	214,433,836	222,694,459	-	-
Total Assets	242,317,553	248,320,702	54,917	-
Deferred Outflows of Resources	10,753,333	-	-	-
Long-Term Liabilities	109,158,974	79,060,888	22,065	-
Other Liabilities	5,141,550	5,051,582	351	-
Total Liabilities	114,300,524	84,112,470	22,416	-
Deferred Inflows of Resources	17,818,493	-	-	-
Net Position:				
Net Investment in Capital Assets	153,342,597	153,374,459	-	-
Restricted	16,181,288	15,056,028	-	-
Unrestricted (Deficit)	(48,572,016)	(4,222,255)	32,501	-
Total Net Position	$ 120,951,869	$ 164,208,232	$ 32,501	$ 0

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, such as State required carryover programs, debt service, capital projects, and food services.

The 2014-15 fiscal year is the first year the District has reported its Extended Day Program as an enterprise fund.

As a result of the implementation of GASB Statement No. 68, the District is required to recognize its proportionate share of the unfunded pension obligation of the defined benefit plan and the health insurance subsidy plan administered by the Florida Retirement System. As explained in Note II. to the financial statements, a significant adjustment was made to net position that resulted in a negative balance for the unrestricted net position of the District. As of June 30, 2015, the unrestricted portion of the District's net position remains negative due to the recognized net pension liability.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities	
	6-30-15	6-30-14	6-30-15	6-30-14
Program Revenues:				
Charges for Services	$ 2,598,608	$ 4,328,462	$ 803,790	$ -
Operating Grants and Contributions	4,872,665	4,539,377	-	-
Capital Grants and Contributions	1,231,806	978,592	-	-
General Revenues:				
Property Taxes, Levied for Operational Purposes	42,678,286	40,142,426	-	-
Property Taxes, Levied for Capital Projects	10,766,498	10,134,044	-	-
Local Sales Tax	5,052,365	4,723,023	-	-
Grants and Contributions Not Restricted to Specific Programs	53,996,331	55,821,715	-	-
Unrestricted Investment Earnings	96,175	101,190	-	-
Miscellaneous	3,361,374	2,223,898	-	-
Transfers	375,000	-	(375,000)	-
Total Revenues	125,029,108	122,992,727	428,790	-
Functions/Program Expenses:				
Instruction	71,097,412	73,192,996	-	-
Student Personnel Services	7,603,931	8,173,096	-	-
Instructional Media Services	949,851	954,441	-	-
Instruction and Curriculum Development Service	1,124,988	734,680	-	-
Instructional Staff Training Services	1,518,714	1,228,883	-	-
Instructional-Related Technology	746,676	761,353	-	-
Board	428,175	412,481	-	-
General Administration	558,189	706,404	-	-
School Administration	5,022,442	5,551,103	-	-
Facilities Acquisition and Construction	7,775,864	6,827,702	-	-
Fiscal Services	721,965	787,304	-	-
Food Services	5,798,926	6,105,469	-	-
Central Services	1,121,047	1,274,270	-	-
Student Transportation Services	4,927,840	5,201,491	-	-
Operation of Plant	7,872,555	7,914,006	-	-
Maintenance of Plant	2,630,415	2,784,821	-	-
Administrative Technology Services	834,328	673,337	-	-
Community Services	1,631,218	3,453,996	396,289	-
Unallocated Interest on Long-Term Debt	2,164,818	3,287,974	-	-
Total Functions/Program Expenses	124,529,354	130,025,807	396,289	-
Change in Net Position	499,754	(7,033,080)	32,501	-
Net Position, Beginning of Year	164,208,232	171,241,312	-	-
Adjustment to Beginning Net Position (1)	(43,756,117)	-	-	-
Net Position - Beginning, as Restated	120,452,115	171,241,312	-	-
Net Position - Ending	$ 120,951,869	$ 164,208,232	$ 32,501	$ 0

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

The largest revenue source is property tax (43 percent). Revenues from State sources comprise 37 percent of total revenues. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues decreased by $1,825,384, or 3 percent, primarily due to changes in State FEFP revenues.

Property tax revenues increased by $2,535,860, or 6 percent, as a result of an increase in taxable assessed values and assessed millage.

Instruction expenses represent 57 percent of total governmental expenses in the 2014-15 fiscal year. Instruction expenses decreased by $2,095,585, or 3 percent, from the previous fiscal year due primarily to a decrease in pension contribution expense.

Community Services expenses decreased by $1,822,788, or 53 percent, primarily due to an overall reduction in adult and community education services and the Extended Day Program being accounted for as an Enterprise Fund, rather than a governmental fund, in the 2014-15 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by $388,469 during the fiscal year to $19,357,650 at June 30, 2015. Approximately 15 percent of this amount is unassigned fund balance ($2,914,058), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is: (1) not in spendable form ($331,833), or (2) restricted for particular purposes ($16,111,759).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $2,914,058, while the total fund balance is $3,426,145. The District reported no assigned fund balance. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to General Fund total revenues. The total unassigned fund balance is approximately 3 percent of the total General Fund revenues, while total fund balance represents approximately 4 percent of total General Fund revenues.

During the current fiscal year, total fund balance decreased by $610,133, or 15 percent, primarily due to a reduction in the FEFP per student allocation.

The Special Revenue – Other Fund has total revenues and expenditures of $7,464,917 each. The resources of this fund were mainly used for instruction and instruction related expenditures. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund increased primarily due to an increase in instruction and curriculum development services.

The Debt Service – Other Fund has a total fund balance of $7,154,098 which is restricted for principal, interest, and related cost of debt service. The June 30, 2015, fund balance is reasonably consistent with the ending fund balance of the prior fiscal year.

The Capital Projects – Local Capital Improvement Fund has a fund balance of $267,714, which is restricted for the acquisition, construction, and maintenance of capital assets, and includes encumbrances of $21,894 earmarked for projects at various schools. The June 30, 2015, fund balance is reasonably consistent with ending fund balance of the prior fiscal year.

The Capital Projects – Other Fund has a fund balance of $7,216,700, which is restricted for the acquisition, construction, and maintenance of capital assets, and includes encumbrances of $16,857 earmarked for various technology purchases. The fund balance increased by $1,066,024, or 17 percent, as a result of an increase in half-cent sales tax revenues and impact fee revenues in the current fiscal year.

Proprietary Funds

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Enterprise Fund Extended Day Program is $32,501 at June 30, 2015. The 2014-15 fiscal year is the first year the District has reported its Extended Day Program as an enterprise fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Florida law and is on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund. Schools are allocated budgets based on student enrollment.

During the 2014-15 fiscal year, the District amended its General Fund budget several times as needed, which resulted in a decrease in total budgeted revenues of $2,121,416, or 2 percent. Budget revisions were due primarily to changes in estimated State funding levels.

Differences between final budgeted expenditure as compared to the original budget were insignificant. The final revenues collected and final expenditures incurred were not significantly different from the final budget. None of the differences are expected to have a significant effect on future services or liquidity.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $214,433,837 (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.

There were no major capital construction projects during the current fiscal year, nor are there any planned at June 30, 2015.

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

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of $64,284,000. This amount is composed of $3,104,000 of bonds payable and $61,180,000 of certificates of participation payable. During the current fiscal year, retirement of debt was $3,390,000.

During the current fiscal year, a portion of the District's Certificates of Participation, Series 2005A, totaling $45,455,000, was advance refunded by the District's issuance of Certificates of Participation, Series 2014A, in the amount of $43,870,000.

In addition, the District's State School Bonds, Series 2005B, totaling $840,000, was advance refunded by the State Board of Education's issuance of State School Bonds, Series 2014B, in the amount of $779,000.

State School Bonds outstanding at June 30, 2015, totaling $1,239,000, 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. The District's revenue bonds totaling $1,865,000 are secured solely by specified revenue sources.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District has adopted Board Policy 701, which provides that the adopted annual operating fund budget shall include, if feasible, a combined assigned and unassigned fund balance which is 5 percent to 8 percent of the projected General Fund revenues to cover unforeseen events (e.g., revenue shortfalls, student enrollment under projections, etc.). It is anticipated that unassigned fund balance will be partially replenished at June 30, 2016, through unspent appropriations and operating fund tax revenues in excess of the budgeted 96 percent of the taxable assessed valuation. As a result, at June 30, 2016, it is anticipated that the combined assigned and unassigned fund balance in the operating fund will be in excess of 5 percent of projected General Fund revenues.

REQUESTS FOR INFORMATION

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 Chief Financial Officer, Flagler County District School Board, P.O. Box 755, Bunnell, FL 32110.

