STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-193
March 2017

JEFFERSON COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2016

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Al Cooksey served as Superintendent of the Jefferson County Schools and the following individuals served as School Board Members:

	District No.
Phil Barker	1
Sandra Saunders, Chair to 11-08-15	2
Shirley A. Washington, Chair from 11-09-15, Vice Chair to 11-08-15	3
Larry Halsey, Vice Chair from 11-09-15	4
Charles Boland	5

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

The team leader was Cheryl B. Buchanan, CPA, and the audit was supervised by Karen L. Revell, CPA.

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

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JEFFERSON COUNTY DISTRICT SCHOOL BOARD

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JEFFERSON COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the Jefferson County District School Board (District's) basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards. As noted in the Emphasis of Matter paragraph, the District's Board elected to close and reopen the District schools as one or more charter schools beginning with the 2017-18 school year.

Summary of Report on Internal Control and Compliance

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

We also noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies, as summarized below. However, these significant deficiencies are not considered 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, except as summarized below. In addition, we noted a certain additional matter as summarized below.

Material Noncompliance and Material Weakness

Finding No. 2016-001: District controls over the budgetary process continued to be deficient. These deficient controls contributed to District General Fund total assigned and unassigned fund balance deficits at June 30, 2015, and June 30, 2016, of $242,542 and $33,048, respectively. On August 10, 2016, the Commissioner of Education declared that the District was in a state of financial emergency.

Significant Deficiencies

Finding No. 2016-002: District financial reporting procedures need improvement to ensure the proper reporting of account balances and transactions and the timely submission of the annual financial report to the Florida Department of Education (FDOE).

Finding No. 2016-003: District bank account reconciliation procedures did not effectively provide for:

- An appropriate separation of the bank account reconciliation and journal entry responsibilities.
- Proper reconciliations of bank statement cash account balances to the general ledger cash account balances with reconciling items thoroughly investigated and adequately identified and documented.
- Timely adjustments to the general ledger cash account balances based on the results of the bank account reconciliations.
- Appropriate supervisory review and approval of the bank account reconciliations and journal entries to ensure that the reconciliations were properly performed and the entries were accurately made.

Additionally, as of February 16, 2017, District records lacked explanations for the $34,493 difference between the bank statement and general ledger cash account balances at June 30, 2016.

Additional Matter

Finding No. 2016-004: Contrary to FDOE requirements, the District expended Capital Outlay and Debt Service (CO&DS) funds totaling $33,363 on projects that were not listed on the District's project priority list. Consequently, the expenditures did not appear consistent with the allowable uses of CO&DS proceeds and, as such, represent questioned costs.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I and Special Education Cluster 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 School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the financial statement and the Federal awards findings included in our report No. 2016-169.

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, 2016. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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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, each major fund, and the aggregate remaining fund information of the Jefferson County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management 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 58 percent of the assets and 58 percent of the liabilities of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds is based solely on the report 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County District School Board, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note IV. to the financial statements, the Jefferson County District School Board has elected to close and reopen the District schools as one or more charter schools beginning with the 2017-18 school year. 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**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2017, 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, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jefferson 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, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year are as follows:

- As of June 30, 2016, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by $26,844,433.64.
- In total, net position decreased $125,746.79, which represents a 0.5 percent decrease over the 2014-15 fiscal year.
- Capital Assets, net of depreciation, decreased by $220,753.49.
- General revenues total $9,712,075.29, or 90.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $1,032,230.16, or 9.6 percent of all revenues.
- Expenses total $10,870,052.24. Only $1,032,230.16 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 totaled $381,686.23, which is $119,853.33 more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances was a deficit $33,047.60, or negative 0.4 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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 – Food Service Fund, Special Revenue – Other Fund, Capital Projects – Capital Outlay and Debt Service Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

Net Position, End of Year

	Governmental Activities	
	6-30-16	**6-30-15**
Current and Other Assets	$ 1,571,263.54	$ 2,077,280.38
Capital Assets	30,761,682.02	30,982,435.51
Total Assets	32,332,945.56	33,059,715.89
Deferred Outflows of Resources	1,178,675.00	1,019,703.00
Long-Term Liabilities	5,375,938.32	4,622,737.37
Other Liabilities	206,016.60	465,965.09
Total Liabilities	5,581,954.92	5,088,702.46
Deferred Inflows of Resources	1,085,232.00	2,020,536.00
Net Position:		
Net Investment in Capital Assets	30,761,682.02	30,873,805.75
Restricted	1,458,395.00	1,556,202.41
Unrestricted (Deficit)	(5,375,643.38)	(5,459,827.73)
Total Net Position	$ 26,844,433.64	$ 26,970,180.43

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing $921,727.32 in compensated absences payable, $353,999 in other postemployment benefit obligations, and $4,100,212 in net pension liability.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-16	**6-30-15**
Program Revenues:		
Charges for Services	$ 63,965.10	$ 62,307.73
Operating Grants and Contributions	790,081.14	860,772.34
Capital Grants and Contributions	178,183.92	167,500.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,453,123.47	3,576,706.51
Property Taxes, Levied for Capital Projects	910,251.82	892,219.62
Grants and Contributions Not Restricted to Specific Programs	5,095,782.28	5,837,226.30
Unrestricted Investment Earnings	9,364.11	-
Miscellaneous	243,553.61	695,901.40
Total Revenues	10,744,305.45	12,092,633.93
Functions/Program Expenses:		
Instruction	4,589,196.88	4,772,681.74
Student Support Services	181,056.75	224,231.96
Instructional Media Services	76,233.48	70,744.35
Instruction and Curriculum Development Services	270,751.48	391,942.71
Instructional Staff Training Services	142,996.62	320,539.02
Instruction-Related Technology	232,737.41	417,639.45
Board	294,312.04	298,064.01
General Administration	747,719.14	745,247.63
School Administration	633,212.45	630,723.92
Facilities Acquisition and Construction	258,044.92	417,731.50
Fiscal Services	225,440.39	226,949.01
Food Services	629,282.24	657,939.85
Central Services	22,099.38	19,426.32
Student Transportation Services	685,844.69	780,731.02
Operation of Plant	830,135.35	874,957.16
Maintenance of Plant	205,953.77	224,213.75
Administrative Technology Services	139,337.09	140,497.49
Unallocated Interest on Long-Term Debt	3,107.69	7,595.63
Unallocated Depreciation Expense	702,590.47	716,833.97
Loss on Disposal of Capital Assets	-	636,006.75
Total Functions/Program Expenses	10,870,052.24	12,574,697.24
Change in Net Position	(125,746.79)	(482,063.31)
Net Position - Beginning	26,970,180.43	31,822,678.74
Adjustment to Beginning Net Position (1)	-	(4,370,435.00)
Net Position - Beginning, as Restated	26,970,180.43	27,452,243.74
Net Position - Ending	$ 26,844,433.64	$ 26,970,180.43

Note: (1) The adjustment to beginning net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, which was a change in accounting principle that required employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The largest revenue source is the State of Florida (36.4 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues decreased by $741,444.02, or 12.7 percent, primarily due to a decrease in FEFP funding as a result of declining student enrollment.

Capital grants and contributions revenues increased by $10,683.89, or 6.4 percent. These are primarily State revenues and are used for the acquisition, construction, and maintenance of educational facilities. The increase in funding is mainly due to a small increase in State capital outlay funding during the 2015-16 fiscal year.

Classroom instruction and instruction support expenses represent 50.5 percent of total governmental expenses in the 2015-16 fiscal year. These expenses decreased $704,806.61, or 11.4 percent, from the previous fiscal year due mainly to a reduction in instructional staff positions and related benefits.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by $105,521.07 during the fiscal year to $1,462,255.76 at June 30, 2016. This amount includes a deficit unassigned fund balance of $33,047.60. The remainder of the fund balance is nonspendable or restricted to indicate that it is (1) not in spendable form ($73,969.10) or (2) restricted for particular purposes ($1,421,334.26).

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 a deficit of $33,047.60, while the total fund balance is $381,686.23. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is negative 0.4 percent of the total General Fund revenues, while total fund balance represents 4.9 percent of total General Fund revenues.

Total fund balance increased by $119,853.33 during the fiscal year primarily as a result of a reduction in instruction and student transportation costs.

The Special Revenue – Food Service Fund expenditures exceeded revenues by $29,113.41. The funding was mainly used for food and supplies.

