STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-115
February 2017

CHARLOTTE 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, Dr. Douglas K. Whitaker served as Superintendent of the Charlotte County Schools through 9-30-15, and Steve Dionisio served as Superintendent after that date. Also, the following individuals served as School Board Members:

	District No.
Lee Swift, Chair to 11-16-15	1
Alleen Miller	2
Robert Segur, Vice Chair from 11-17-15	3
Ian Vincent	4
Barbara Rendell, Chair from 11-17-15, Vice Chair to 11-16-15	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 Claudia A. Salgado, and the audit was supervised by Deirdre F. Waigand, 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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CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

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CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Summary of Report on Federal Awards

We audited the District's compliance with applicable Federal awards requirements. The Special Education Cluster and Head Start 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 a major Federal program; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

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. The results of our operational audit of the District are included in our report No. 2017-083.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte 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 14 percent of the assets and 42 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 February 6, 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
February 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Charlotte County have 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, it 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 the deferred inflows of resources by $ 358.6 million.
- In total, net position decreased $9.6 million, which represents a 2.6 percent decrease over the 2014-15 fiscal year.
- General revenues total $156.2 million, or 93.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $11.6 million, or 6.9 percent of all revenues.
- Expenses total $177.4 million. Only $11.6 million of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $8.4 million, which is $1.9 million less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances totaled $7.5 million, or 6.2 percent of total General Fund revenues.
- Total long-term liabilities increased by $16 million, or 13.1 percent, mainly because the District's net pension liability increased.

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

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

- Governmental activities – This represents most of the District's services including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents two separate legal entities in this report which are the Charlotte County School Board Leasing Corporation and the Charlotte Local Education Foundation, Inc. Although legally separate organizations, these entities meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for the Charlotte Local Education Foundation is reported separately from the financial information presented for the District.

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 three 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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Federal Programs Fund, Debt Service – Federal Economic Stimulus Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Fund: Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the Employee Benefits Fund. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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 certain 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 may serve over time as a useful indicator of the District'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	$ 56,523,188.22	$ 59,933,481.12
Capital Assets	438,886,813.03	449,339,114.80
Total Assets	495,410,001.25	509,272,595.92
Deferred Outflows of Resources	14,918,041.33	11,495,192.47
Long-Term Liabilities	138,431,958.32	122,416,600.44
Other Liabilities	6,152,382.14	8,517,433.09
Total Liabilities	144,584,340.46	130,934,033.53
Deferred Inflows of Resources	7,145,528.00	21,655,921.00
Net Position:		
Net Investment in Capital Assets	372,712,920.55	382,712,081.16
Restricted	32,966,457.17	31,094,182.11
Unrestricted (Deficit)	(47,081,203.60)	(45,628,429.41)
Total Net Position	$ 358,598,174.12	$ 368,177,833.86

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing $11.3 million in compensated absences payable, $3.2 million in other postemployment benefit obligations, and $56.1 million 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	$ 3,862,022.81	$ 3,844,391.77
Operating Grants and Contributions	6,838,881.18	6,755,153.42
Capital Grants and Contributions	914,413.82	1,010,016.53
General Revenues:		
Property Taxes, Levied for Operational Purposes	80,836,627.96	78,744,488.28
Property Taxes, Levied for Capital Projects	21,176,297.04	20,139,813.83
Local Sales Tax	-	2,174,823.00
Grants and Contributions Not Restricted to Specific Programs	51,046,590.36	50,507,526.91
Unrestricted Investment Earnings	338,674.36	204,461.76
Miscellaneous	2,761,172.88	2,762,529.44
Total Revenues	167,774,680.41	166,143,204.94
Functions/Program Expenses:		
Instruction	79,293,183.65	77,101,149.40
Student Support Services	8,298,121.13	8,307,554.49
Instructional Media Services	1,512,886.40	1,281,869.56
Instruction and Curriculum Development Services	5,965,815.69	6,011,922.44
Instructional Staff Training Services	3,531,183.33	3,172,795.77
Instruction-Related Technology	966,154.27	952,142.59
Board	760,156.28	703,271.47
General Administration	776,304.18	953,898.67
School Administration	9,628,323.17	9,442,995.09
Facilities Acquisition and Construction	2,863,584.75	1,808,756.10
Fiscal Services	1,016,997.92	1,006,529.11
Food Services	8,513,561.65	8,696,444.24
Central Services	4,110,810.63	3,259,273.93
Student Transportation Services	5,683,271.16	5,984,297.39
Operation of Plant	11,997,051.93	12,270,095.49
Maintenance of Plant	4,021,385.80	3,923,259.15
Administrative Technology Services	1,591,913.07	1,556,188.19
Community Services	178,460.51	201,785.24
Unallocated Interest on Long-Term Debt	3,532,054.36	3,519,982.59
Unallocated Depreciation Expenses	23,031,559.19	22,873,311.19
Loss on Disposal of Capital Assets	81,561.08	-
Total Functions/Program Expenses	177,354,340.15	173,027,522.10
Change in Net Position	(9,579,659.74)	(6,884,317.16)
Net Position - Beginning	368,177,833.86	427,661,377.02
Adjustment to Beginning Net Position (1)	-	(52,599,226.00)
Net Position - Beginning, As Restated	368,177,833.86	375,062,151.02
Net Position - Ending	$ 358,598,174.12	$ 368,177,833.86