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 14,877,480.07	$ 426,151.28	$ 15,303,631.35	$ 964,592.00
Investments	32,365.88	-	32,365.88	-
Accounts Receivable	94,196.91	871.80	95,068.71	4,961.00
Deposits Receivable	10,012.50	-	10,012.50	-
Internal Balances	372,105.44	(372,105.44)	-	-
Due from Other Agencies	3,709,589.72	-	3,709,589.72	44,639.00
Prepaid Items	3,451.72	-	3,451.72	446,866.00
Inventories	331,832.82	-	331,832.82	1,683.00
Restricted Investments	2,628,492.39	-	2,628,492.39	1,966,440.00
Cash with Fiscal Agent	4,740,183.56	-	4,740,183.56	-
Restricted Cash and Cash Equivalents	-	-	-	38,159.00
Restricted Accounts Receivable	-	-	-	18,793.00
Prepaid Insurance Costs	61,486.10	-	61,486.10	-
Investment in Real Property	1,022,520.00	-	1,022,520.00	-
Capital Assets:				
Nondepreciable Capital Assets	9,646,774.36	-	9,646,774.36	-
Depreciable Capital Assets, Net	204,787,062.24	-	204,787,062.24	185,447.00
TOTAL ASSETS	242,317,553.71	54,917.64	242,372,471.35	3,671,580.00
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	7,560,572.00	-	7,560,572.00	-
Net Carrying Amount of Debt Refunding	3,192,760.61	-	3,192,760.61	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,753,332.61	-	10,753,332.61	-
LIABILITIES				
Accrued Salaries and Benefits	475,055.09	-	475,055.09	-
Payroll Deductions and Withholdings	1,599,512.42	-	1,599,512.42	165,429.00
Accounts Payable	1,049,942.13	350.92	1,050,293.05	9,899.00
Due to Other Agencies	-	-	-	146,500.00
Advanced Revenues	1,189,040.29	-	1,189,040.29	9,777.00
Estimated Liability for Self-Insurance Program	828,000.00	-	828,000.00	-
Long-Term Liabilities:				
Portion Due Within One Year	5,674,980.75	-	5,674,980.75	89,901.00
Portion Due After One Year	103,483,993.00	22,065.22	103,506,058.22	56,497.00
TOTAL LIABILITIES	114,300,523.68	22,416.14	114,322,939.82	478,003.00
DEFERRED INFLOWS OF RESOURCES				
Pensions	17,818,493.00	-	17,818,493.00	-
NET POSITION				
Net Investment in Capital Assets	153,342,597.21	-	153,342,597.21	70,614.00
Restricted for:				
State Required Carryover Programs	249,784.00	-	249,784.00	-
Debt Service	7,929,732.63	-	7,929,732.63	-
Capital Projects	7,567,569.41	-	7,567,569.41	-
Food Service	434,202.74	-	434,202.74	119,788.00
Permanent Funds and Endowments - Nonexpendable	-	-	-	1,517,243.00
Other Purposes	-	-	-	545,075.00
Unrestricted	(48,572,016.35)	32,501.50	(48,539,514.85)	940,857.00
TOTAL NET POSITION	$ 120,951,869.64	$ 32,501.50	$ 120,984,371.14	$ 3,193,577.00

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

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

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 71,097,411.19	$ 619,997.38	$ -	$ -
Student Personnel Services	7,603,930.91	-	-	-
Instructional Media Services	949,851.28	-	-	-
Instruction and Curriculum Development Services	1,124,987.91	-	-	-
Instructional Staff Training Services	1,518,713.94	-	-	-
Instructional-Related Technology	746,675.55	-	-	-
Board	428,175.45	-	-	-
General Administration	558,188.73	-	-	-
School Administration	5,022,442.29	-	-	-
Facilities Acquisition and Construction	7,775,864.23	-	-	971,006.85
Fiscal Services	721,965.50	-	-	-
Food Services	5,798,926.02	934,519.73	4,872,665.31	-
Central Services	1,121,047.18	-	-	-
Student Transportation Services	4,927,839.62	76,295.17	-	-
Operation of Plant	7,872,554.69	-	-	-
Maintenance of Plant	2,630,415.08	-	-	-
Administrative Technology Services	834,328.00	-	-	-
Community Services	1,631,217.92	967,795.50	-	-
Unallocated Interest on Long-Term Debt	2,164,818.17	-	-	260,798.74
Total Governmental Activities	124,529,353.66	2,598,607.78	4,872,665.31	1,231,805.59
Business-Type Activities:				
Extended Day Program	396,288.78	803,790.28	-	-
Total Primary Government	$ 124,925,642.44	$ 3,402,398.06	$ 4,872,665.31	$ 1,231,805.59
Component Units				
Charter Schools/Direct-Support Organizations	$ 8,883,897.00	$ 879,955.00	$ 1,117,756.00	$ 21,135.00

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
Unrestricted Investment Earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

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

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (70,477,413.81)	$ -	$ (70,477,413.81)	$ -
(7,603,930.91)	-	(7,603,930.91)	-
(949,851.28)	-	(949,851.28)	-
(1,124,987.91)	-	(1,124,987.91)	-
(1,518,713.94)	-	(1,518,713.94)	-
(746,675.55)	-	(746,675.55)	-
(428,175.45)	-	(428,175.45)	-
(558,188.73)	-	(558,188.73)	-
(5,022,442.29)	-	(5,022,442.29)	-
(6,804,857.38)	-	(6,804,857.38)	-
(721,965.50)	-	(721,965.50)	-
8,259.02	-	8,259.02	-
(1,121,047.18)	-	(1,121,047.18)	-
(4,851,544.45)	-	(4,851,544.45)	-
(7,872,554.69)	-	(7,872,554.69)	-
(2,630,415.08)	-	(2,630,415.08)	-
(834,328.00)	-	(834,328.00)	-
(663,422.42)	-	(663,422.42)	-
(1,904,019.43)	-	(1,904,019.43)	-
(115,826,274.98)	-	(115,826,274.98)	-
-	407,501.50	407,501.50	-
(115,826,274.98)	407,501.50	(115,418,773.48)	-
-	-	-	(6,865,051.00)
42,678,285.70	-	42,678,285.70	-
10,766,498.03	-	10,766,498.03	-
5,052,364.59	-	5,052,364.59	-
53,996,331.20	-	53,996,331.20	6,530,072.00
96,175.05	-	96,175.05	31,483.00
3,361,374.90	-	3,361,374.90	416,368.00
375,000.00	(375,000.00)	-	-
116,326,029.47	(375,000.00)	115,951,029.47	6,977,923.00
499,754.49	32,501.50	532,255.99	112,872.00
164,208,232.15	-	164,208,232.15	3,080,705.00
(43,756,117.00)	-	(43,756,117.00)	-
120,452,115.15	-	120,452,115.15	3,080,705.00
$ 120,951,869.64	$ 32,501.50	$ 120,984,371.14	$ 3,193,577.00

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

	General Fund	Special Revenue - Other Fund	Debt Service - Other Fund
ASSETS			
Cash and Cash Equivalents	$ 3,773,233.54	$ 57,655.24	$ 253.96
Investments	-	-	-
Accounts Receivable	93,933.91	-	-
Deposits Receivable	10,012.50	-	-
Due from Other Funds	972,959.61	10,280.58	-
Due from Other Agencies	814,636.69	631,760.80	-
Prepaid Items	-	3,451.72	-
Inventories	262,303.08	-	-
Restricted Investments	-	-	2,628,492.39
Cash with Fiscal Agent	-	-	4,525,351.38
TOTAL ASSETS	$ 5,927,079.33	$ 703,148.34	$ 7,154,097.73
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 390,617.43	$ 40,075.94	$ -
Payroll Deductions and Withholdings	1,590,881.98	4,759.01	-
Accounts Payable	485,472.14	98,065.50	-
Due to Other Funds	33,962.99	515,600.81	-
Advanced Revenues	-	44,647.08	-
Total Liabilities	2,500,934.54	703,148.34	-
Deferred Inflows of Resources:			
Unavailable Revenue - Capital Outlay and Debt Service	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	262,303.08	-	-
Restricted for:			
State Required Carryover Programs	249,784.00	-	-
Debt Service	-	-	7,154,097.73
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	249,784.00	-	7,154,097.73
Unassigned Fund Balance	2,914,057.71	-	-
Total Fund Balances	3,426,144.79	-	7,154,097.73
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,927,079.33	$ 703,148.34	$ 7,154,097.73

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 221,763.27	$ 5,826,068.78	$ 1,007,118.61	$ 10,886,093.40
-	-	32,365.88	32,365.88
-	-	263.00	94,196.91
-	-	-	10,012.50
-	4,500.00	-	987,740.19
130,407.88	1,479,086.28	653,698.07	3,709,589.72
-	-	-	3,451.72
-	-	69,529.74	331,832.82
-	-	-	2,628,492.39
-	-	-	4,525,351.38
$ 352,171.15	$ 7,309,655.06	$ 1,762,975.30	$ 23,209,126.91
$ -	$ 4,387.25	$ 39,974.47	$ 475,055.09
-	658.97	3,212.46	1,599,512.42
84,456.94	87,908.98	294,038.57	1,049,942.13
-	-	100,033.94	649,597.74
-	-	-	44,647.08
84,456.94	92,955.20	437,259.44	3,818,754.46
-	-	32,722.88	32,722.88
-	-	32,722.88	32,722.88
-	-	69,529.74	331,832.82
-	-	-	249,784.00
-	-	775,634.90	7,929,732.63
267,714.21	7,216,699.86	83,155.34	7,567,569.41
-	-	364,673.00	364,673.00
267,714.21	7,216,699.86	1,223,463.24	16,111,759.04
-	-	-	2,914,057.71
267,714.21	7,216,699.86	1,292,992.98	19,357,649.57
$ 352,171.15	$ 7,309,655.06	$ 1,762,975.30	$ 23,209,126.91

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

Total Fund Balances - Governmental Funds		$ 19,357,649.57
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.		214,433,836.60
Deferred charges on bond refundings are not expensed in the government-wide statements, but are reported as deferred outflows and amortized over the life of the debt.		
Bonds Payable, Series 2014B:		
Deferred Outflows: Net Carrying Amount on Debt Refunding	$ 29,244.97	
Certificates of Participation:		
Deferred Outflows: Net Carrying Amount on Debt Refunding	3,163,515.64	
Issuance Costs: Prepaid Insurance, Net	61,486.10	3,254,246.71
The investment in real property used in governmental activities is not a financial resource and, therefore, is not reported as an asset in governmental funds.		1,022,520.00
Funds due from other agencies are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue on the governmental fund statements		32,722.88
An internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		2,267,788.63
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:		
Bonds Payable, Net	$ (3,178,081.75)	
Certificates of Participation Payable, Net	(65,381,672.00)	
Compensated Absences Payable	(5,595,914.00)	
Net Pension Liability	(31,154,905.00)	
Other Postemployment Benefits Payable	(2,156,401.00)	
Special Retirement Benefits Payable	(1,692,000.00)	(109,158,973.75)
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	$ 7,560,572.00	
Deferred Inflows Related to Pensions	(17,818,493.00)	(10,257,921.00)
Net Position - Governmental Activities		$ 120,951,869.64