The Special Revenue – Other Fund has total revenues and expenditures of $1,314,022.46 and $1,490,769.17, respectively, and the funding was mainly used for supplemental instruction and instruction and curriculum development services. Transfers of $176,746.71 from the General Fund to the Special Revenue – Other Fund were used to reimburse the fund for unallowed expenditures. Because grant revenues accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Capital Outlay and Debt Service Fund, Capital Projects – Local Capital Improvement (LCI) Fund, and Capital Projects – Other Fund have total fund balances of $231,303.51, $554,687.85, and $16,139.91, respectively. These funds are restricted for the acquisition, construction, and maintenance of capital assets. Of the total Capital Projects – LCI Fund fund balance, $44,558.75 has been encumbered for specific capital projects. The Capital Projects – Capital Outlay and Debt Service Fund and Capital Projects – Other Fund report no encumbrances.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2015-16 fiscal year, the District amended its General Fund budget several times primarily for higher instructional and administration costs than originally budgeted. The total expenditures exceeded the total revised budgeted appropriations by $30,922.72, and fund balances decreased due to a decline in enrollment. While there were no significant variances between the final budget and the actual amounts for revenues or expenditures, the final budget did not include transfers out for the repayment of prior year unallowed Federal expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, is $30,761,682.02 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual equipment and computer software. The total decrease in capital assets for the current fiscal year was approximately 0.7 percent.

There were no major capital assets events for the 2015-16 fiscal year.

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

Long-Term Debt

At June 30, 2016, the District had no long-term debt outstanding. Debt repayments on the installment-purchase payable totaled $108,629.76.

Other Matters of Significance

On August 10, 2016, the Commissioner of Education declared that the District was in a state of financial emergency and, on August 12, 2016, the State Board of Education (SBE) appointed a Financial Emergency Board to provide support and financial oversight to the District.

On February 9, 2017, the Board approved a revised 2016-17 fiscal year Turnaround Option Plan (Plan) for the Jefferson County Elementary School and the Jefferson County Middle/High School, and the plan was submitted to the SBE on February 16, 2017, pursuant to Section 1008.33, Florida Statutes. According to the Plan, the Board selected the option to close and reopen the schools as one or more charter schools, each with a governing board, in accordance with Section 1002.33, Florida Statutes.

On February 16, 2017, the SBE approved the Plan, which included assurances that the Board:

- Voted to turn over the day-to-day management of the schools to a charter school operator that had a proven track record of academic and financial performance.
- Will approve a charter school proposal to operate one or more charter schools that will serve grades K-12 beginning with the 2017-18 school year.
- Will negotiate and execute an agreement with the charter school operator that describes the roles and responsibilities of the District and the school as they relate to transportation, food services, and other non-educational functions.

Requests for Information

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Jefferson County District School Board, 1490 West Washington Street, Monticello, Florida 32344.

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Jefferson County District School Board
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Cash	$ 1,348,133.87
Due from Other Agencies	149,160.57
Inventories	73,969.10
Capital Assets:	
Nondepreciable Capital Assets	1,139,045.18
Depreciable Capital Assets, Net	29,622,636.84
TOTAL ASSETS	32,332,945.56
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	1,178,675.00
LIABILITIES	
Accounts Payable	206,016.60
Long-Term Liabilities:	
Portion Due Within One Year	362,647.78
Portion Due After One Year	5,013,290.54
TOTAL LIABILITIES	5,581,954.92
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,085,232.00
NET POSITION	
Investment in Capital Assets	30,761,682.02
Restricted for:	
State Required Carryover Programs	270,433.38
Workforce Development	95,528.71
Capital Projects	802,131.27
Food Service	278,438.26
Fuel Tax Refunds	11,863.38
Unrestricted (Deficit)	(5,375,643.38)
TOTAL NET POSITION	$ 26,844,433.64

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

Jefferson County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Governmental Activities:			
Instruction	$ 4,589,196.88	$ 2,277.00	$ -
Student Support Services	181,056.75	-	-
Instructional Media Services	76,233.48	-	-
Instruction and Curriculum Development Services	270,751.48	-	-
Instructional Staff Training Services	142,996.62	-	-
Instruction-Related Technology	232,737.41	-	-
Board	294,312.04	-	-
General Administration	747,719.14	-	-
School Administration	633,212.45	-	-
Facilities Acquisition and Construction	258,044.92	-	-
Fiscal Services	225,440.39	-	-
Food Services	629,282.24	36,060.77	590,677.14
Central Services	22,099.38	-	-
Student Transportation Services	685,844.69	25,627.33	199,404.00
Operation of Plant	830,135.35	-	-
Maintenance of Plant	205,953.77	-	-
Administrative Technology Services	139,337.09	-	-
Unallocated Interest on Long-Term Debt	3,107.69	-	-
Unallocated Depreciation Expense*	702,590.47	-	-
Total Governmental Activities	$ 10,870,052.24	$ 63,965.10	$ 790,081.14

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Position — Governmental Activities
$ -	$ (4,586,919.88)
-	(181,056.75)
-	(76,233.48)
-	(270,751.48)
-	(142,996.62)
-	(232,737.41)
-	(294,312.04)
-	(747,719.14)
-	(633,212.45)
176,584.94	(81,459.98)
-	(225,440.39)
-	(2,544.33)
-	(22,099.38)
-	(460,813.36)
-	(830,135.35)
-	(205,953.77)
-	(139,337.09)
1,598.98	(1,508.71)
-	(702,590.47)
$ 178,183.92	(9,837,822.08)
	3,453,123.47
	910,251.82
	5,095,782.28
	9,364.11
	243,553.61
	9,712,075.29
	(125,746.79)
	26,970,180.43
	$ 26,844,433.64

Jefferson County District School Board
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
ASSETS			
Cash	$ 150,825.68	$ 252,804.71	$ 1.02
Due from Other Funds	607,469.93	13,170.28	214,855.36
Due from Other Agencies	21,690.78	6,415.08	114,839.98
Inventories	36,908.36	37,060.74	-
TOTAL ASSETS	$ 816,894.75	$ 309,450.81	$ 329,696.36
Liabilities:			
Accounts Payable	$ 108,516.60	$ -	$ -
Due to Other Funds	326,691.92	31,012.55	329,696.36
Total Liabilities	435,208.52	31,012.55	329,696.36
Deferred Inflows of Resources:			
Unavailable Revenue - Capital Outlay and Debt Service	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	36,908.36	37,060.74	-
Restricted for:			
State Required Carryover Programs	270,433.38	-	-
Workforce Development	95,528.71	-	-
Capital Projects	-	-	-
Food Service	-	241,377.52	-
Fuel Tax Refunds	11,863.38	-	-
Total Restricted Fund Balance	377,825.47	241,377.52	-
Unassigned Fund Balance	(33,047.60)	-	-
Total Fund Balances	381,686.23	278,438.26	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 816,894.75	$ 309,450.81	$ 329,696.36

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

Capital Projects - Capital Outlay and Debt Service Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 188,594.64	$ 553,252.13	$ 172,328.01	$ 30,327.68	$ 1,348,133.87
72,893.07	256,247.34	39,649.46	-	1,204,285.44
491.18	5,723.55	-	-	149,160.57
-	-	-	-	73,969.10
$ 261,978.89	$ 815,223.02	$ 211,977.47	$ 30,327.68	$ 2,775,548.98
$ -	$ -	$ -	$ -	$ 108,516.60
30,184.20	260,535.17	195,837.56	30,327.68	1,204,285.44
30,184.20	260,535.17	195,837.56	30,327.68	1,312,802.04
491.18	-	-	-	491.18
-	-	-	-	73,969.10
-	-	-	-	270,433.38
-	-	-	-	95,528.71
231,303.51	554,687.85	16,139.91	-	802,131.27
-	-	-	-	241,377.52
-	-	-	-	11,863.38
231,303.51	554,687.85	16,139.91	-	1,421,334.26
-	-	-	-	(33,047.60)
231,303.51	554,687.85	16,139.91	-	1,462,255.76
$ 261,978.89	$ 815,223.02	$ 211,977.47	$ 30,327.68	$ 2,775,548.98

Jefferson County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds			$ 1,462,255.76
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.			30,761,682.02
A portion of capital outlay and debt service revenue is not available to pay for current period expenditures and, therefore, is reported as unavailable revenue on the governmental funds statements.			491.18
Legal fees related to a litigation settlement are not payable from current resources and, therefore, are not reported in the governmental funds. The fees are accrued and recognized as an expense in the government-wide statements.			(97,500.00)
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:			
Compensated Absences Payable	$	(921,727.32)	
Net Pension Liability		(4,100,212.00)	
Other Postemployment Benefits Payable		(353,999.00)	(5,375,938.32)
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	$	1,178,675.00	
Deferred Inflows Related to Pensions		(1,085,232.00)	93,443.00
Net Position - Governmental Activities			$ 26,844,433.64