Note: (1) The adjustment to beginning net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68 in the prior fiscal year, 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.

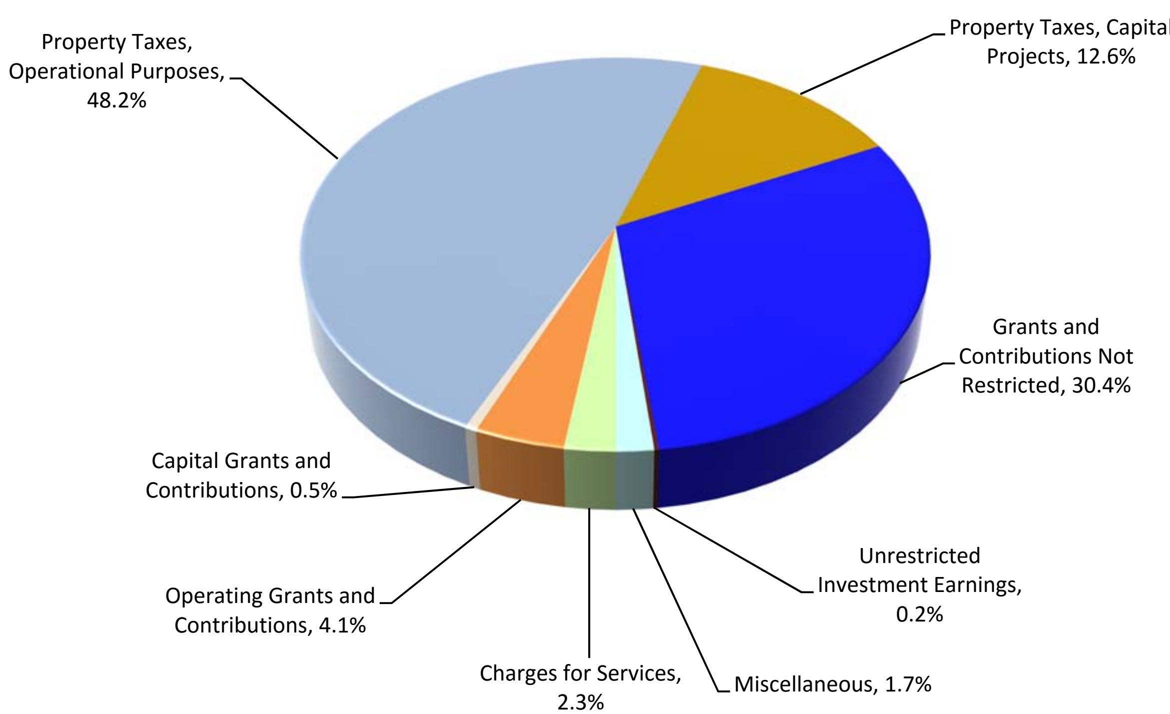
The largest revenue source is property taxes, which increased by $3.1 million, or 3.2 percent, as a result of an increase in taxable assessed values, partially offset by a 2.1 percent decrease in the total millage rate.