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

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

	General Fund	Special Revenue - Other Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 111,816.41	$ 1,263,572.40	$ -
Federal Through State and Local	610,393.04	6,200,376.98	-
State	44,863,917.17	-	-
Local:			
Property Taxes	42,678,285.70	-	-
Local Sales Taxes	-	-	-
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	2,695,186.23	967.45	63,645.05
Total Local Revenues	45,373,471.93	967.45	63,645.05
Total Revenues	90,959,598.55	7,464,916.83	63,645.05
Expenditures			
Current - Education:			
Instruction	62,147,094.01	3,472,907.36	-
Student Personnel Services	6,211,702.24	1,693,606.96	-
Instructional Media Services	992,785.00	1,448.70	-
Instruction and Curriculum Development Services	128,809.22	1,045,024.70	-
Instructional Staff Training Services	528,095.53	877,533.54	-
Instructional - Related Technology	769,500.03	-	-
Board	444,855.55	503.00	-
General Administration	408,955.41	157,079.92	-
School Administration	5,235,838.29	9,389.40	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	753,229.21	-	-
Food Services	10,354.55	-	-
Central Services	1,170,576.32	-	-
Student Transportation Services	4,577,845.59	150.72	-
Operation of Plant	8,089,590.45	-	-
Maintenance of Plant	2,649,207.56	-	-
Administrative Technology Services	704,996.62	-	-
Community Services	1,524,607.53	161,968.04	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	3,752.38	45,304.49	-
Debt Service:			
Principal	-	-	3,110,000.00
Interest and Fiscal Charges	46,451.37	-	2,096,296.41
Total Expenditures	96,398,246.86	7,464,916.83	5,206,296.41
Excess (Deficiency) of Revenues Over Expenditures	(5,438,648.31)	-	(5,142,651.36)
Other Financing Sources (Uses)			
Transfers In	4,765,639.00	-	5,876,737.39
Issuance of Bonds	-	-	-
Premium on Sale of Bonds	-	-	-
Refunding Certificates of Participation	-	-	43,870,000.00
Premium on Refunding Certificates of Participation	-	-	4,464,276.10
Payments to Refunding Escrow Agent	-	-	(48,816,235.37)
Sale of Capital Assets	19,388.98	-	-
Loss Recoveries	43,486.86	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	4,828,514.84	-	5,394,778.12
Net Change in Fund Balances	(610,133.47)	-	252,126.76
Fund Balances, Beginning	4,036,278.26	-	6,901,970.97
Fund Balances, Ending	$ 3,426,144.79	$ 0.00	$ 7,154,097.73

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 1,375,388.81
-	-	5,228,964.98	12,039,735.00
-	-	1,789,038.24	46,652,955.41
10,766,498.03	-	-	53,444,783.73
-	5,052,364.59	-	5,052,364.59
-	2,061,526.45	-	2,061,526.45
-	-	934,519.73	934,519.73
40,840.40	172,611.29	26,334.63	2,999,585.05
10,807,338.43	7,286,502.33	960,854.36	64,492,779.55
10,807,338.43	7,286,502.33	7,978,857.58	124,560,858.77
-	-	269,805.00	65,889,806.37
-	-	-	7,905,309.20
-	-	-	994,233.70
-	-	-	1,173,833.92
-	-	157,919.04	1,563,548.11
-	-	-	769,500.03
-	-	-	445,358.55
-	-	3,511.58	569,546.91
-	-	-	5,245,227.69
2,085,856.76	4,837,979.97	852,027.50	7,775,864.23
-	-	-	753,229.21
-	-	5,903,644.90	5,913,999.45
-	-	-	1,170,576.32
-	-	-	4,577,996.31
-	-	1,464.05	8,091,054.50
-	-	-	2,649,207.56
-	-	-	704,996.62
-	-	-	1,686,575.57
67,451.64	138,967.39	-	206,419.03
55,020.76	231,657.61	8,936.72	344,671.96
-	-	280,000.00	3,390,000.00
-	-	148,440.86	2,291,188.64
2,208,329.16	5,208,604.97	7,625,749.65	124,112,143.88
8,599,009.27	2,077,897.36	353,107.93	448,714.89
69,518.86	-	-	10,711,895.25
-	-	779,000.00	779,000.00
-	-	74,081.75	74,081.75
-	-	-	43,870,000.00
-	-	-	4,464,276.10
-	-	(869,244.97)	(49,685,480.34)
-	-	-	19,388.98
-	-	-	43,486.86
(8,594,224.81)	(1,011,873.44)	(730,797.00)	(10,336,895.25)
(8,524,705.95)	(1,011,873.44)	(746,960.22)	(60,246.65)
74,303.32	1,066,023.92	(393,852.29)	388,468.24
193,410.89	6,150,675.94	1,686,845.27	18,969,181.33
$ 267,714.21	$ 7,216,699.86	$ 1,292,992.98	$ 19,357,649.57

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

Net Change in Fund Balances - Governmental Funds			$ 388,468.24

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.			(8,258,273.45)
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.			(2,349.34)
statements. However, funds are recognized as revenue under the full accrual basis of accounting in the statement of activities.			32,722.88
Proceeds of refunding debt are reported as other financing sources in the governmental funds, while payments to the escrow agent for the advance refunding of outstanding bonds are shown as other financing uses. Government-wide statements are affected only to the extent that these amounts differ.			
Bonds Payable:	Bonds Issued	$ (779,000.00)	
	Payments to Escrow Agent	869,244.97	
Certificates of Participation Payable:	Certificates of Participation Issued	(43,870,000.00)	
	Payments to Escrow Agent	48,816,235.37	5,036,480.34
Premiums and issuance costs on new debt issues are reported when issued as expenditures and other financing sources in the governmental funds. However, these amounts are deferred and amortized over the life of the debt in the statement of activities.			
Bonds Payable:	Unamortized Premium, Net	$ (74,081.75)	
Certificates of Participation Payable:	Unamortized Premium, Net	(4,201,672.00)	
	Amortized Cost on Deferred Outflows	(197,719.73)	
	Prepaid Insurance, Net	61,486.10	(4,411,987.38)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the amount of repayment in the current fiscal year.			
	Bonds Payable	$ 280,000.00	
	Certificates of Participation Payable	3,110,000.00	3,390,000.00
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 paid in excess of the amount earned in the current fiscal year.			340,758.00
while in the governmental funds, expenditures are recognized based on the amounts actually paid special termination benefits. This is the net amount of special termination benefits paid in excess of the amount earned in the current fiscal year.			24,000.00
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.			(68,185.00)

Governmental funds report district pension contribution as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.

	Contributions	Expense	
FRS Pension	$ 3,973,200.00	$ (1,006,865.00)	
HIS Pension	831,939.00	(1,454,983.00)	2,343,291.00

An internal service fund is used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service fund is reported with governmental activities.	1,684,829.20
Change in Net Position - Governmental Activities	$ 499,754.49

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

Flagler County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2015

	Business - Type Activities - Enterprise Fund Extended Day Program	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 426,151.28	$ 3,991,386.67
Accounts Receivable	871.80	-
Due from Other Funds	-	33,962.99
Total Current Assets	427,023.08	4,025,349.66
Noncurrent Assets:		
Cash with Fiscal Agent	-	214,832.18
TOTAL ASSETS	427,023.08	4,240,181.84
LIABILITIES		
Current Liabilities:		
Accounts Payable	350.92	-
Due to Other Funds	372,105.44	-
Advanced Revenues	-	1,144,393.21
Estimated Liability for Self-Insurance Program	-	828,000.00
Total Current Liabilities	372,456.36	1,972,393.21
Noncurrent Liabilities:		
Compensated Absences Payable	17,889.22	
Other Postemployment Benefits Payable	4,176.00	-
Total Noncurrent Liabilities	22,065.22	-
TOTAL LIABILITIES	394,521.58	1,972,393.21
NET POSITION		
Unrestricted	$ 32,501.50	$ 2,267,788.63

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

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

	Business - Type Activities - Enterprise Fund	Governmental Activities
	Extended Day Program	**Internal Service Fund**
OPERATING REVENUES		
Charges for Services	$ 803,790.28	$ -
Premium Revenue	-	9,806,410.71
Total Operating Revenues	803,790.28	9,806,410.71
OPERATING EXPENSES		
Salaries	169,194.69	-
Employee Benefits	58,815.48	-
Purchased Services	908.84	1,621,042.79
Energy Services	1,302.00	-
Materials and Supplies	8,246.46	-
Insurance Claims	-	6,500,538.72
Other	157,821.31	-
Total Operating Expenses	396,288.78	8,121,581.51
Operating Income	407,501.50	1,684,829.20
Income Before Transfers	407,501.50	1,684,829.20
Transfers Out	(375,000.00)	-
Change in Net Position	32,501.50	1,684,829.20
Total Net Position - Beginning	-	582,959.43
Total Net Position - Ending	$ 32,501.50	$ 2,267,788.63

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

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

	Business-Type Activities - Enterprise Fund: Extended Day Program	Governmental Activities: Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	$ 800,023.92	$ -
Cash Received from Premiums	-	9,926,238.07
Cash Payments to Suppliers for Goods and Services	(21,873.56)	(1,661,486.43)
Cash Payments to Employees for Services	(351,999.08)	-
Cash Payments for Insurance Claims	-	(6,588,538.72)
Net Cash Provided by Operating Activities	426,151.28	1,676,212.92
Net Increase in Cash and Cash Equivalents	426,151.28	1,676,212.92
Cash and Cash Equivalents, Beginning	-	2,530,005.93
Cash and Cash Equivalents, Ending	$ 426,151.28	$ 4,206,218.85

	Extended Day Program	Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 407,501.50	$ 1,684,829.20
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(871.80)	-
Increase in Due from Other Funds	-	(18,285.41)
Decrease in Due to Other Funds	(2,894.56)	-
Increase (Decrease) in Accounts Payable	350.92	(40,443.64)
Increase in Advanced Revenue		138,112.77
Decrease in Estimated Liability for Self-Insurance Program	-	(88,000.00)
Increase in Compensated Absences Payable	17,889.22	-
Increase in Other Postemployment Benefits Payable	4,176.00	-
Total Adjustments	18,649.78	(8,616.28)
Net Cash Provided by Operating Activities	$ 426,151.28	$ 1,676,212.92

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

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

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 99,146.66	$ 1,679,235.00
LIABILITIES		
Internal Accounts Payable	$ -	$ 1,679,235.00
NET POSITION		
Held in Trust for Scholarships and Other Purposes	$ 99,146.66	

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

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

	Private-Purpose Trust Fund
DEDUCTIONS	
Scholarship Payments	$ 500.00
Change in Net Position	(500.00)
Net Position - Beginning	99,646.66
Net Position - Ending	$ 99,146.66

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Flagler County School District's (District) governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is associated with the District's functions and is allocated to those functions.