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

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Jefferson County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 45,269.54	$ -	$ -
Federal Through State and Local	186,649.52	578,973.14	1,314,022.46
State	3,726,318.64	11,704.00	-
Local:			
Property Taxes	3,453,123.47	-	-
Charges for Services - Food Service	-	36,060.77	-
Miscellaneous	351,746.08	1,098.77	-
Total Local Revenues	3,804,869.55	37,159.54	-
Total Revenues	7,763,107.25	627,836.68	1,314,022.46
Expenditures			
Current - Education:			
Instruction	3,857,146.52	-	857,718.42
Student Support Services	139,638.84	-	47,219.15
Instructional Media Services	78,797.94	-	-
Instruction and Curriculum Development Services	16,752.92	-	228,145.49
Instructional Staff Training Services	64,082.68	-	77,843.18
Instruction-Related Technology	225,770.59	-	328.00
Board	299,376.27	-	-
General Administration	519,562.74	-	140,868.21
School Administration	645,654.59	-	2,675.25
Facilities Acquisition and Construction	-	-	-
Fiscal Services	232,909.05	-	-
Food Services	897.44	636,484.47	-
Central Services	-	-	22,099.38
Student Transportation Services	544,963.54	-	46,932.84
Operation of Plant	836,002.24	-	-
Maintenance of Plant	206,414.40	-	-
Administrative Technology Services	119,617.67	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	123,596.30	20,465.62	66,939.25
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	7,911,183.73	656,950.09	1,490,769.17
Excess (Deficiency) of Revenues Over Expenditures	(148,076.48)	(29,113.41)	(176,746.71)
Other Financing Sources (Uses)			
Transfers In	194,676.52	-	176,746.71
Loss Recoveries	250,000.00	-	-
Transfers Out	(176,746.71)	-	-
Total Other Financing Sources (Uses)	267,929.81	-	176,746.71
Net Change in Fund Balances	119,853.33	(29,113.41)	-
Fund Balances, Beginning	261,832.90	307,551.67	-
Fund Balances, Ending	$ 381,686.23	$ 278,438.26	$ 0.00

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

Capital Projects - Capital Outlay and Debt Service Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 45,269.54
-	-	-	24,033.93	2,103,679.05
77,524.63	-	70,741.00	28,320.00	3,914,608.27
-	910,251.82	-	-	4,363,375.29
-	-	-	-	36,060.77
111.17	418.50	747.77	3,370.88	357,493.17
111.17	910,670.32	747.77	3,370.88	4,756,929.23
77,635.80	910,670.32	71,488.77	55,724.81	10,820,486.09
-	-	-	2,484.24	4,717,349.18
-	-	-	-	186,857.99
-	-	-	-	78,797.94
-	-	-	-	244,898.41
-	-	-	5,361.97	147,287.83
-	-	-	-	226,098.59
-	-	-	-	299,376.27
-	-	-	494.31	660,925.26
-	-	-	-	648,329.84
-	114,640.23	164,548.07	1,463.31	280,651.61
-	-	-	-	232,909.05
-	-	-	-	637,381.91
-	-	-	-	22,099.38
-	-	-	-	591,896.38
-	-	-	3,380.16	839,382.40
33,363.00	-	-	19,579.91	259,357.31
-	-	-	-	119,617.67
-	298,134.21	31,287.50	-	329,421.71
-	96,626.76	-	22,960.91	330,588.84
-	108,629.76	-	-	108,629.76
53.27	3,007.40	-	47.02	3,107.69
33,416.27	621,038.36	195,835.57	55,771.83	10,964,965.02
44,219.53	289,631.96	(124,346.80)	(47.02)	(144,478.93)
-	-	-	-	371,423.23
-	-	-	-	250,000.00
-	(194,676.52)	-	-	(371,423.23)
-	(194,676.52)	-	-	250,000.00
44,219.53	94,955.44	(124,346.80)	(47.02)	105,521.07
187,083.98	459,732.41	140,486.71	47.02	1,356,734.69
$ 231,303.51	$ 554,687.85	$ 16,139.91	$ 0.00	$ 1,462,255.76

Jefferson 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, 2016

Net Change in Fund Balances - Governmental Funds		$ 105,521.07
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.		(148,662.39)
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.		(72,091.10)
Legal fees related to a litigation settlement are not payable from current resources and, therefore, are not recognized in the governmental funds.		(97,500.00)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.		108,629.76
The governmental funds report deferred inflows of resources related to unavailable capital outlay and debt service revenue. This amount is accrued and reported as revenue on the statement of activities. The prior year deferred inflows of resources are reported as revenue in the governmental funds in the current year but were recognized as revenue in the government-wide statements in the prior year.		
Deferred Inflows - Litigation Settlement - Prior Year	$ (250,000.00)	
Deferred Inflows - Unavailable Revenue - Current Year	491.18	
Deferred Inflows - Unavailable Revenue - Prior Year	(4,580.60)	(254,089.42)
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.		68,129.29
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.		(15,792.00)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		
FRS Pension Contribution	$ 347,003	
HIS Pension Contribution	90,054	
FRS Pension Expense	(150,123)	
HIS Pension Expense	(106,826)	180,108.00
Change in Net Position - Governmental Activities		$ (125,746.79)

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

Jefferson County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2016

	Agency Funds
ASSETS	
Cash	$ 42,107.00
LIABILITIES	
Accounts Payable	$ 17,130.00
Internal Accounts Payable	24,977.00
TOTAL LIABILITIES	$ 42,107.00

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Jefferson County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Jefferson County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Jefferson 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 these criteria, no component units are included within the District's reporting entity.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for financial resources generated by the Child Nutrition Program and used to operate the District's food service program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Capital Outlay and Debt Service Fund – to account for the District's allocation of the State of Florida's Capital Outlay and Debt Service Program funds to be used for construction of new schools, including capital equipment and additions to existing schools.
- 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, new and replacement equipment, motor vehicle purchases, and debt service payments on the installment-purchase of buses.
- Capital Projects – Other Fund – to account for the financial resources generated by various State and local sources, including Classrooms First Program appropriations.

Additionally, the District reports the following fiduciary fund types:

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

F. Budgetary Information

Excess of Expenditures and Transfers Out Over Appropriations in Individual Funds. For the fiscal year ended June 30, 2016, expenditures exceeded appropriations by function (the legal level of budgetary control) for the following fund:

	Expenditures and Transfers Out		
Fund/Activity	**Budget**	**Actual**	**Variance**
General:			
Current - Education:			
Instruction	$ 3,854,065.46	$ 3,857,146.52	$ (3,081.06)
Board	285,590.02	299,376.27	(13,786.25)
General Administration	519,557.86	519,562.74	(4.88)
Student Transportation Services	544,934.62	544,963.54	(28.92)
Operation of Plant	824,504.42	836,002.24	(11,497.82)
Administrative Technology Services	117,093.88	119,617.67	(2,523.79)
Other Financing Use:			
Transfers Out	-	176,746.71	(176,746.71)

District procedures will include a detailed monthly review of budget-to-actual expenditures to detect and prevent budgetary overexpenditures going forward.

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

1. Cash

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

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

2. Inventories

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

3. Capital Assets

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

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

Description	Estimated Useful Lives
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 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.

4. Pensions

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

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

5. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, long-term obligations are not recognized as liabilities until due.

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

6. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and the 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 inflow of resources related to pensions. This amount is reported in the government-wide statement of net position and discussed in a subsequent note. 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.

7. Net Position Flow Assumption

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

8. Fund Balance Flow Assumptions

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

9. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2016.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the annual financial report, authorized the assignment of 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 fiscal year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District reported no assigned fund balances at June 30, 2016.

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

A schedule of revenue from State sources for the current fiscal 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 Jefferson County Property Appraiser, and property taxes are collected by the Jefferson County Tax Collector.

The Board adopted the 2015 tax levy on September 8, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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 Jefferson County Tax Collector at fiscal year-end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 1,044,597.18	$ -	$ -	$ 1,044,597.18
Construction in Progress	242,426.31	71,375.00	219,353.31	94,448.00
Total Capital Assets Not Being Depreciated	1,287,023.49	71,375.00	219,353.31	1,139,045.18
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,040,498.02	16,484.71	-	1,056,982.73
Buildings and Fixed Equipment	36,227,861.64	556,713.18	-	36,784,574.82
Furniture, Fixtures, and Equipment	3,254,129.90	133,195.70	481,268.91	2,906,056.69
Motor Vehicles	2,052,911.34	48,519.70	199,848.72	1,901,582.32
Audio Visual Materials and Computer Software	302,412.50	53,075.47	11,643.80	343,844.17
Total Capital Assets Being Depreciated	42,877,813.40	807,988.76	692,761.43	42,993,040.73
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	520,761.87	21,876.64	-	542,638.51
Buildings and Fixed Equipment	8,025,131.82	512,174.51	-	8,537,306.33
Furniture, Fixtures, and Equipment	2,710,469.36	151,679.42	437,776.71	2,424,372.07
Motor Vehicles	1,642,956.60	106,082.37	182,893.62	1,566,145.35
Audio Visual Materials and Computer Software	283,081.73	16,859.90	-	299,941.63
Total Accumulated Depreciation	13,182,401.38	808,672.84	620,670.33	13,370,403.89
Total Capital Assets Being Depreciated, Net	29,695,412.02	(684.08)	72,091.10	29,622,636.84
Governmental Activities Capital Assets, Net	$ 30,982,435.51	$ 70,690.92	$ 291,444.41	$ 30,761,682.02

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 106,082.37
Unallocated	702,590.47
Total Depreciation Expense - Governmental Activities	$ 808,672.84

C. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the 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 $256,949 for the fiscal year ended June 30, 2016.