A significant revenue source is the State of Florida (21.5 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.

Instruction expenses represent 44.7 percent of total governmental expenses in the 2015-16 fiscal year. Instruction expenses increased by $2.2 million, or 2.8 percent, from the previous year due mainly to an increase in instructional positions.

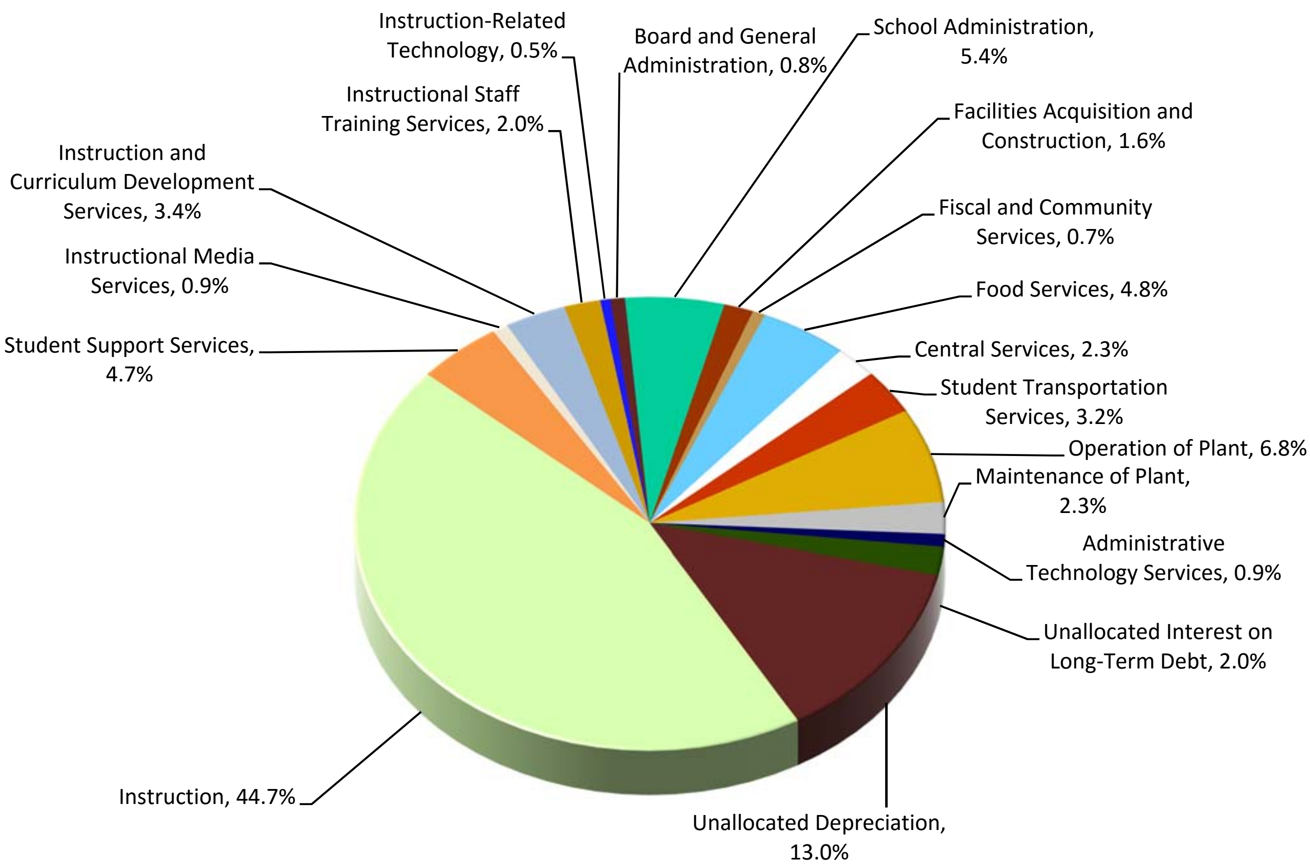
The following graph shows total revenues by source:

Total Revenues by Source



The following graph shows total expenditures by source:

Total Expenditures by Source



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the 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 District's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by $0.04 million during the fiscal year to $42.5 million at June 30, 2016. Approximately 17.7 percent of this amount is unassigned ($7.5 million) fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form

($0.8 million), (2) restricted for particular purposes ($32.8 million), or (3) assigned for particular purposes ($1.4 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the unassigned fund balance is $7.5 million, while the total fund balance is $8.4 million. The District reports no assigned fund balance. As a measure of the General Fund's liquidity, it may be useful to compare the total unassigned fund balance to General Fund total revenues. The total unassigned fund balance is 6.2 percent of total General Fund revenues while total fund balance represents approximately 6.9 percent of total General Fund revenues.