B. Reporting Entity

The Flagler County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Flagler 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. A blended component unit, is in substance, part of the primary government's operations, even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as part of the District. The Flagler County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.L.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

The Flagler County Education Direct-Support Organization, Inc. (DSO) is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District it would be misleading to exclude the DSO as a component unit.

The Flagler Auditorium Governing Board, Inc., (Auditorium) is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, it would be misleading to exclude the Auditorium as a component unit.

The Palm Harbor Academy, Inc. 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. Imagine Schools at Town Center is a limited liability company organized pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.33, Florida Statutes. These charter schools operate under charters approved by its sponsor, 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 charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the DSO, the Auditorium and charter schools' audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices at 1700 East Moody Boulevard, Bunnell, Florida 32110.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise fund. 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 interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and a blended component unit. 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 nonmajor 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 Fund – to account for certain Federal grant program resources.
- Debt Service – Other Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs associated with the District's Certificates of Participation and Qualified Zone Academy Bonds (QAZB).
- 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.
- Capital Projects – Other Fund – to account for financial resources that are for educational capital outlay needs, including new construction and renovation and remodeling projects.

The District reports the following major enterprise fund:

- Enterprise Fund – Extended Day Program – to account for the financial resources of the Extended Day Program Administered by the District.

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

- Internal Service Fund – to account for the District's self-insured health insurance program.
- Private-Purpose Trust Fund – to account for resources of the Olga A. Kozminski Scholarship Trust Fund.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, special retirement benefits, 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 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 and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The DSO and Auditorium are accounted for as governmental entities engaged in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

Investments made locally consist of money market mutual funds and commercial paper and are reported at fair value. Types and amounts of investments held at fiscal-year end are described in a subsequent note.

3. Restricted Assets

Certain assets held by a trustee under a trust agreement, in the name of the District, in connection with a QZAB Program sinking fund are classified as restricted assets because they are set aside for repayment of the QZAB debt at maturity as required by applicable debt covenants.

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. 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 having a useful life of more than 1 year and costing more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

Description	Estimated Useful Lives
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 years

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

6. 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.

7. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums and discounts are deferred and amortized over the life of the bonds and certificates of participation (COPs) using the effective interest method. Bonds and COPs are reported net of the applicable premium or discount. Certain costs resulting from debt refundings are reported as deferred outflows of resources. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and related premiums are reported as other financing sources.

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and governmental funds balance sheet report 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 two items that qualify for reporting as deferred inflows of resources. The first is the deferred amount on pensions, which is reported only in the government-wide statement of net position. A deferred amount on pensions results from the difference in the expected and actual amounts of experience, earnings and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan, except earnings which are amortized over 5 years. The remaining item is unavailable revenue from the State of Florida for capital outlay and debt service. This item arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet.

Details on the composition of the deferred inflows of resources related to pensions are reported in a subsequent note.

9. 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.

10. 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.

11. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. As authorized in Board Policy 701, the Chief Financial Officer has the authority to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment

In addition, the District has adopted Board Policy 701, which provides that the adopted annual operating fund budget shall include, if feasible, a combined assigned and unassigned fund balance which is 5 percent to 8 percent of the projected General Fund revenues to cover unforeseen events (e.g., revenue shortfalls, student enrollment under projections, etc.). In the event these reserves are needed, it shall be brought before the Board prior to the adoption of the annual operating budget.

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 or business segment is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

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

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

The Board adopted the 2014 tax levy on September 3, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Flagler 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. Capital Outlay Surtax

On August 14, 2012, the voters of Flagler County approved a one-half cent school capital outlay surtax on sales authorized under Section 212.055(6), Florida Statutes, effective January 1, 2013, to be collected through December 2022. The proceeds are used to pay for installation and upgrading of technology in the schools, the construction, reconstruction, and improvement of new and existing public schools, land acquisition and improvement costs, and for debt service payments of capital acquisition and improvement projects of educational facilities.

5. Educational Impact Fees

Flagler County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 2004. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition, construction, expansion, and equipping of educational sites and educational capital facilities necessitated by new development.

6. 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.

7. 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.

8. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board Statement No. 68

The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by $43,756,117 due to the adoption of this Statement.

B. Change in Reporting Entity

The District previously reported its Extended Day Program in the General Fund. For the 2014-15 fiscal year, the Extended Day Program was reported as a business-type activity in the Enterprise Fund – Extended Day Program. As the Extended Day Program did not have any net position reported at July 1, 2014, the beginning net position, and the General Fund beginning fund balance, did not require restatement for the change in reporting entity. However, as discussed in Note V., effective July 1, 2015, the District closed the Enterprise Fund – Extended Day Program, and will report the Extended Day Program within the General Fund for the 2015-16 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

As of June 30, 2015, the District had the following investments:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	34 Day Average	$ 6,335,320.40
Debt Service Accounts	6 Months	32,365.88
Dreyfus Institutional Reserves Treasury Prime Fund (1)(2)(3)	49 Day Average	36,517.38
Commercial Paper (4)	October 27, 2015	2,628,492.39
Total Investments, Primary Government		$ 9,032,696.05

Notes: (1) This Investment is reported as a cash equivalent for financial statement reporting purposes.
(2) Money market mutual funds are invested in U.S. Treasury Securities and repurchase agreement related to such securities.
(3) The investment includes $292.74 held by a paying agent in connection with a QZAB financing arrangement. (See Note III.L.)
(4) The investment is held by a paying agent in connection with a QZAB financing arrangement. (See Note III.L.)

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME and Dreyfus Institutional Reserves Treasury Prime Fund use a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

Credit Risk

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

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

As of June 30, 2015, the District's investments in Florida PRIME and the Dreyfus Institutional Reserves Treasury Prime Fund are rated AAAm by Standard & Poor's.

The District's investments in commercial paper are authorized under a forward delivery agreement with the QZAB paying agent. The forward delivery agreement authorizes the investment of the available sinking fund amount in certain eligible securities, including United States Treasury securities, obligations issued by agencies of the United States Government, and short-term obligations issued by banks, corporations, or other borrowers having a rating at the time of delivery of at least P-1 by Moody's Investors Service or A-1 by Standard & Poor's. The District's investment in commercial paper was rated A-1 by Standard & Poor's.

Custodial Credit Risk

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

Concentration of Credit Risk

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

More than 5 percent of the District's investments are in commercial paper issued by Fortis Funding, LLC. These investments are 29 percent of the District's total investments and 100 percent of the investments in the Debt Service – Other Fund and are classified as restricted assets in the accompanying financial statements.

C. Receivables

The majority of receivables are due from other governmental agencies. These receivables and the remaining accounts receivable are considered fully collectible. As such, no allowance for uncollected accounts receivable is accrued.

D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 9,013,811.21	$ -	$ -	$ 9,013,811.21
Construction in Progress	632,963.15	-	-	632,963.15
Total Capital Assets Not Being Depreciated	9,646,774.36	-	-	9,646,774.36
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,820,982.84	166,539.03	-	6,987,521.87
Buildings and Fixed Equipment	296,214,765.38	-	-	296,214,765.38
Furniture, Fixtures, and Equipment	15,989,680.20	384,551.96	259,707.88	16,114,524.28
Motor Vehicles	12,533,189.57	-	488,284.05	12,044,905.52
Audio Visual Materials and Computer Software	1,835,210.22	-	-	1,835,210.22
Total Capital Assets Being Depreciated	333,393,828.21	551,090.99	747,991.93	333,196,927.27
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,673,355.89	293,886.36	-	4,967,242.25
Buildings and Fixed Equipment	89,286,756.20	7,120,379.44	-	96,407,135.64
Furniture, Fixtures, and Equipment	14,329,710.50	731,007.83	257,358.54	14,803,359.79
Motor Vehicles	10,226,556.88	659,892.29	488,284.05	10,398,165.12
Audio Visual Materials and Computer Software	1,829,763.71	4,198.52	-	1,833,962.23
Total Accumulated Depreciation	120,346,143.18	8,809,364.44	745,642.59	128,409,865.03
Total Capital Assets Being Depreciated, Net	213,047,685.03	(8,258,273.45)	2,349.34	204,787,062.24
Governmental Activities Capital Assets, Net	$ 222,694,459.39	$ (8,258,273.45)	$ 2,349.34	$ 214,433,836.60

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 7,829,387.18
Student Personnel Services	36,401.12
Instructional Media Services	436.90
Instruction and Curriculum Development Services	7,142.89
Instructional Staff Training Services	1,562.68
Instruction Related Technology	18,541.12
School Board	330.23
General Administration	3,888.32
School Administration	24,803.32
Fiscal Services	1,063.32
Food Services	63,693.16
Central Services	1,078.00
Student Transportation Services	534,602.66
Operation of Plant	21,177.61
Maintenance of Plant	104,643.05
Administrative Technology Services	149,707.30
Community Services	10,905.58
Total Depreciation Expense - Governmental Activities	$ 8,809,364.44

E. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled $2,461,848 for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00