FRS Pension Plan

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
DROP - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 $347,003 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of $2,152,412 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.016664258 percent, which was a decrease of 0.002192132 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized Plan pension expense of $150,123. 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	$ 227,231	$ 51,049
Change of assumptions	142,863	-
Net difference between projected and actual earnings on FRS pension plan investments	-	513,960
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	217,229	287,703
District FRS contributions subsequent to the measurement date	347,003	-
Total	$ 934,326	$ 852,712

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $347,003, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		Amount
2017	$	(174,038)
2018		(174,038)
2019		(174,038)
2020		249,996
2021		10,151
Thereafter		(3,422)
Total	$	(265,389)

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, 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, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed Inflation - Mean		2.6%		1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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 (asset)	$ 5,577,387	$ 2,152,412	$ (697,729)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 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 $90,054 for the fiscal year ended June 30, 2016.

__Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions__. At June 30, 2016, the District reported a net pension liability of $1,947,800 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.019099022 percent, which was a decrease of 0.002670757 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of $106,826. 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
Change of assumptions	$ 153,241	$ -
Net difference between projected and actual earnings on HIS pension plan investments	1,054	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	232,520
District contributions subsequent to the measurement date	90,054	-
Total	$ 244,349	$ 232,520

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $90,054, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ (10,034)
2018	(10,034)
2019	(10,034)
2020	(10,248)
2021	(10,351)
Thereafter	(27,524)
Total	$ (78,225)

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.8 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 3.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
District's proportionate share of the net pension liability	$ 2,219,427	$ 1,947,800	$ 1,721,303

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan members' accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34

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

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; 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 $32,888.23 for the fiscal year ended June 30, 2016.

D. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical 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 2015-16 fiscal year, 13 retirees received other postemployment benefits. The District provided required contributions of $60,651 toward the annual OPEB cost, net of retiree contributions totaling $117,619, which represents 3.2 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)	$ 23,610
Amortization of Unfunded Actuarial Accrued Liability	98,209
Annual Required Contribution	121,819
Interest on Net OPEB Obligation	10,992
Adjustment to Annual Required Contribution	(56,368)
Annual OPEB Cost (Expense)	76,443
Contribution Toward the OPEB Cost	(60,651)
Increase (Decrease) in Net OPEB Obligation	15,792
Net OPEB Obligation, Beginning of Year	338,207
Net OPEB Obligation, End of Year	$ 353,999

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 63,383	103.3%	$ 325,818
2014-15	73,905	83.2%	338,207
2015-16	76,443	79.3%	353,999

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $561,656, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $561,656 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $3,733,633, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.04 percent.

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

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

The District’s OPEB actuarial valuation as of October 1, 2014, used the entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District’s 2015-16 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.25 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, and an annual healthcare cost trend rate of 7 percent beginning January 1, 2016, gradually reduced to 4.24 percent beginning January 1, 2040. The investment rate of return and payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 6-year period.

E. Construction and Other Significant Commitments

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

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

Major Funds			
General	**Special Revenue - Other**	**Capital Projects - Local Capital Improvement**	**Total Governmental Funds**
$ 77,593.88	$ 56,012.40	$ 44,558.75	$ 178,165.03

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

Project	Contract Amount	Completed to Date	Balance Committed
Jefferson County Water Street Auditorium Renovations	$ 126,993.32	$ 94,448.00	$ 32,545.32

F. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Jefferson County District School Board is a member of the Panhandle Area Educational Consortium – Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, sabotage and terrorism, automobile liability, workers' compensation, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

Employee group health and hospitalization coverage are being provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

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

G. 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					
Installment-Purchase Payable	$ 108,629.76	$ -	$ 108,629.76	$ -	$ -
Compensated Absences Payable	989,856.61	343,617.96	411,747.25	921,727.32	291,158.00
Net Pension Liability	3,186,044.00	2,751,356.00	1,837,188.00	4,100,212.00	71,489.78
Other Postemployment Benefits Payable	338,207.00	76,443.00	60,651.00	353,999.00	-
Total Governmental Activities	$ 4,622,737.37	$ 3,171,416.96	$ 2,418,216.01	$ 5,375,938.32	$ 362,647.78

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. Due to the nature of the liability, there is no amount due in one year for other postemployment benefits.

H. 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.

I. 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	$ 607,469.93	$ 326,691.92
Special Revenue:		
Food Service	13,170.28	31,012.55
Other	214,855.36	329,696.36
Capital Projects:		
Capital Outlay and Debt Service	72,893.07	30,184.20
Local Capital Improvement	256,247.34	260,535.17
Other	39,649.46	195,837.56
Nonmajor Governmental	-	30,327.68
Total	$ 1,204,285.44	$ 1,204,285.44

The interfund receivables and payables represent temporary loans to cover anticipated deficit cash balances in fund accounts and to cover expenditures incurred. These amounts are expected to be repaid within 1 year.

J. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2015-16 fiscal year:

Source	Amount
Florida Education Finance Program	$ 2,458,999.00
Categorical Educational Program - Class Size Reduction	839,299.00
Workforce Development Program	87,664.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	78,632.45
Classrooms First	70,741.00
School Recognition	45,138.00
Voluntary Prekindergarten Program	43,422.04
Gross Receipts Tax (Public Education Capital Outlay)	28,320.00
Food Service Supplement	11,704.00
Miscellaneous	250,688.78
Total	$ 3,914,608.27

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2015 tax roll for the 2015-16 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.937	$ 3,076,836.05
Basic Discretionary Local Effort	0.748	466,168.39
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	934,829.67
Total	7.185	$ 4,477,834.11

K. 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	$ 194,676.52	$ 176,746.71
Special Revenue:		
Other	176,746.71	-
Capital Projects:		
Local Capital Improvement	-	194,676.52
Total	$ 371,423.23	$ 371,423.23

The transfer to the General Fund was made to reimburse maintenance costs. The transfer to the Special Revenue – Other Fund was made for repayment of prior year unallowed Federal expenditures.

III. LOSS CONTINGENCY

The District received financial assistance from the FDOE in the form of capital outlay and debt service (CO&DS) funds. The funds received as CO&DS proceeds require compliance with specified terms and conditions and is subject to final determination by the FDOE. Any disallowed claims should become a liability of the Capital Projects – CO&DS Fund. The questioned costs identified in the audit for the fiscal year ended June 30, 2016, relating to CO&DS funds totaled $33,363.

IV. SUBSEQUENT EVENTS

On February 9, 2017, the Board approved a revised 2016-17 fiscal year Turnaround Option Plan (Plan) for the Jefferson County Elementary School and the Jefferson County Middle/High School, and the Plan was submitted to the SBE on February 16, 2017, pursuant to Section 1008.33, Florida Statutes.

According to the Plan, the Board selected the option to close and reopen the schools as one or more charter schools, each with a governing board, in accordance with Section 1002.33, Florida Statutes.

On February 16, 2017, the SBE approved the Plan, which included assurances that the Board:

- Voted to turn over the day-to-day management of the schools to a charter school operator that had a proven track record of academic and financial performance.
- Will approve a charter school proposal to operate one or more charter schools that will serve grades K-12 beginning with the 2017-18 school year.
- Will negotiate and execute an agreement with the charter school operator that describes the roles and responsibilities of the District and the school as they relate to transportation, food services, and other non-educational functions.

Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 35,850.00	$ 45,269.54	$ 45,269.54	$ -
Federal Through State and Local	132,000.00	186,649.52	186,649.52	-
State	4,015,413.00	3,726,318.64	3,726,318.64	-
Local:				
Property Taxes	3,348,194.00	3,453,123.47	3,453,123.47	-
Charges for Services - Food Service	-	-	-	-
Miscellaneous	265,100.00	337,266.82	351,746.08	14,479.26
Total Local Revenues	3,613,294.00	3,790,390.29	3,804,869.55	14,479.26
Total Revenues	7,796,557.00	7,748,627.99	7,763,107.25	14,479.26
Expenditures				
Current - Education:				
Instruction	3,380,329.00	3,854,065.46	3,857,146.52	(3,081.06)
Student Support Services	132,388.00	139,638.84	139,638.84	-
Instructional Media Services	60,631.00	78,797.94	78,797.94	-
Instruction and Curriculum Development Services	108,328.00	16,752.92	16,752.92	-
Instructional Staff Training Services	11,659.00	64,082.68	64,082.68	-
Instruction-Related Technology	371,683.00	225,770.59	225,770.59	-
Board	265,510.00	285,590.02	299,376.27	(13,786.25)
General Administration	346,773.00	519,557.86	519,562.74	(4.88)
School Administration	514,232.00	645,654.59	645,654.59	-
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	223,510.00	232,909.05	232,909.05	-
Food Services	-	897.44	897.44	-
Central Services	21,352.00	-	-	-
Student Transportation Services	531,466.00	544,934.62	544,963.54	(28.92)
Operation of Plant	774,129.00	824,504.42	836,002.24	(11,497.82)
Maintenance of Plant	207,982.00	206,414.40	206,414.40	-
Administrative Technology Services	104,272.00	117,093.88	119,617.67	(2,523.79)
Fixed Capital Outlay:				
Other Capital Outlay	-	123,596.30	123,596.30	-
Total Expenditures	7,054,244.00	7,880,261.01	7,911,183.73	(30,922.72)
Excess (Deficiency) of Revenues Over Expenditures	742,313.00	(131,633.02)	(148,076.48)	(16,443.46)
Other Financing Sources (Uses)				
Transfers In	200,000.00	194,676.52	194,676.52	-
Loss Recoveries	-	250,000.00	250,000.00	-
Transfers Out	-	-	(176,746.71)	(176,746.71)
Total Other Financing Sources (Uses)	200,000.00	444,676.52	267,929.81	(176,746.71)
Net Change in Fund Balances	942,313.00	313,043.50	119,853.33	(193,190.17)
Fund Balances, Beginning	350,000.00	-	261,832.90	261,832.90
Fund Balances, Ending	$ 1,292,313.00	$ 313,043.50	$ 381,686.23	$ 68,642.73

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
629,350.00	573,137.31	578,973.14	5,835.83	1,411,969.15	1,314,022.46	1,314,022.46	-
11,842.00	11,704.00	11,704.00	-	-	-	-	-
-	-	-	-	-	-	-	-
30,000.00	36,060.67	36,060.77	0.10	-	-	-	-
1,450.00	726.20	1,098.77	372.57	-	-	-	-
31,450.00	36,786.87	37,159.54	372.67	-	-	-	-
672,642.00	621,628.18	627,836.68	6,208.50	1,411,969.15	1,314,022.46	1,314,022.46	-
-	-	-	-	687,895.34	857,718.42	857,718.42	-
-	-	-	-	86,538.33	47,219.15	47,219.15	-
-	-	-	-	263,618.61	-	-	-
-	-	-	-	-	228,145.49	228,145.49	-
-	-	-	-	148,634.43	77,843.18	77,843.18	-
-	-	-	-	569.33	328.00	328.00	-
-	-	-	-	-	-	-	-
-	-	-	-	127,805.54	140,868.21	140,868.21	-
-	-	-	-	-	2,675.25	2,675.25	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
644,600.00	637,192.48	636,484.47	708.01	1,292.78	-	-	-
-	-	-	-	24,142.46	22,099.38	22,099.38	-
-	-	-	-	70,045.02	46,932.84	46,932.84	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,427.31	-	-	-
-	20,465.62	20,465.62	-	-	66,939.25	66,939.25	-
644,600.00	657,658.10	656,950.09	708.01	1,411,969.15	1,490,769.17	1,490,769.17	-
28,042.00	(36,029.92)	(29,113.41)	6,916.51	(0.00)	(176,746.71)	(176,746.71)	-
-	-	-	-	-	176,746.71	176,746.71	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	176,746.71	176,746.71	-
28,042.00	(36,029.92)	(29,113.41)	6,916.51	-	-	-	-
257,070.00	-	307,551.67	307,551.67	-	-	-	-
$ 285,112.00	$ (36,029.92)	$ 278,438.26	$ 314,468.18	$ 0.00	$ 0.00	$ 0.00	$ 0.00

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/10	$ -	$ 693,107	$ 693,107	0.0%	$ 3,306,690	20.96%
10/01/12	-	507,482	507,482	0.0%	2,966,564	17.11%
10/01/14	-	561,656	561,656	0.0%	3,733,633	15.04%

Note: (1) The District's OPEB actuarial valuation used the entry age normal actuarial 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)

	2015	2014	2013
District's proportion of the FRS net pension liability	0.016664258%	0.018856390%	0.017007561%
District's proportionate share of the FRS net pension liability	$ 2,152,412	$ 1,150,517	$ 2,927,758
District's covered-employee payroll	$ 5,120,768	$ 5,731,177	$ 5,837,493
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	42.03%	20.07%	50.15%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

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

	2016	2015	2014
Contractually required FRS contribution	$ 347,003	$ 406,289	$ 413,035
FRS contributions in relation to the contractually required contribution	(347,003)	(406,289)	(413,035)
FRS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 4,733,753	$ 5,120,768	$ 5,731,177
FRS contributions as a percentage of covered-employee payroll	7.33%	7.93%	7.21%

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)

	2015	2014	2013
District's proportion of the HIS net pension liability	0.019099022%	0.021769779%	0.022171123%
District's proportionate share of the HIS net pension liability	$ 1,947,800	$ 2,035,527	$ 1,930,288
District's covered-employee payroll	$ 5,794,332	$ 6,478,434	$ 6,446,075
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.62%	31.42%	29.95%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

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

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

	2016	2015	2014
Contractually required HIS contribution	$ 90,054	$ 73,008	$ 74,576
HIS contributions in relation to the contractually required contribution	(90,054)	(73,008)	(74,576)
HIS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 5,453,655	$ 5,794,332	$ 6,478,434
HIS contributions as a percentage of covered-employee payroll	1.65%	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 fiscal year's appropriations.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The October 1, 2014, unfunded actuarial accrued liability of $561,656 was significantly higher than the October 1, 2012, liability of $507,482 as a result of the benefit changes and other changes in liabilities and costs as discussed below:

- *Population Changes*: The number of enrolled retirees currently receiving postemployment health benefits through the District core plan decreased from 17 in the previous valuation to 13 this year. At the same time, the number of active employees eligible for future postemployment benefits also decreased from 121 to 107. This change had a decreasing effect on cost and liability.
- *Initial Cost of Coverage*: Total cost of coverage increased from $516 per employee per month (as expected from the October 1, 2012, valuation) to $568 per employee per month for the year beginning October 1, 2014, which is lower than the expected $585 per employee per month, slowing down the rate of increase in the cost and liability.
- *Medical Trend Assumptions*: Revisions were made in the assumed trend of medical and prescription cost increases. In the October 1, 2012, valuation, the trends for costs and premiums were assumed to be 7.5 percent for each year beginning January 1, 2015, with rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. The trends for costs and premiums were revised from 7 percent beginning January 1, 2016, then declining over a 25-year period to the ultimate level of 4.24 percent, increasing cost and liability.
- *Reflecting Provisions of the Affordable Care Act*: Revisions were made in the assumed increase in the cost of coverage due to the Excise Tax on High-Cost Employer Health Plans. In the October 1, 2012, valuation, it was estimated that the excise tax would result in a 0.39 percent increase in the cost of coverage for the plan year 2035 and all subsequent years. The estimates in the cost of coverage were revised to reflect a 0.17 percent increase in the cost of coverage for the plan year 2033 and all subsequent years, in addition to the 4.63 percent medical inflation assumed for that year for a total increase of 4.8 percent over the 2032 plan year. This change has the effect of decreasing cost and liability.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability decreased from 4.29 percent to 3.8 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Jefferson County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	15002	$ 142,690.96
National School Lunch Program	10.555	15001, 15003	426,030.64
Summer Food Service Program for Children	10.559	15006, 15007	10,251.54
Total United States Department of Agriculture			578,973.14
United States Department of Education:			
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	406,831.53
Special Education - Preschool Grants	84.173	267	45,656.42
Total Special Education Cluster			452,487.95
Title I Grants to Local Educational Agencies	84.010	212, 226	433,824.12
Career and Technical Education - Basic Grants to States	84.048	161	77,410.70
Twenty-First Century Community Learning Centers	84.287	244	382,386.41
Rural Education	84.358	110	21,608.75
Improving Teacher Quality State Grants	84.367	224	84,386.35
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA211	24,033.93
Total United States Department of Education			1,476,138.21
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	45,263.55
Total Expenditures of Federal Awards			$ 2,100,374.90

The notes below are an integral part of this Schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Jefferson County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

(2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under Uniform Guidance.