The total fund balance decreased by $1.9 million during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increase in State revenues, primarily due to an increase in FEFP revenues due to increased grant funding.
- Decreases in the local property tax rate and an increase property values resulted in increased tax revenues of $2.1 million.
- Total expenditures increased $1.7 million, or 1.3 percent, due mainly to an increase in staff.
- Transfers from other funds decreased by $1.3 million or 18.7 percent, due mainly to a reduction in other funding sources.

The Special Revenue – Other Federal Programs Fund has total revenues and expenditures of $11.6 million each, and the funding was mainly used for instruction and instruction related services. Because grant revenues and expenditures in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund decreased $0.3 million due to a reduction of Special Education Cluster Federal program funding from the prior fiscal year.

The Debt Service – Federal Economic Stimulus Fund has a total fund balance of $21.2 million. This fund is restricted for the accumulation of resources for, and the payment of, debt principal, interest and related costs on the Qualified School Construction Bonds. The fund balance increased $3.5 million in the current fiscal year due to scheduled sinking fund deposits.

The Capital Projects – Local Capital Improvement Fund has a fund balance of $6.3 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. It should be noted that $1.3 million of fund balance has been encumbered for specific projects. The fund balance decreased by $2.3 million due mainly to the completion of building projects at a high school.

Proprietary Fund

The District's proprietary fund provides the same level of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Internal Service Fund decreased by $0.5 million during the 2015-16 fiscal year to $6.3 million at June 30, 2016. Although fund expenses exceeded premium revenues and reimbursements, a program surplus of $0.5 million was transferred back to the General Fund during the year.

General Fund Budgetary Highlights

During the 2015-16 fiscal year, the District amended its General Fund budget several times, which resulted in an increase of total budgeted revenues of $0.3 million, or 0.2 percent. At the same time, final appropriations are higher than the original budgeted amounts by $0.7 million, or 0.6 percent. Budget revisions occurred primarily from changes in tax revenues received, adjustments to State FEFP revenues and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues and expenditures are line with final budgeted amounts.

Capital Assets and Long-Term Debt

Capital Assets

The District's investment in capital assets totaled $438.9 million as of June 30, 2016 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events included the completion of major construction phases at Lemon Bay High School.

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

Long-Term Debt

At June 30, 2016, the District has total long-term debt outstanding of $66.2 million, comprised of $5 million Qualified Zone Academy Bonds payable, $60 million of Qualified School Construction Bonds payable, and $1.2 million of State school bonds payable. During the current fiscal year, net retirement of debt was $0.5 million.

The District's State school bonds outstanding at June 30, 2016, totaling $1.2 million, are issued by the State Board of Education, which are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds.

Additional information on the District's long-term debt is in Note II.I to the financial statements.

Other Matters of Significance

Employer contributions to the Florida Retirement System increased for regular employees from 7.26 to 7.52 percent of payroll for the 2016-17 fiscal year.

Housing prices are expected to increase the taxable assessed value for the 2016-17 fiscal year, resulting in increased property tax revenues.

Requests for Information

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 1445 Education Way, Port Charlotte, Florida 33948.