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

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

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

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $3,973,200 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $10,299,416 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.168802183 percent, which was an increase of 0.001227028 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized Plan pension expense of $1,006,865. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 637,358
Change of assumptions	1,783,689	
Net difference between projected and actual earnings on FRS pension plan investments	-	17,181,135
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	177,698	-
District FRS contributions subsequent to the measurement date	3,973,200	-
Total	$ 5,934,587	$ 17,818,493

The deferred outflows of resources related to pensions, totaling $3,973,200, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2016	$ (4,045,467)
2017	(4,045,467)
2018	(4,045,467)
2019	(4,045,466)
2020	249,818
Thereafter	74,943
Total	$ (15,857,106)

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 44,051,968	$ 10,299,416	$ (17,776,268)

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $918,787 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $831,939 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $20,855,489 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.223047535 percent, which was an increase of 0.000559081 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized HIS Plan pension expense of $1,454,983. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 742,120
Net difference between projected and actual earnings on HIS pension plan investments	10,011
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	41,915
District contributions subsequent to the measurement date	831,939
Total	$ 1,625,985

The deferred outflows of resources, totaling $831,939, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 128,960
2017	128,960
2018	128,960
2019	128,959
2020	126,457
Thereafter	151,750
Total	$ 794,046

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	$ 23,721,430	$ 20,855,489	$ 18,463,248

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $145,216 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

Allocation of Pension Related Amounts to Proprietary Funds

No pension related amounts have been allocated to the Enterprise Fund – Extended Day Program because the District does not expect the fund to repay any portion of the net pension liability as required by GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 1500.102. The District does not expect the Enterprise Fund – Extended Day Program to repay any portion of the liability because the fund is being closed in the next fiscal year, as discussed in a subsequent note.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled $695,348 for the fiscal year ended June 30, 2015.

Payables to the Investment Plan. At June 30, 2015, the District reported a payable of $155,993 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2015.

F. Other Postemployment Benefit Obligations

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 45 retirees received other postemployment benefits. The District provided required contributions of $167,815 toward the annual OPEB cost, net of retiree contributions totaling $380,659, which represents 0.63 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:

Description	Amount
Normal Cost (service cost for 1 year)	$ 153,691
Amortization of Unfunded Actuarial Accrued Liability	83,699
Interest on Normal Cost and Amortization	2,738
Annual Required Contribution	240,128
Interest on Net OPEB Obligation	73,088
Adjustment to Annual Required Contribution	(77,216)
Annual OPEB Cost (Expense)	236,000
Contribution Toward the OPEB Cost	(167,815)
Increase in Net OPEB Obligation	68,185
Net OPEB Obligation, Beginning of Year	2,088,216
Net OPEB Obligation, End of Year	$ 2,156,401

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 512,456	29.4%	$ 1,718,312
2013-14	537,771	31.2%	2,088,216
2014-15	236,000	71.1%	2,156,401

Funded Status and Funding Progress. As of March 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $2,342,753, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $2,342,753 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $60,527,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.9 percent.

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

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

The District's OPEB actuarial valuation as of March 1, 2015, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 6.7 percent for the year beginning March 1, 2015, reducing gradually each year to an ultimate rate of 4.6 percent after 71 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

G. Special Termination Benefits

The Board's collective bargaining agreements with Flagler County Educator's Association and Flagler Educational Support Personnel Association provide for the payment of special retirement benefit bonuses of $6,000 to qualifying employees at the date of their retirement. In addition to payments for accrued leave balances, the District recorded expenditures of $402,000 during the 2014-15 fiscal year for these special retirement benefit bonuses. The reported amount of $1,692,000 represents the District's estimated liability for future payments to qualified employees as of June 30, 2015.

H. 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 fiscal year's appropriations are likewise encumbered.

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

Special Revenue - Other	Capital Projects - Local Capital Improvement	Capital Projects - Other	Total Governmental Funds
$ 13,250	$ 21,894	$ 16,857	$ 52,001

I. 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 Flagler County District School Board is a member of the North East Florida Educational 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 Putnam County District School Board serves as fiscal agent for the Consortium.

The Board has established a self-insurance program for group health and hospitalization coverage, which includes medical and prescription drug coverage up to specified limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate 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 the self-insurance programs, including the processing, investigating, and payment of claims. Dental, vision, and life insurance is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

The District's health and hospitalization insurance program is administered by an insurance carrier under an agreement wherein the total premium is divided and the District retains on deposit a portion of the premium in a minimum premium account. The insurance carrier draws on this account to pay claims submitted by District employees and dependents.

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

A liability in the amount of $828,000 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2015.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	$ -	$ 6,223,514.73	$ (5,307,514.73)	$ 916,000.00
2014-15	916,000.00	6,500,538.72	(6,588,538.72)	828,000.00

J. Operating Lease Commitments

The District leases computers under operating leases which expire in 2017. The leased assets and the related commitments are not reported on the District's statement of net position. Operating lease payments are recorded as expenses when paid and incurred. Outstanding commitments resulting from the lease agreements are contingent upon future appropriations. Future minimum lease commitments for the noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 1,029,946.77
2017	1,029,946.77
Total Minimum Payments Required	$ 2,059,893.54

K. Changes in Short-Term Debt

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

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ 0	$ 8,500,000	$ 8,500,000	$ 0

Proceeds from the tax anticipation note were used for the payment of operating expenses incurred in operating the District's schools for the 2014-15 fiscal year. The note was issued on August 21, 2014, under the provisions of Section 111.13, Florida Statutes, with a stated interest of 0.54 percent. The note was repaid on January 15, 2015.

L. Long-Term Liabilities

1. Certificates of Participation

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

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
2001A	$ 730,000	5.452	2017	$ 1,290,000
2005A, Refunding	2,005,000	5.0	2016	60,720,000
2005B, Refunding	9,575,000	4.0 - 4.5	2024	11,675,000
2005 - QZAB	5,000,000	None	2022	5,000,000
2014A, Refunding	43,870,000	3.0 -5.0	2031	43,870,000
Subtotal Certificates of Participation	61,180,000			
Plus Unamortized Premiums:				
Series 2014A, Refunding	4,201,672			
Total Certificates of Participation	$ 65,381,672			

The District entered into a financing arrangement on April 1, 1998, which arrangement was characterized as a lease-purchase agreement, with the Flagler County School Board Leasing Corporation (Leasing Corporation), whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of certificates of participation to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District gave ground leases on District property to the Leasing Corporation with a rental fee of $10 per year. The properties covered by the ground lease 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 certificates for a period of time specified by the arrangements, which may be up to 30 years from the date of the inception of the arrangements.

A summary of the lease terms is as follows:

Certificates	Lease Term
Series 2001A	Earlier of date paid in full or July 1, 2016
Series 2005A, Refunding	Earlier of date paid in full or July 1, 2015
Series 2005B, Refunding	Earlier of date paid in full or July 1, 2023
Series 2014A, Refunding	Earlier of date paid in full or July 1, 2030

The District properties included in the various ground leases under these arrangements include: the Corporate Plaza Building used for administrative offices and adult education classrooms, including the 7.44 acre site, located at One Corporate Drive, Palm Coast, Florida; Rymfire Elementary School; Matanzas High School; Government Services Building; and various school facility renovations.

On October 1, 2005, the District entered into a financing arrangement for the Series 2005-QZAB Certificates of Participation issued under a special program whereby the certificates, commencing on October 27, 2005, will mature in full on October 27, 2021, for the original amount of $5,000,000. There is no interest cost for borrowing moneys under this program. The financing proceeds were used for improvements and to acquire technology-related equipment at two designated schools, which are leased by the District from the Leasing Corporation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of $257,691 for 16 consecutive years began on October 27, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulate pursuant to the forward delivery agreement and are held under a trust agreement until the certificates mature. The Series 2005-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

With the exception of the Series 2005-QZAB issue, the lease payments are payable by the District semiannually on August 1 and February 1 and must be remitted by the District as of the 15th day of the month preceding the payment dates.

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

Fiscal Year Ending June 30		Total		Principal		Interest
2016	$	5,712,309.30	$	3,260,000.00	$	2,452,309.30
2017		5,733,934.50		3,420,000.00		2,313,934.50
2018		5,340,362.00		3,150,000.00		2,190,362.00
2019		5,319,399.50		3,270,000.00		2,049,399.50
2020		5,319,643.25		3,430,000.00		1,889,643.25
2021-2025		30,255,216.25		23,480,000.00		6,775,216.25
2026-2030		20,089,381.00		17,235,000.00		2,854,381.00
2031		4,013,705.00		3,935,000.00		78,705.00
Subtotal Minimum Lease Payments		81,783,950.80		61,180,000.00		20,603,950.80
Plus: Unamortized Premiums		4,201,672.00		4,201,672.00		-
Total Minimum Lease Payments	$	85,985,622.80	$	65,381,672.00	$	20,603,950.80

2. Bonds Payable

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

Bond Type		Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 2011A, Refunding	$	460,000.00	3.0 - 5.0	2023
Series 2014B, Refunding		779,000.00	2.0 - 5.0	2020
District Revenue Bonds:				
Series 1998		1,865,000.00	5.0	2029
Subtotal		3,104,000.00		
Plus Unamortized Premiums:				
Series 2014B, Refunding		74,081.75		
Total Bonds Payable	$	3,178,081.75		

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 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.

District Revenue Bonds

Capital Improvement Revenue Bonds, Series 1998, issued in the amount of $3,010,000, are authorized by Chapter 1011, Florida Statutes, and Section 550.135, Florida Statutes, as supplemented by Chapter 30131, Laws of Florida (1955), as amended by Chapter 71-367, 71-639, and 73-466, Laws of Florida. The principal and interest on the bonds are paid solely from, and secured by, a prior lien upon and pledge of that portion of the money distributed to the District from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District.