(4) Noncash Assistance for National School Lunch Program. Includes $43,870.75 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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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, each major fund, and the aggregate remaining fund information of the Jefferson County District School Board, as of and for the fiscal year ended June 30, 2016, 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, 2017, 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, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying **SCHEDULE OF FINDINGS AND**

QUESTIONED COSTS, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2016-001 to be a material weakness.

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. We consider certain deficiencies described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2016-002 and 2016-003 to be significant deficiencies.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2016-001.

We also noted a certain additional matter that is discussed in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Responses to Findings

The District's responses to the findings identified in our audit are included as District Response in Financial Statement Finding Nos. 2016-001 through 2016-004 and in the **CORRECTIVE ACTION PLAN**. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2017

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

Report on Compliance for Each Major Federal Program

We have audited the Jefferson 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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our 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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

FINANCIAL STATEMENT FINDINGS

MATERIAL NONCOMPLIANCE AND MATERIAL WEAKNESS

BUDGETARY CONTROLS AND FINANCIAL CONDITION

Finding Number	**2016-001**
Opinion Unit	Major Fund: General Fund
Financial Statements Account Titles	Fund Balance: Assigned and Unassigned
Fund Name	General Fund
Adjustment Amounts	Not Applicable
Prior Year Findings	Auditor General Report No. 2016-169, Findings 3 and 4

Finding

District controls over the budgetary process continued to be deficient. These deficient controls contributed to District General Fund total assigned and unassigned fund balance deficits at June 30, 2015, and June 30, 2016, of $242,542 and $33,048, respectively. On August 10, 2016, the Commissioner of Education declared that the District was in a state of financial emergency.

Criteria

Sections 1011.02, 1011.03, and 1011.05, Florida Statutes, prescribe elements of the District's budgetary process and provide that the official budget shall not be altered, amended, or exceeded except as authorized.

Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted per functions, if the Board approves the expenditures and amends the budget within the timelines established by the policies.

State Board of Education (SBE) Rule 6A-1.007, Florida Administrative Code, requires the Superintendent and Board to take whatever action is necessary during the fiscal year to keep expenditures and obligations within the budgeted income.

Board Policy 6.106, *Procedures for Amending Budget*, allows expenditures to exceed budgetary amounts within a fund at the function level provided that the Board approves such expenditures and amends the budget within 35 days of the date in which the District incurred the expenditures.

An established budget process consists of activities that encompass the development, implementation, and evaluation of a plan to allocate scarce available resources for the provision of services, capital assets, and to meet financial obligations. The budget process should provide for appropriate approvals and incorporate a mechanism for adjusting or amending the budget during the budget period should unforeseen events require changes to the original budget plan. Procedures for properly monitoring the budget and for making adjustments to meet changing financial circumstances are necessary to mitigate the risk that expenditures may exceed available resources.

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriations by the Board, while the total remaining fund balance (i.e., assigned and unassigned fund balance accounts) is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions of fund balance represent the amount that may be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires the District to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's total ending fund balance classified as assigned and unassigned fund balance in the District's approved operating budget as a percentage of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the FDOE. Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency.

Section 218.503(1), Florida Statutes, provides that district school boards shall be subject to review and oversight by the Commissioner of Education and, Section 218.503(3), Florida Statutes, provides for the Commissioner to determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition. If State assistance is needed, the district school board is considered to be in a state of financial emergency.

Pursuant to Sections 218.50 through 218.504, Florida Statutes, the Commissioner has authority to implement measures to assist the district school board in resolving the financial emergency. Such measures may include, for example, establishing a financial emergency board to oversee the activities of the district school board and consulting with other governmental entities for the consolidation of all administrative direction and support services.

Condition

Our examination of the Districts' original budget and other records disclosed that, while the budget was prepared and approved in accordance with applicable laws and rules, budgetary monitoring controls could be improved. For example, as similarly noted in our audit report No. 2016-169, our examination of District records supporting the General Fund budget process disclosed that:

- The Board-adopted July 1, 2015, budgeted fund balance was $350,000, although the June 30, 2015, actual fund balance was $261,833, or $88,167 less than the budgeted July 1, 2015, fund balance. In January 2017, after Board approval of the final budget amounts included in the AFR, the July 1, 2015, budgeted fund balance was $0, or $261,833 less than the June 30, 2015, actual fund balance.
- Because of a $310,924 decrease in State funding in May 2016, during a June 2016 Board meeting the District presented and the Board approved budget amendments to decrease the State revenue budget by that amount. Notwithstanding this Board action, the District also presented and the Board approved budget amendments to increase expenditures by $379,640. As a result, the financial condition ratio decreased from 4.46 percent in April 2016 to negative 0.83 percent in May 2016.
- In January 2017, after Board approval of final budget amounts included in the AFR, the District overexpended budgetary functions by a total of $207,669 in seven functional categories at June 30, 2016, contrary to State law, State rules, and Board policies.

We noted in our report No. 2016-169 that, in a letter dated February 27, 2015, the Superintendent notified the Board and the FDOE that the District's financial condition ratio had fallen below 2 percent due, in part, to the decline in student full-time enrollment (FTE). Along with the letter, the District provided the FDOE a Board-approved fiscal recovery plan proposal that included an immediate freeze on hiring and the elimination of several positions for the 2015-16 fiscal year. On March 12, 2015, the FDOE approved the District's proposed fiscal recovery plan. Notwithstanding the fiscal recovery plan and a 2.59 percentage point increase in its financial condition ratio during the 2015-16 fiscal year, the District continued to experience General Fund total assigned and unassigned fund balance deficits during the 2015-16 fiscal year.

A summary of the General Fund financial condition ratios for the past 4 fiscal years is shown in Table 1.

Table 1
Financial Condition Ratios
For the Fiscal Years Ended June 30, 2013, 2014, 2015, and 2016

Fiscal Year Ended June 30	Total Assigned and Unassigned Fund Balance (A)	Total General Fund Revenues (B)	Financial Condition Ratio (A)/(B)	Unweighted FTE
2013	$769,872	$8,064,994	9.55%	984
2014	296,527	8,160,116	3.63%	922
2015	(242,542)	8,024,152	(3.02)%	858
2016	(33,048)	7,763,107	(0.43)%	801

Our discussions with District personnel and examination of District records disclosed the following sequence of events:

- In May 2016, the District provided the FDOE a copy of the District's May 2016 financial report, which advised of the District's financial condition and projected a financial condition ratio of negative 0.83 percent. In addition, the Commissioner indicated that, while the District did not officially notify the FDOE that the ratio had fallen below the 2 percent threshold, the FDOE accepted that monthly financial report as District notice.
- On July 1, 2016, the FDOE contacted the District to determine what actions had been taken to prevent or avoid a financial emergency and requested that the District provide a plan to outline these actions.
- When no plan was received, the SBE ordered at its July 20, 2016, meeting that the District submit a financial recovery plan.
- The FDOE received from the District an initial fiscal recovery plan and a second plan on July 27, 2016, and August 5, 2016, respectively. Although we requested, we were not provided documentation evidencing Board approval of the plans prior to being submitted to the FDOE. As of February 20, 2017, the District had not provided evidence of Board approval of the fiscal recovery plans.
- In a letter dated August 10, 2016, the Commissioner of Education notified the Superintendent that neither of the plans' proposed actions could be reasonably anticipated to avoid a financial emergency and, as a result, declared the District to be in a state of financial emergency.
- On August 12, 2016, the SBE appointed a three-member Financial Emergency Board to provide support and financial oversight to the District.

As discussed in Finding No. 2016-004, the General Fund's financial condition ratio at June 30, 2017, may be negatively impacted if the Board has to use General Fund moneys for the restoration of questioned costs totaling $33,363. Additionally, at the November 28, 2016, Board special meeting, the Board approved the District's revised 2016-17 fiscal year operating budget, which was presented at the Financial Emergency Board meeting on December 7, 2016.

Cause Although we requested, neither District records nor District personnel could explain why the District did not use the appropriate beginning fund balance. In addition, the overexpenditures occurred due to transfers out made to restore Federal questioned costs in previous fiscal years and necessary audit adjustments for unrecorded payables.

District budgetary monitoring controls were not sufficient to ensure the accurate recording of beginning fund balance budget amounts and the limitation of expenditures to established budget amounts or to promote compliance with State law, State rules, and Board policies.