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

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 28,512,827.44	$ 65,842.00
Investments	26,192.22	-
Accounts Receivable	189,168.30	13,235.00
Due from Other Agencies	3,176,764.48	-
Prepaid Items	18,375.72	904,577.00
Inventories	822,982.25	6,000.00
Restricted Cash and Cash Equivalents	21,204,844.64	-
Restricted Investments	2,572,033.17	-
Capital Assets:		
Nondepreciable Capital Assets	12,844,028.33	-
Depreciable Capital Assets, Net	426,042,784.70	-
TOTAL ASSETS	495,410,001.25	989,654.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	14,915,899.00	-
Net Carrying Amount of Debt Refunding	2,142.33	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,918,041.33	-
LIABILITIES		
Accrued Salaries and Benefits	865,768.35	-
Payroll Deductions and Withholdings	826,930.66	-
Accounts Payable	1,367,927.21	23,879.00
Construction Contracts Payable	1,050,788.60	-
Deposits Payable	100,914.32	-
Unearned Revenue	1,837,096.00	-
Accrued Interest Payable	102,957.00	-
Long-Term Liabilities:		
Portion Due Within One Year	3,376,356.21	-
Portion Due After One Year	135,055,602.11	-
TOTAL LIABILITIES	144,584,340.46	23,879.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	7,145,528.00	-
NET POSITION		
Net Investment in Capital Assets	372,712,920.55	-
Restricted for:		
State Required Carryover Programs	294,566.33	-
Debt Service	23,700,113.03	-
Capital Projects	6,305,790.39	-
Food Service	2,665,987.42	-
Other Purposes	-	961,318.00
Unrestricted	(47,081,203.60)	4,457.00
TOTAL NET POSITION	$ 358,598,174.12	$ 965,775.00

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	$ 79,293,183.65	$ 1,458,446.00	$ -
Student Support Services	8,298,121.13	-	-
Instructional Media Services	1,512,886.40	-	-
Instruction and Curriculum Development Services	5,965,815.69	-	-
Instructional Staff Training Services	3,531,183.33	-	-
Instruction-Related Technology	966,154.27	-	-
Board	760,156.28	-	-
General Administration	776,304.18	-	-
School Administration	9,628,323.17	-	-
Facilities Acquisition and Construction	2,863,584.75	-	-
Fiscal Services	1,016,997.92	-	-
Food Services	8,513,561.65	2,119,438.72	6,838,881.18
Central Services	4,110,810.63	-	-
Student Transportation Services	5,683,271.16	284,138.09	-
Operation of Plant	11,997,051.93	-	-
Maintenance of Plant	4,021,385.80	-	-
Administrative Technology Services	1,591,913.07	-	-
Community Services	178,460.51	-	-
Unallocated Interest on Long-Term Debt	3,532,054.36	-	-
Unallocated Depreciation Expense	23,031,559.19	-	-
Loss on Disposal of Capital Assets	81,561.08	-	-
Total Primary Government	$ 177,354,340.15	$ 3,862,022.81	$ 6,838,881.18
Component Unit			
Charlotte Local Education Foundation, Inc.	$ 387,402.00	$ 0.00	$ 0.00

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

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 — Primary Government — Governmental Activities	Component Unit
$ -	$ (77,834,737.65)	$ -
-	(8,298,121.13)	-
-	(1,512,886.40)	-
-	(5,965,815.69)	-
-	(3,531,183.33)	-
-	(966,154.27)	-
-	(760,156.28)	-
-	(776,304.18)	-
-	(9,628,323.17)	-
166,795.60	(2,696,789.15)	-
-	(1,016,997.92)	-
-	444,758.25	-
-	(4,110,810.63)	-
-	(5,399,133.07)	-
-	(11,997,051.93)	-
258,156.00	(3,763,229.80)	-
-	(1,591,913.07)	-
-	(178,460.51)	-
489,462.22	(3,042,592.14)	-
-	(23,031,559.19)	-
-	(81,561.08)	-
$ 914,413.82	(165,739,022.34)	-
$ 0.00	-	(387,402.00)
	80,836,627.96	-
	21,176,297.04	-
	51,046,590.36	284,114.00
	338,674.36	69.00
	2,761,172.88	-
	156,159,362.60	284,183.00
	(9,579,659.74)	(103,219.00)
	368,177,833.86	1,068,994.00
	$ 358,598,174.12	$ 965,775.00