The District has pledged a total of $2,592,125 of pari-mutuel tax revenues in connection with the District Revenue Bonds, Series 1998, described above. During the 2014-15 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $185,500 (83 percent) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on August 1, 2028.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2016	$ 324,184.35	$ 263,000.00	$ 61,184.35
2017	330,970.00	286,000.00	44,970.00
2018	334,670.00	304,000.00	30,670.00
2019	100,470.00	85,000.00	15,470.00
2020	102,220.00	91,000.00	11,220.00
2021-2023	224,200.00	210,000.00	14,200.00
Total State School Bonds	1,416,714.35	1,239,000.00	177,714.35
District Revenue Bonds:			
2016	185,875.00	95,000.00	90,875.00
2017	186,000.00	100,000.00	86,000.00
2018	185,875.00	105,000.00	80,875.00
2019	185,500.00	110,000.00	75,500.00
2020	184,875.00	115,000.00	69,875.00
2021-2025	925,000.00	670,000.00	255,000.00
2026-2029	739,000.00	670,000.00	69,000.00
Total District Revenue Bonds	2,592,125.00	1,865,000.00	727,125.00
Total Minimum Bond Payments	4,008,839.35	3,104,000.00	904,839.35
Plus: Unamortized Premiums	74,081.75	74,081.75	-
Total Bonds Payable	$ 4,082,921.10	$ 3,178,081.75	$ 904,839.35

3. Defeased Debt

On July 24, 2014, the District issued $43,870,000 in Certificates of Participation (COPs), Series 2014A, to advance-refund a portion of the District's COPs, Series 2005A, maturing on and after August 1, 2016, totaling $45,455,000. The net proceeds of $47,907,135.37 (including premium received of $4,464,276.10, after payment of $427,140.73 in underwriting fees, insurance, and other issuance costs) plus an additional $909,100 of funds received from the

District were placed in an irrevocable trust to provide for a portion of future debt service payments on the COPs, Series 2005A. As a result, $45,455,000 of the COPs, Series 2005A are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

The COPs, Series 2005A were refunded to reduce the total debt service over the next 16 years by $4,763,584.76 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $3,744,421.94.

The Florida Department of Education issued SBE Capital Outlay Refunding Bonds, Series 2014B, on December 2, 2014, for $129,880,000. The proceeds from these bonds were used to refund $47,235,000 of the SBE Capital Outlay Bonds, Series 2005A bonds and $91,380,000 of the SBE Capital Outlay Bonds, Series 2005B bonds. The District did not participate in the 2005A bonds.

The District's portion of the Series 2014B bonds totaled $779,000 and was used to refund $840,000 of the District's portion of the Series 2005B bonds maturing in the years 2016 through 2020. The District's pro rata share of the net proceeds of the Series 2014B bonds totaled $869,244.97 (including premium received of $74,081.75, after deduction of $1,336.78 by the SBE for the District's pro rata share of underwriting fees, insurance, and other issuance costs and less $17,500 of accrued interest) were used to call and redeem the remaining outstanding Series 2005B debt on January 1, 2015. The Series 2014B bonds were issued to reduce the total debt service over the next 6 years by $10,453,172 and to obtain an economic gain of $10,282,214. The District's portion of the refunding bonds resulted in a reduction in total debt service of $99,736 over the next 6 years and an economic gain of $93,903.

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 3,445,000.00	$ 779,000.00	$ 1,120,000.00	$ 3,104,000.00	$ 358,000.00
Unamortized Premiums	-	74,081.75	-	74,081.75	12,347.75
Bonds Payable, Net	3,445,000.00	853,081.75	1,120,000.00	3,178,081.75	370,347.75
Certificates of Participation Payable	65,875,000.00	43,870,000.00	48,565,000.00	61,180,000.00	3,260,000.00
Unamortized Premiums	-	4,464,276.10	262,604.10	4,201,672.00	262,604.00
Certificates of Participation Payable, Net	65,875,000.00	48,334,276.10	48,827,604.10	65,381,672.00	3,522,604.00
Compensated Absences Payable	5,936,672.00	575,836.00	916,594.00	5,595,914.00	679,904.00
Special Termination Benefits Payable	1,716,000.00	378,000.00	402,000.00	1,692,000.00	402,000.00
Net Pension Liability (1)	48,217,687.00	5,217,281.00	22,280,063.00	31,154,905.00	700,125.00
Other Postemployment Benefits Payable	2,088,216.00	236,000.00	167,815.00	2,156,401.00	-
Total Governmental Activities	$127,278,575.00	$ 55,594,474.85	$ 73,714,076.10	$109,158,973.75	$ 5,674,980.75

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

For the governmental activities, compensated absences payable, special termination benefits payable, net pension liability, and other postemployment benefits payable are generally liquidated with resources of the General Fund.

M. Fund Balance Reporting

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

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

N. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 972,959.61	$ 33,962.99
Special Revenue:		
Other	10,280.58	515,600.81
Capital Projects:		
Other	4,500.00	-
Enterprise:		
Extended Day	-	372,105.44
Nonmajor Governmental	-	100,033.94
Internal Service	33,962.99	-
Total	$ 1,021,703.18	$ 1,021,703.18

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be paid within 12 months.

O. Revenues

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 28,157,980.00
Categorical Educational Program - Class Size Reduction	12,709,475.00
Workforce Development Program	1,801,038.00
Gross Receipts Tax (Public Education Capital Outlay)	730,797.00
Voluntary Prekindergarten Program	694,825.06
School Recognition	668,281.00
Adults with Disabilities	535,892.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	457,733.85
Charter School Capital Outlay	297,501.00
Racing Commission Funds	223,250.00
Miscellaneous	376,182.50
Total	$ 46,652,955.41

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-15 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.198	$ 38,586,135.00
Basic Discretionary Local Effort	0.748	5,552,597.00
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	11,134,888.00
Total	7.446	$ 55,273,620.00

P. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 4,765,639.00	$ -
Debt Service:		
Other	5,876,737.39	-
Capital Projects:		
Local Capital Improvement	69,518.86	8,594,224.81
Other	-	1,011,873.44
Enterprise:		
Extended Day Program	-	375,000.00
Nonmajor Governmental	-	730,797.00
Total	$ 10,711,895.25	$ 10,711,895.25

The transfers out of the capital projects funds were to provide debt service principal and interest payments, to pay a portion of property casualty insurance premiums, and to assist in funding maintenance operations of the District. The transfer out of the enterprise fund was operational in nature.

IV. INTERLOCAL AGREEMENT

On September 8, 2005, the Board entered into an interlocal agreement with the County pursuant to Section 163.01, Florida Statutes, to construct and use an administrative office facility. The District owns 44.2 percent and the County owns 55.8 percent of the facility, which represents their respective share of the office space. The facility is owned by the participants as tenants-in-common in proportion to their ownership interest. The costs and expenses of maintaining the facility and any capital improvements are the responsibility of each party in their respective share of office space. The operating costs necessary to operate, maintain, repair, and replace the common areas are to be shared equally by each participant. The District's share of operating costs was $184,753.50 for the 2014-15 fiscal year.

The District disbursed a total of $10,225,611 for the construction of its respective share of office space. A separate grounds lease agreement was executed with the County for land upon which the District's office space is located. The ground lease agreement provides for an annual rental payment of $10.

V. SUBSEQUENT EVENTS

The Board authorized the issuance of a tax anticipation note (Note) in the amount of $9,500,000. The proceeds will be used for operating expenses for the fiscal year ending June 30, 2016. The closing of the Note took place on August 20, 2015, and the Note was to mature on January 15, 2016. The stated interest rate is 0.94 percent. On December 21, 2015, the Note was paid in full, resulting in $5,953 of interest savings.

The District entered into a Master Lease Purchase Agreement (Lease Agreement) with Apple, Inc., dated August 17, 2015, for the purchase of 2,000 Apple MacBooks. The Lease Agreement, in the amount of $1,524,000, requires annual principal and interest payments, and matures on August 17, 2018. The stated interest rate is 0.5 percent per annum.

The District entered into a Master Lease Purchase Agreement (Lease Agreement) with Apple, Inc., date August 17, 2015, for the purchase of 900 Apple iPads. The Lease Agreement, in the amount of $381,600, requires annual principal and interest payments, and matures on August 17, 2017. The stated interest rate is 0.5 percent per annum.

On November 20, 2015, the District issued $8,915,000 of Certificates of Participation, Series 2015A, to refund the outstanding Certificates of Participation, Series 2005B. The principal payments of the Series 2015A Certificates are due annually, and the interest payments are due semiannually on February 1 and August 1. The interest rate is 2.08 percent per annum. The Series 2015A Certificates mature on August 1, 2023.