Effect Without using accurate beginning fund balance budget amounts and properly monitoring and amending the budget to meet changing financial circumstances, expenditures exceeded available resources and the District did not comply with State law, State rules, and Board policies. In addition, failure to reverse the decline of the District's financial condition could culminate in the District's inability to meet current financial obligations. Further, absent Board approval of fiscal recovery plans submitted to the FDOE, the extent of Board involvement and endorsement of those plans is not apparent.

On February 9, 2017, the Board approved a revised 2016-17 fiscal year Turnaround Option Plan (Plan) for the Jefferson County Elementary School and the Jefferson County Middle/High School, and the plan was submitted to the SBE on February 16, 2017, pursuant to Section 1008.33, Florida Statutes. According to the Plan, the District selected the option to close and reopen the schools as one or more charter schools, each with a governing board, in accordance with Section 1002.33, Florida Statutes.

On February 16, 2017, the SBE approved the Plan, which included assurances that the Board:

- Voted to turn over the day-to-day management of the schools to a charter school operator that had a proven track record of academic and financial performance.
- Will approve a charter school proposal to operate one or more charter schools that will serve grades K-12 beginning with the 2017-18 school year.
- Will negotiate and execute an agreement with the charter school operator that describes the roles and responsibilities of the District and the school as they relate to transportation, food services, and other non-educational functions.

Recommendation The School Board, in conjunction with the Financial Emergency Board, the Superintendent, and the charter school organization chosen to manage District school operations, should enhance budgetary procedures by closely monitoring District activities to ensure that expenditures are limited to budgeted amounts as required by State law, State rules, and Board policies, and take necessary actions to ensure that an adequate fund balance is maintained in the General Fund.

District Response The District concurs with this finding. The prior administration had not implemented satisfactory financial controls to ensure that expenditures were limited to budgeted amounts or to provide for Board approved revisions to the budget. The District administration has implemented corrective action to include monthly financial statements with actual year-to-date expenditures and revenues for Board approval.

SIGNIFICANT DEFICIENCIES

FINANCIAL REPORTING

Finding Number	**2016-002**
Opinion Unit	Major Fund: Capital Projects – Other Fund and Aggregate Remaining Fund Information
Financial Statements Account Titles	Governmental Fund Financial Statements: Various Account Titles
Fund Name	Capital Projects – Other and Other Governmental Funds
Adjustment Amounts	Governmental fund financial statements: Capital Projects – Other Fund – total assets, total liabilities, total fund balance, total revenues, and total expenditures increased $211,977.47, $195,837.56, $16,139.91, $71,488.77, and $195,835.57, respectively. For the Other Governmental Funds, the same respective accounts and amounts were decreased.
Prior Year Finding	Auditor General Report No. 2016-169, Finding 1

Finding

District financial reporting procedures need improvement to ensure account the proper reporting of balances and transactions and the timely submission of the annual financial report (AFR) to the Florida Department of Education (FDOE).

Criteria

State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code, and related instructions from the FDOE prescribe the exhibits and schedules that should be prepared as part of the District's AFR and required that the District to submit its 2015-16 fiscal year AFR to the FDOE by September 11, 2016. The rule also provides that In the event of an emergency or unusual circumstances and upon written request by the superintendent of schools, the Commissioner of Education shall have authority to grant an extension of reporting.

Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). GAAP require that the preparation of fund financial statements include an analysis to determine the major funds and a fund should be reported as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications.

Condition

On November 10, 2016, the District submitted to the FDOE a portion of the AFR, consisting of the statement of revenues, expenditures, and changes in fund balance for all funds. While the former Chief Financial Officer (CFO) prepared the AFR, the newly hired CFO reviewed and completed the remaining portion of the AFR. On January 13, 2017, the District resubmitted the initial portion of the District's AFR, along with the remaining portions of the AFR, including the government-wide financial statements, balance sheet for all funds, and notes to financial statements. However, the District did not request or obtain from the FDOE an extension beyond the original due date for submission of the AFR. Therefore, the AFR was submitted 123 days late.

The District erroneously excluded the Capital Projects – Other Fund from major fund reporting and reported the balances and transaction of that Fund in the Other Governmental Funds and, although requested, District personnel could not provide District's analysis used to determine major funds.

Cause

The District submitted the AFR untimely and did not request an extension because the new Superintendent was elected in November 2016 and on December 1, 2016, the Florida Association of District School Superintendents provided the newly elected Superintendent with a list of outstanding items to be submitted to the FDOE, including the remaining portions of the AFR. The new

Superintendent indicated that she did not have an explanation for why the AFR was submitted late because she was not in office until November 2016.

In addition, although the former CFO prepared a major funds determination document and the newly hired CFO reviewed that document in completing the AFR, the review procedures did not detect that the major funds were misreported.

Effect	Timely submission of the AFR increases relevance and usefulness of financial reporting. In addition, reporting errors such as these may cause financial statement users to incorrectly assess the District's financial position. We extended our audit procedures to determine the adjustments necessary to properly report the accounts and transactions, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting, including controls to ensure the timely submittal of the AFR.
Recommendation	The District should improve procedures to ensure that the AFR is timely submitted to the FDOE and that financial statement account balances and transactions are properly reported. Such procedures should include appropriate review and approval of the AFR to detect and correct reporting errors.
District Response	The District concurs that District financial procedures need improvement to ensure the proper reporting of account balances and transactions and the timely submission of the Annual Financial Report (AFR) to the Florida Department of Education (FDOE). The District will continue to improve reporting procedures in addition to maintaining proper financial statement note disclosures. Procedures will include appropriate review and approval of the AFR to detect and correct reporting errors.

BANK ACCOUNT RECONCILIATIONS

Finding Number	**2016-003**
Opinion Unit	Governmental Activities, Major Funds: General Fund, Special Revenue – Other Fund, Special Revenue – Food Service Fund, Capital Projects – Capital Outlay and Debt Service (CO&DS) Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund, and Aggregate Remaining Fund Information
Financial Statements Account Title	Cash
Fund Name	General Fund, Special Revenue – Other Fund, Special Revenue – Food Service Fund, Capital Projects – CO&DS Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund, and Other Governmental Funds
Adjustment Amounts	Not Applicable
Prior Year Finding	Auditor General Report No. 2016-169, Finding 2
Finding Type	District bank account reconciliation procedures did not effectively provide for:

- An appropriate separation of the bank account reconciliation and journal entry responsibilities.
- Proper reconciliations of bank account balances to the general ledger cash account balances with reconciling items thoroughly investigated and adequately identified and documented.
- Timely adjustments to the general ledger cash account balances based on the results of the bank account reconciliations.

- Appropriate supervisory review and approval of the bank account reconciliations and journal entries to ensure that the reconciliations were properly performed and the entries were accurately made.

As of February 16, 2017, District records lacked explanations for the $34,493 difference between the bank statement and general ledger cash account balances at June 30, 2016.

Criteria

Effective internal controls require that reconciliations of bank account balances to general ledger control accounts be performed on a timely, routine basis by an employee independent of journal entry responsibilities. Additionally, appropriate supervisory review and approval of the bank account reconciliations and journal entries should be made to verify that reconciliations are properly performed and entries are accurately made.

Properly prepared and reviewed bank account reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, promptly detect and correct unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

Condition

District procedures did not provide for an appropriate separation of duties as the CFO was responsible for preparing the bank account reconciliations and making journal entries in the District's accounting records.

Additionally, District procedures did not provide for supervisory review and approval of bank account reconciliations and journal entries to ensure that reconciliations were properly performed and journal entries were accurately made.

At June 30, 2016, the District's general ledger cash balances totaled $1.3 million. During the 2015-16 fiscal year, the District maintained eight bank accounts and District personnel used an electronic file of receipts and disbursements (i.e., cash book) to monitor cash balances and cash needs. Our examination of District records and discussions with District personnel disclosed that District personnel routinely reconciled the bank account and cash book balances and prepared a June 30, 2016, reconciliation. However, at June 30, 2016, the respective cash book cash and bank account balances were $34,493 more than the general ledger balances and District records did not identify the reason for this difference.

In response to our inquiry, District personnel indicated that the difference was for unrecorded transactions and recorded transaction errors. However, although we requested, District personnel did not provide documentation to identify the unrecorded transactions and recorded transaction errors.

Cause

According to District personnel, appropriate separation of duties was not possible due to the limited number of staff. Notwithstanding this response, effectively separating bank reconciliation and journal entry responsibilities would provide better assurance and preventive measures to safeguard against fraud.

Additionally, District procedures for preparing and reviewing bank reconciliations and journal entries were not effective for identifying and correcting cash account or bank errors.