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

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 7,297,002.96	$ -	$ -
Investments	-	-	-
Accounts Receivable	58,276.47	-	-
Due from Other Funds	469,788.47	-	-
Due from Other Agencies	2,198,863.48	481,100.53	-
Prepaid Items	18,375.72	-	-
Inventories	546,073.69	-	-
Restricted Cash and Cash Equivalents	-	-	21,204,844.64
Restricted Investments	-	-	-
TOTAL ASSETS	$ 10,588,380.79	$ 481,100.53	$ 21,204,844.64
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accrued Salaries and Benefits	$ 767,291.93	$ 59,337.48	$ -
Payroll Deductions and Withholdings	738,013.94	46,146.81	-
Accounts Payable	714,453.39	35,663.24	-
Construction Contracts Payable	-	-	-
Due to Other Funds	-	339,953.00	-
Deposits Payable	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	2,219,759.26	481,100.53	-
Fund Balances:			
Nonspendable:			
Prepaid Items	18,375.72	-	-
Inventories	546,073.69	-	-
Total Nonspendable Fund Balance	564,449.41	-	-
Restricted for:			
State Required Carryover Programs	294,566.33	-	-
Debt Service	-	-	21,204,844.64
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	294,566.33	-	21,204,844.64
Assigned for:			
Disaster Recovery	-	-	-
Unassigned Fund Balance	7,509,605.79	-	-
Total Fund Balances	8,368,621.53	-	21,204,844.64
TOTAL LIABILITIES AND FUND BALANCES	$ 10,588,380.79	$ 481,100.53	$ 21,204,844.64

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 7,437,929.83	$ 3,929,930.28	$ 18,664,863.07
-	26,192.22	26,192.22
-	1,056.36	59,332.83
-	-	469,788.47
422,744.02	74,056.45	3,176,764.48
-	-	18,375.72
-	276,908.56	822,982.25
-	-	21,204,844.64
-	2,572,033.17	2,572,033.17
$ 7,860,673.85	$ 6,880,177.04	$ 47,015,176.85
$ 6,858.51	$ 30,215.40	$ 863,703.32
11,559.83	27,888.14	823,608.72
531,917.04	14,295.78	1,296,329.45
1,050,788.60	-	1,050,788.60
-	-	339,953.00
-	100,914.32	100,914.32
-	4,567.87	4,567.87
1,601,123.98	177,881.51	4,479,865.28
-	-	18,375.72
-	276,908.56	822,982.25
-	276,908.56	841,357.97
-	-	294,566.33
-	2,598,225.39	23,803,070.03
6,259,549.87	46,240.52	6,305,790.39
-	2,389,078.86	2,389,078.86
6,259,549.87	5,033,544.77	32,792,505.61
-	1,391,842.20	1,391,842.20
-	-	7,509,605.79
6,259,549.87	6,702,295.53	42,535,311.57
$ 7,860,673.85	$ 6,880,177.04	$ 47,015,176.85

Charlotte 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		$ 42,535,311.57
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		438,886,813.03
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(102,957.00)
The difference between the acquisition price and the net carrying amount of refunded debt is recorded as a deferred outflow of resources in the government-wide statements, but is not reported in the governmental funds.		2,142.33
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		6,338,061.01
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 fiscal year-end consist of:		
Qualified Zone Academy Bonds Payable	$ (5,000,000.00)	
Qualified School Construction Bonds Payable	(60,000,000.00)	
Bonds Payable	(1,176,034.81)	
Compensated Absences Payable	(11,326,801.01)	
Other Postemployment Benefits Payable	(3,185,857.00)	
Net Pension Liability	(56,142,875.00)	(136,831,567.82)
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	$ 14,915,899.00	
Deferred Inflows Related to Pensions	(7,145,528.00)	7,770,371.00
Net Position - Governmental Activities		$ 358,598,174.12