Effective July 1, 2015, the District closed the business-type activity in the Enterprise Fund, the Extended Day Program. The activities of the Extended Day Program will be accounted for within the General Fund for the fiscal year ended June 30, 2016.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 135,000.00	$ 135,000.00	$ 111,816.41	$ (23,183.59)
Federal Through State and Local	540,000.00	569,000.00	610,393.04	41,393.04
State	47,187,058.00	45,139,930.73	44,863,917.17	(276,013.56)
Local:				
Property Taxes	42,335,876.00	42,495,312.00	42,678,285.70	182,973.70
Miscellaneous	3,446,735.00	3,184,009.97	2,695,186.23	(488,823.74)
Total Local Revenues	45,782,611.00	45,679,321.97	45,373,471.93	(305,850.04)
Total Revenues	93,644,669.00	91,523,252.70	90,959,598.55	(563,654.15)
Expenditures				
Current - Education:				
Instruction	63,172,559.00	62,419,377.44	62,147,094.01	272,283.43
Student Personnel Services	6,669,230.00	6,309,875.66	6,211,702.24	98,173.42
Instructional Media Services	1,067,042.00	1,029,332.94	992,785.00	36,547.94
Instruction and Curriculum Development Services	226,808.00	161,331.99	128,809.22	32,522.77
Instructional Staff Training Services	368,246.00	532,593.28	528,095.53	4,497.75
Instructional - Related Technology	693,406.00	769,500.11	769,500.03	0.08
Board	335,890.00	458,168.00	444,855.55	13,312.45
General Administration	505,969.00	420,359.00	408,955.41	11,403.59
School Administration	5,121,606.00	5,235,838.42	5,235,838.29	0.13
Facilities Acquisition and Construction	-	525.88	-	525.88
Fiscal Services	720,331.00	753,230.13	753,229.21	0.92
Food Services	-	10,354.55	10,354.55	-
Central Services	1,021,970.00	1,177,515.06	1,170,576.32	6,938.74
Student Transportation Services	5,004,052.00	4,621,588.36	4,577,845.59	43,742.77
Operation of Plant	7,756,517.00	8,095,980.91	8,089,590.45	6,390.46
Maintenance of Plant	2,503,431.00	2,649,208.38	2,649,207.56	0.82
Administrative Technology Services	339,921.00	705,107.04	704,996.62	110.42
Community Services	1,455,920.00	1,724,977.72	1,524,607.53	200,370.19
Fixed Capital Outlay:				
Other Capital Outlay	-	3,752.38	3,752.38	-
Debt Service:				
Interest and Fiscal Charges	75,000.00	52,000.00	46,451.37	5,548.63
Total Expenditures	97,037,898.00	97,130,617.25	96,398,246.86	732,370.39
Deficiency of Revenues Over Expenditures	(3,393,229.00)	(5,607,364.55)	(5,438,648.31)	168,716.24
Other Financing Sources				
Transfers In	3,593,979.00	3,593,919.00	4,765,639.00	1,171,720.00
Sale of Capital Assets	20,000.00	20,000.00	19,388.98	(611.02)
Loss Recoveries	-	20,000.00	43,486.86	23,486.86
Total Other Financing Sources	3,613,979.00	3,633,919.00	4,828,514.84	1,194,595.84
Net Change in Fund Balances	220,750.00	(1,973,445.55)	(610,133.47)	1,363,312.08
Fund Balances, Beginning	4,475,000.00	4,475,000.00	4,036,278.26	(438,721.74)
Fund Balances, Ending	$ 4,695,750.00	$ 2,501,554.45	$ 3,426,144.79	$ 924,590.34

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ 1,263,572.40	$ 1,263,572.40	$ -
6,253,154.00	6,200,376.98	6,200,376.98	-
-	-	-	-
-	-	-	-
-	967.45	967.45	-
-	967.45	967.45	-
6,253,154.00	7,464,916.83	7,464,916.83	-
3,365,514.00	3,472,907.36	3,472,907.36	-
1,595,909.00	1,693,606.96	1,693,606.96	-
-	1,448.70	1,448.70	-
378,657.00	1,045,024.70	1,045,024.70	-
719,485.00	877,533.54	877,533.54	-
-	-	-	-
-	503.00	503.00	-
176,307.00	157,079.92	157,079.92	-
-	9,389.40	9,389.40	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
17,282.00	150.72	150.72	-
-	-	-	-
-	-	-	-
-	-	-	-
-	161,968.04	161,968.04	-
-	45,304.49	45,304.49	-
-	-	-	-
6,253,154.00	7,464,916.83	7,464,916.83	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 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]
March 1, 2011	$ -	$ 4,022,410	$ 4,022,410	0%	$ 64,969,500	6.2%
March 1, 2013	-	4,126,024	4,126,024	0%	62,078,800	6.6%
March 1, 2015	-	2,342,753	2,342,753	0%	60,527,000	3.9%

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

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

	2014	2013
District's proportion of the FRS net pension liability	0.168802183%	0.167575155%
District's proportionate share of the FRS net pension liability	$ 10,299,416	$ 28,847,142
District's covered-employee payroll	$ 57,319,766	$ 55,629,003
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	17.97%	51.86%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

	2015	2014
Contractually required FRS contribution	$ 3,973,200	$ 3,697,484
FRS contributions in relation to the contractually required contribution	(3,973,200)	(3,697,484)
FRS contribution deficiency (excess)	-	-
District's covered-employee payroll	$ 56,945,205	$ 57,319,766
FRS contributions as a percentage of covered-employee payroll	6.98%	6.45%

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

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

	2014	2013
District's proportion of the HIS net pension liability	0.223047535%	0.222488454%
District's proportionate share of the HIS net pension liability	$ 20,855,489	$ 19,370,545
District's covered-employee payroll	$ 66,283,680	$ 64,634,943
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.46%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

	2015	2014
Contractually required HIS contribution	$ 831,939	$ 764,086
HIS contributions in relation to the contractually required contribution	(831,939)	(764,086)
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	66,098,185	66,283,680
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The March 1, 2015, unfunded actuarial accrued liability of $2,342,753 was significantly less than the March 1, 2013, liability of $4,126,024 as a result of benefit changes in liabilities and costs discussed below:

- The deviation of demographic data from previous assumptions resulted in a gain of approximately $185,000.
- Updates to demographic assumptions and methods resulted in a gain of approximately $1,891,000. In particular, generally lower retirement rates from ages 50 to 64.
- Healthcare costs did not increase as much as expected. This is partially due to the restructuring of plan offerings. As of the prior valuation, 4 medical options were offered. Effective September 1, 2015, there are only 3 medical options offered. This resulted in a gain of approximately $197,000.
- Updating the medical trend assumptions resulted in a gain of approximately $250,000.

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

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

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

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14002	$ 988,007.54
National School Lunch Program	10.555 (2)	14001, 14003	3,367,594.70
Summer Food Service Program for Children	10.559	14006, 14007	103,790.10
Total Child Nutrition Cluster			4,459,392.34
Florida Department of Health:			
Child and Adult Care Food Program	10.558	A-4477	336,872.97
Total United States Department of Agriculture			4,796,265.31
United States Department of Labor:			
Indirect:			
Workforce Development Board for Business Excellence:			
WIA/WIOA Youth Activities	17.259	None	171,968.03
United States National Science Foundation:			
Indirect:			
University of Florida:			
Education and Human Resources	47.076	None	10,574.64
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	158,783.92
Teacher Incentive Fund	84.374	N/A	1,104,788.48
Total Direct			1,263,572.40
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027 (3)(A)	263	2,107,334.35
Special Education - Preschool Grants	84.173	267	29,568.54
University of North Florida:			
Special Education - Grants to States	84.027 (3)(A)	None	5,586.71
University of South Florida:			
Special Education - Grants to States	84.027 (3)(A)	None	830.78
Total Special Education Cluster			2,143,320.38
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	133,672.00
Title I Grants to Local Educational Agencies	84.010	212	3,069,246.48
Career and Technical Education - Basic Grants to States	84.048 (3)(B)	161	227,783.03
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	241	31,480.00
Education for Homeless Children and Youth	84.196	127	24,311.08
English Language Acquisition State Grants	84.365	102	41,107.73
Improving Teacher Quality State Grants	84.367	224	298,212.05
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)(C)	RA111, RG311, RL111	432,699.67

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Education (Continued):			
Indirect (Continued):			
Daytona State College:			
Career and Technical Education - Basic Grants to States	84.048 (3)(B)	None	44,778.00
Washington County School District:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)(C)	None	446.38
Indian River State College:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)(C)	None	3,477.18
Total Indirect			6,450,533.98
Total United States Department of Education			7,714,106.38
United States Department of Defense:			
Direct:			
Army Junior Reserve Officer Training Corps	None	N/A	111,816.41
Total Expenditures of Federal Awards			$ 12,804,730.77

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

(2) Noncash Assistance – National School Lunch Program. Includes $338,617.32 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Total Expenditures by CFDA Number:

(A) CFDA 84.027 total expenditures - $2,113,751.84.
(B) CFDA 84.048 total expenditures - $272,561.03.
(C) CFDA 84.395 total expenditures - $436,623.23.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Flagler County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

District's Response to Findings

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2016

AUDITOR GENERAL
STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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 fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
84.374	Teacher Incentive Fund
Dollar threshold used to distinguish between Type A and Type B programs:	$384,141
Auditee qualified as low-risk auditee?	No

ADDITIONAL MATTERS

Finding 1: Payroll Processing Procedures

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

During the 2014-15 fiscal year, the District reported salary costs of approximately $6.8 million for 114 noninstructional employees. Based on our discussions with District personnel, to document leave taken, noninstructional employees submit manual leave requests to cost center supervisors for review and approval through the District's online payroll system. While cost center supervisors review and approve payroll reports that list the leave taken by employees, the payroll reports do not evidence the time worked by these employees.

In response to our inquiry, District personnel indicated that the payroll-by-exception basis was an acceptable practice. However, without evidence of time worked and documented supervisory review and approval of noninstructional employee time worked, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The District should require noninstructional employees to report time worked and ensure that supervisory review and approval of such time is documented.

Finding 2: Temporary Duty Elsewhere Leave

Board policy[1] authorizes employees to use temporary duty elsewhere (TDE) leave when they are temporarily away from their regular duties and place of employment and participate in other educational activities such as professional meetings, study courses, or similar activities that directly benefit the District. According to the policy, if the TDE leave results in no additional Board cost and is for activities within the District, an employee only has to obtain his or her supervisor's approval to use the leave. If the TDE leave results in additional Board costs (e.g., substitute teacher pay) or is for activities outside the District, an employee must obtain his or her supervisor's and the Superintendent's approval to use the leave. To document the TDE leave approval process, employees must submit to their supervisors employee-signed leave forms that identify the leave as TDE and provide the basis for taking the leave. The employees' supervisors and the Superintendent, as applicable, are to sign the forms to evidence

[1] Policy 637, *Temporary Duty*.

review and approval. Additionally, the policy requires supervisors to maintain records to demonstrate that the TDE assignments were performed.

During the 2014-15 fiscal year, the District paid $898,620 to 319 substitute teachers and we identified 10 individuals who substituted for 10 teachers who had used TDE leave. We requested the TDE leave forms and other relevant District records to determine whether the 10 teachers' TDE leave forms evidenced appropriate review and approval and that District records demonstrated TDE assignments were performed. We were provided forms for 9 of the 10 teachers. All 9 teachers' forms had been signed and approved by supervisors, but the Superintendent did not sign and approve any of the forms. Additionally, District personnel provided documentation to demonstrate that 5 of the 10 teachers had performed their TDE assignments; however, contrary to Board policy, District personnel could not provide records, such as attendance sign-in sheets, sponsor-issued study course certificates, or other records, to demonstrate that the 5 remaining teachers had performed their TDE assignments (3 assignments were out-of-District and 2 were in-District).