Effect

Absent effective procedures for the appropriate conduct and supervisory review of bank account reconciliations, prompt resolution of differences noted during reconciliations, and appropriate separation of bank reconciliation and recordkeeping functions, there is an increased risk that any cash transaction errors or fraud that may occur will not be timely detected. Additionally, without such procedures, the reliability of the general ledger financial information throughout the year and the Board's ability to effectively monitor the District financial position (as discussed in Finding Number 2016-001) is diminished.

We extended our audit procedures and determined that the amounts reported on the financial statements for cash were materially correct and properly classified. However, our procedures do not substitute for management's responsibility to timely and properly reconcile bank account balances to general ledger balances.

Recommendation

The District should continue efforts to document explanation(s) for the $34,493 difference between the District's respective cash book and bank account cash balances and the general ledger balances. The District should also enhance procedures to ensure that:

- The bank account reconciliation and journal entry responsibilities are appropriately separated.
- Bank statement cash account balances are properly reconciled to the general ledger cash account balances and documentation is maintained to evidence that reconciling items were identified, thoroughly investigated, and explained.
- Required adjustments to the general ledger cash account balances, as a result of the bank account reconciliations, are timely made.
- Supervisory review of the bank account reconciliation and journal entries is performed to verify that the reconciliations were properly performed and the entries are accurately made and that such review is documented.

District Response

The District is establishing procedures to ensure timely recording of cash transactions in the general ledger with bank balances reconciled timely to general ledger accounts. We understand the need for sound internal controls to include segregation of duties, timely cashbook and bank reconciliation, adjustments to the general ledger cash account balances and journal entries to ensure correct reconciliation and adjusting entries. We agree financial procedures and reporting processes are necessary for compliance and accuracy of the financial records. The District is working towards reconciliation of the $34,493 difference between the District's cashbook and bank account cash balances and the general ledger balances.

ADDITIONAL MATTER

Capital Outlay and Debt Service Expenditures

Finding Number	**2016-004**
Opinion Unit	Major Fund: Capital Projects – Capital Outlay and Debt Service (CO&DS) Fund
Financial Statements Account Title	Governmental Fund Financial Statements: Maintenance of Plant Expenditures
Fund Name	Capital Projects – CO&DS Fund
Adjustment Amounts	Not Applicable

Finding

Contrary to FDOE requirements, the District expended CO&DS funds totaling $33,363 on projects that were not listed on the District's project priority list (PPL). Consequently, the expenditures did not appear consistent with the allowable uses of CO&DS proceeds and, as such, represent questioned costs.

Criteria

Article XII, Section 9(d) of the State Constitution provides for the allocation of CO&DS funds, derived from motor vehicle license revenue, to district school boards and other educational entities. Also, according to the Florida Department of Education (FDOE) Office of Educational Facilities, publication (2014) State

Requirements for Educational Facilities, Section 2.1(5), the proceeds of CO&DS funds are to be expended only for the costs of projects designated in a PPL approved by the respective school board and subsequently approved by the State Board of Education (SBE). If a school board must add new projects, it may amend the PPL; however, the SBE must approve the amended PPL before a school board may use CO&DS funds on the new projects.

Condition For the 2015-16 fiscal year, District expended $33,363 of CO&DS proceeds for repairs and maintenance services at the Turning Point School, Jefferson County High School, and Maintenance and Transportation Departments; and for remodeling and renovations at the Turning Point School. In response to our request for the PPL, District personnel indicated that there was no approved PPL in effect during the 2015-16 fiscal year and, as such, the expenditures totaling $33,363 represent questioned costs.

Cause District procedures had not been established to verify that projects were on the PPL before the use of CO&DS funds for the projects. In response to our inquiry, District personnel indicated that they were unaware that CO&DS funds could only be expended for projects listed on the PPL.

Effect Without effective procedures to verify that projects are on the PPL before the use of CO&DS funds for the projects, there is an increased risk that CO&DS funds may be used for unauthorized purposes.

Recommendation The District should enhance procedures to ensure that CO&DS funds are expended in accordance with FDOE requirements. In addition, the District should provide documentation to the FDOE supporting the allowability of the questioned costs totaling $33,363, or restore this amount to the Capital Projects - CO&DS Fund.

District Response The District concurs with the finding. Corrective measures will be implemented to prevent similar occurrences in the future.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as discussed in Finding Nos. 2016-001 through 2016-004.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Listed below is the District's summary of the status of prior audit findings required to be reported under 2 CFR 200.511:

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2012-168 (1)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389)	District procedures did not ensure that all teachers hired to teach core academic subjects in Title I schoolwide schools were highly qualified, resulting in $76,587 of questioned costs.	Fully corrected.	The questioned costs were not required to be restored.
2012-168 (2)	Special Education – Grants to States (CFDA No. 84.027) and Special Education – Grants to States, Recovery Act (CFDA No. 84.391)	The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in $67,780 of questioned costs.	Fully corrected.	The questioned costs were not required to be restored.
2012-168 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173)	District records did not evidence that District personnel verified that certain contracted services were provided to program eligible students before payments were made, resulting in $56,606 of questioned costs.	Fully corrected.	The questioned costs of $56,606 were restored in 2016-17.
2013-154 (2) 2016-169 (2015-001)	Special Education Cluster (CFDA Nos. 84.027 and 84.173)	District records did not evidence that the District met the maintenance of effort requirement for the Special Education program, resulting in questioned costs of $10,370 and $79,053 for the 2011-12 and 2014-15 fiscal years, respectively.	Fully corrected.	The questioned costs of $89,423 were restored in 2016-17.
2014-177 (1) 2015-179 (1) 2016-169 (1)	Financial Reporting	Financial reporting procedures continue to need improvement to ensure account balances and transactions are properly reported and the annual financial report is timely submitted to the Florida Department of Education.	Not corrected.	Financial reporting procedures will be improved in 2016-17.
2014-177 (2) 2015-179 (2) 2016-169 (2)	Bank Reconciliations	Controls over the bank reconciliation process continue to need enhancement.	Not corrected.	New bank reconciliation control procedures will be implemented in 2016-17.
2014-177 (3)	Title I Grants to Local Educational Agencies (CFDA No. 84.010)	The District did not properly allocate Title I schoolwide program resources to schools, resulting in $7,379 of questioned costs.	Fully corrected.	The questioned costs were not required to be restored.
2016-169 (2015-002)	Improving Teacher Quality State Grants (CFDA No. 84.367)	District records did not evidence the allowability of certain personnel charges to the Improving Teacher Quality State Grants, resulting in questioned costs totaling $26,698.	Fully corrected.	The questioned costs of $26,698 were restored in 2016-17.

CORRECTIVE ACTION PLAN

Jefferson County District School Board
Management's Corrective Action Plans
For the Fiscal Year Ended June 30, 2016

Finding Number:	***2016-001***
Planned Corrective Action:	The District concurs with this finding. The prior administration had not implemented satisfactory financial controls to ensure that expenditures were limited to budgeted amounts or to provide for Board approved revisions to the budget. The District administration has implemented corrective action to include monthly financial statements with actual year-to-date expenditures and revenues for Board approval.
Anticipated Completion Date:	Addressing in FY16-17
Responsible Contact Person:	Jeanie Walker, CFO

Finding Number:	***2016-002***
Planned Corrective Action:	The District concurs that District financial procedures need improvement to ensure the proper reporting of account balances and transactions and the timely submission of the Annual Financial Report (AFR) to the Florida Department of Education (FDOE). The District will continue to improve reporting procedures in addition to maintaining proper financial statement note disclosures. Procedures will include appropriate review and approval of the AFR to detect and correct reporting errors.
Anticipated Completion Date:	Addressing in FY16-17
Responsible Contact Person:	Jeanie Walker, CFO

Finding Number:	***2016-003***
Planned Corrective Action:	The District is establishing procedures to ensure timely recording of cash transactions in the general ledger with bank balances reconciled timely to general ledger accounts. We understand the need for sound internal controls to include segregation of duties, timely cashbook and bank reconciliation, adjustments to the general ledger cash account balances and journal entries to ensure correct reconciliation and adjusting entries. We agree financial procedures and reporting processes are necessary for compliance and accuracy of the financial records. The District is working towards reconciliation of the $34,493 difference between the District's cashbook and bank account cash balances and the general ledger balances.
Anticipated Completion Date:	Addressing in FY16-17
Responsible Contact Person:	Jeanie Walker, CFO

Finding Number:	***2016-004***
Planned Corrective Action:	The District concurs with the finding. Corrective measures will be implemented to prevent similar occurrences in the future.
Anticipated Completion Date:	Addressing in FY16-17
Responsible Contact Person:	Jeanie Walker, CFO