In response to our inquiry, District personnel agreed that they did not always follow the established documentation process. Without documented Superintendent review and approval, as applicable, and District records to demonstrate that TDE assignments were performed, TDE leave is not authorized pursuant to Board policy and the District has limited assurance that the assignments were performed.

Recommendation: The District should ensure that the Superintendent's review and approval is timely documented for applicable TDE leave and that supervisors maintain records to demonstrate that TDE assignments were performed.

Finding 3: Adult General Education

State law[2] defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and General Appropriations Act[3] proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.[4]

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2014-15 fiscal year, the District reported 79,004 instructional contact hours for 180 adult general education classes provided to 440 students. As a part of our audit, we examined District records for the 3,362 hours reported for 30 selected students enrolled in adult general education classes. We found that

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

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

[4] FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

instructional contact hours were over reported a net total of 16 hours, including 55 over-reported hours for 4 students and 39 under-reported hours for 5 students.

In response to our inquiries, District personnel indicated these exceptions were due to incorrect withdrawal dates used to determine instructional contact hours. Since future funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. A similar finding was noted in our report No. 2015-174.

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

Finding 4: Community Education

During the 2014-15 fiscal year, the District offered several community education classes and activities to children and adults, and charged Board-approved fees for these services. One of these activities was the District-operated Belle Terre Swim and Racquet Club (Club), which generated fees for use of the District community education gym and pool areas. The community education's facilities were also used for other community education classes, practices for one of the District's high school swim teams, and various other community activities such a synchronized swim team. As with other business-type activities, it is important for each of the community education services to be self-sustaining so that other District resources will not be required to fund the community education services.

For the 2014-15 fiscal year, District records disclosed that the community education and Club programs were not self-sustaining as the programs had revenues of $299,396 and expenditures of $536,852, resulting in an operating deficit of $237,456. According to District personnel, the deficit occurred primarily because of increased competition by other community-operated programs and facilities.

At the October 20, 2015, Board meeting, District personnel presented to the Board a plan for the Club's membership dues and projected costs and indicated that the Club would become self-sustaining during the 2016 calendar year. The Board approved the plan, with a planned review in early 2016 to determine if additional actions would be required. Subsequently, at its February 2, 2016, meeting, the Board approved the continued operations of the Club with the increase in paid memberships and additional funds to be contributed by the Flagler County Board of County Commissioners. A similar finding was noted in our report No. 2015-174.

Recommendation: The District should continue efforts to improve the fiscal viability of its community education and Club programs.

Finding 5: Virtual Instruction Program – Provider Contract

State law[5] requires that each contract with an FDOE-approved virtual instruction program (VIP) provider contain certain provisions. In addition, to ensure appropriate controls over data quality, security

[5] Section 1002.45(4), Florida Statutes.

measures, and provider contract compliance, VIP provider contracts need to contain other necessary provisions to establish the District's expectations for these providers. District records also need to evidence the basis upon which District personnel determined the reasonableness of student-teacher ratios established in the VIP provider contracts.

During the 2014-15 fiscal year, the District had 69 full-time and no part-time students participating in VIPs. As part of our audit, we reviewed the contract between the District and an FDOE-approved VIP provider, along with other related records, and found that:

- Although the contract established student-teacher ratios as required by State law,[6] the ratios appeared disproportionate, as the ratios ranged from 65:1 (for kindergarten through grade 8) 250:1 (for grades 9 through 12 elective courses). Further, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios. Without records documenting the reasonableness of established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.
- The contract did not include data quality requirements. The provider is to maintain significant amounts of education data used to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.[7] Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The contract did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contract contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,[8] without specified minimum required security controls, there is an increased risk that provider information security and other information technology controls may not be sufficient to protect the education data.
- The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

A similar finding was noted in our report No. 2015-174.

Recommendation: The District should ensure that District records document the reasonableness of the student-teacher ratios established in FDOE-approved VIP provider contracts, and that VIP provider contracts include the provisions necessary to promote quality instruction and education data integrity and provide for the monitoring of VIP provider compliance.

[6] Section 1002.45(2)(a)8., Florida Statutes.

[7] Section 1008.31, Florida Statutes.

[8] The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

Finding 6: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned responsibilities. Periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible duties.

The District is a participating member of the North East Florida Educational Consortium (NEFEC). The District receives IT services from NEFEC through the Educational Technology Services data center, and also has its own IT employees. Our test of selected access privileges to the District's business application, including finance and human resources (HR), disclosed that some District employees had access privileges that permitted them to perform unnecessary or incompatible functions.

Specifically, we found that the District's Management Information Systems Director and Assistant Director had access privileges that allowed update access privileges to all functions within the finance and HR applications, including transactions origination, correction, and changes to finance and payroll data security tables. In response to our inquiry, District management indicated that the access privileges were necessary to provide security administration functions and to modify and prepare data for State reporting. Nevertheless, complete update access privileges to the applications were not necessary for these employees' responsibilities related to technical support of the application and were contrary to an appropriate separation of IT and end-user functions.

District records indicated that the District had certain controls (e.g., supervisory monitoring of finance and HR transactions, timely independent bank reconciliations, and restricted access to unused checks) that somewhat mitigated the deficiencies and our review did not disclose any misuse as a result of the unnecessary or inappropriate access privileges. Also, the Assistant Director, Director of Finance, and HR Position Control Specialist periodically reviewed access assigned to the application security groups for unauthorized activities. However, the existence of these inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2014-130 and 2015-174.

Recommendation: The District should improve its review of the District network, finance and HR application access privileges to ensure that assigned access privileges enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities.

<u>Follow-up to Management's Response</u>

The District's response indicates that "the access privileges assigned are appropriate given the nature of the job responsibilities and functions of the two employees in question. For the past several years, we have had various controls in place to mitigate deficiencies and prevent against any misuse." While we agree that certain controls somewhat mitigated the deficiencies, complete update access privileges to the applications are contrary to an appropriate separation of IT and end-user functions. Consequently, we continue to recommend that the District ensure that assigned access privileges enforce an appropriate *separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities.*

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as noted in Findings 3, 4, 5, and 6 and shown in Table 1:

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year Audit Report No. 2015-174, Finding	2012-13 Fiscal Year Audit Report No. 2014-130, Finding
3	8	Not Applicable
4	6	Not Applicable
5	12	Not Applicable
6	14	3

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2014-130 (2) 2015-174 (2014-002)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Cost Principles	Required documentation to support personnel charges to the Child Nutrition Cluster programs was not maintained, contrary to Federal regulations.	Corrected.	Procedures were adjusted as needed to ensure required documentation is being maintained.
2015-174 (2014-001)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Cost Principles and Procurement	District procedures did not always ensure that Child Nutrition Cluster program expenditures were reconciled to bid documents or that contract documents contained certain necessary information.	Corrected.	Procedures were strengthened to ensure pricing sheets for all vendors are maintained and reconciled to contract documents.

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March 8, 2016

Sherrill F. Norman, CPA
Auditor General
Claude Pepper Building
111 West Madison Street, Suite G74
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Please find attached our response to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2015. Our responses follow the order of the findings cited. Should additional information be required, please contact Mr. Tom Tant, Chief Financial Officer.

Sincerely,

Jacob Oliva
Superintendent

Attachment

cc: Board Members

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Additional Matters

Finding No. 1: The District needs to establish a mechanism for noninstructional employees to report time worked and ensure documented supervisory review and approval of such time.

Response: Effective procedures are in place for noninstructional hourly employees. For noninstructional exempt employees that are paid on a payroll-by-exemption basis, the District will review and enhance its procedures as deemed necessary.

Finding No. 2: Contrary to Board policy, the Superintendent did not always review and approve applicable temporary duty elsewhere (TDE) leave forms, and supervisors did not always maintain records to demonstrate that TDE assignments were performed.

Response: The District will review the Board policy to determine any changes necessary to ensure proper accountability exists.

Finding No. 3: The District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Response: The District will continue to review and enhance its procedures over the reporting of instructional contact hours to be in compliance with Florida Statutes.

Finding No. 4: The fiscal viability of community education classes and activities continue to need improvement.

Response: Community education is only one part of the Adult & Community Education umbrella for the 2014-15 fiscal year. Community Education itself is comprised of several different programs, and operated at a profit for the 2014-15 fiscal year.

When the two specific programs in question (Belle Terre Swim & Racquet Club and Community Education Classes) began to experience declining revenues, District management immediately put procedures in place to minimize the impact, such as a reduction in personnel and a reduction in classes that began operating at a loss. Since then, the operating losses of these two programs have decreased substantially.

District management has continually put procedures in place to minimize losses and is properly following the directives given to us by the School Board. We will continue these same efforts going forward.

Finding No. 5: The VIP provider contract did not contain certain necessary provisions and District records did not evidence the basis upon which District personnel determined the reasonableness of student-teacher ratios.

Response: The VIP provider contract used by our District is an FDOE approved contract template and includes all required statutory items. The four provisions in question are not specifically required by Florida Statutes.

As a District, we strive to ensure compliance with Florida Statutes and other laws and regulations, and have regular management meetings to ensure controls and procedures are continually reviewed and enhanced. However, there is not a comprehensive guide of internal controls and procedures for school districts. Therefore, the District implements what its management team would consider to be key controls and procedures, and has mitigating factors in place to prevent against other control deficiencies arising. The District will continue to review and enhance its procedures as it deems necessary.

Finding No. 6: Some unnecessary and inappropriate information technology access privileges continue to exist.

Response: District management believes the access privileges assigned are appropriate given the nature of the job responsibilities and functions of the two employees in question. For the past several years, we have had various controls in place to mitigate deficiencies and prevent against any misuse.