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

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Charlotte 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 - Other Federal Programs Fund	Debt Service - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 175,765.17	$ 2,204,280.80	$ 2,958,168.00
Federal Through State and Local	1,011,908.62	9,427,486.12	-
State	34,996,353.54	-	-
Local:			
Property Taxes	80,836,627.96	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	3,825,130.75	-	70,788.91
Total Local Revenues	84,661,758.71	-	70,788.91
Total Revenues	120,845,786.04	11,631,766.92	3,028,956.91
Expenditures			
Current - Education:			
Instruction	75,484,000.50	5,373,673.43	-
Student Support Services	7,550,752.21	693,048.85	-
Instructional Media Services	1,532,584.53	-	-
Instruction and Curriculum Development Services	3,172,746.45	2,839,711.36	-
Instructional Staff Training Services	1,453,431.76	2,067,172.29	-
Instruction-Related Technology	966,154.27	-	-
Board	760,156.28	-	-
General Administration	512,594.23	326,517.60	-
School Administration	9,612,143.60	112,211.32	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	984,825.10	-	-
Food Services	-	-	-
Central Services	2,708,170.70	-	-
Student Transportation Services	5,654,749.10	17,661.36	-
Operation of Plant	11,797,836.61	151,165.92	-
Maintenance of Plant	4,001,871.34	1,760.00	-
Administrative Technology Services	1,670,594.45	-	-
Community Services	178,460.51	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	3,938.03	-
Other Capital Outlay	62,032.34	44,906.76	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	78,093.62	-	3,420,700.00
Total Expenditures	128,181,197.60	11,631,766.92	3,420,700.00
Excess (Deficiency) of Revenues Over Expenditures	(7,335,411.56)	-	(391,743.09)
Other Financing Sources (Uses)			
Transfers In	5,425,000.00	-	3,939,950.68
Loss Recoveries	45,875.43	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	5,470,875.43	-	3,939,950.68
Net Change in Fund Balances	(1,864,536.13)	-	3,548,207.59
Fund Balances, Beginning	10,233,157.66	-	17,656,637.05
Fund Balances, Ending	$ 8,368,621.53	$ 0.00	$ 21,204,844.64

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 5,338,213.97
-	7,018,451.59	17,457,846.33
-	1,028,206.89	36,024,560.43
21,176,297.04	-	102,012,925.00
-	2,119,438.72	2,119,438.72
51,470.96	144,161.18	4,091,551.80
21,227,768.00	2,263,599.90	108,223,915.52
21,227,768.00	10,310,258.38	167,044,536.25
-	-	80,857,673.93
-	-	8,243,801.06
-	-	1,532,584.53
-	-	6,012,457.81
-	-	3,520,604.05
-	-	966,154.27
-	-	760,156.28
-	-	839,111.83
-	-	9,724,354.92
2,587,360.91	189,756.00	2,777,116.91
-	-	984,825.10
-	8,513,561.65	8,513,561.65
-	-	2,708,170.70
-	-	5,672,410.46
-	-	11,949,002.53
-	-	4,003,631.34
-	-	1,670,594.45
-	-	178,460.51
12,138,946.84	400,384.20	12,543,269.07
-	63,240.88	170,179.98
-	427,000.00	427,000.00
-	78,998.53	3,577,792.15
14,726,307.75	9,672,941.26	167,632,913.53
6,501,460.25	637,317.12	(588,377.28)
-	242,708.40	9,607,659.08
-	-	45,875.43
(8,849,503.08)	(258,156.00)	(9,107,659.08)
(8,849,503.08)	(15,447.60)	545,875.43
(2,348,042.83)	621,869.52	(42,501.85)
8,607,592.70	6,080,426.01	42,577,813.42
$ 6,259,549.87	$ 6,702,295.53	$ 42,535,311.57

Charlotte 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		$ (42,501.85)
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.		(10,370,740.69)
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.		(81,561.08)
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.		427,000.00
Premiums and refunding losses are recognized in the governmental funds in the year the debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements:		
Amortization of Debt Premiums	$ 26,852.30	
Amortization of Refunding Losses	(711.14)	26,141.16
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the government-wide statements. This is the reduction in accrued interest in the current fiscal year.		19,596.63
Certain amounts relating to capital outlay and debt service were deferred in a prior year in the governmental fund statements because the amounts were unavailable but were recognized as revenue in the government-wide statements. This is the amount of revenue that became available in the current year.		(20,735.37)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		133,945.92
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.		(731,339.00)
Pension 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. These are the net changes in the current fiscal year.		
FRS Pension Contribution	$ 4,611,702.00	
HIS Pension Contribution	1,471,691.00	
FRS Pension Expense	(2,257,002.00)	
HIS Pension Expense	(2,246,273.00)	1,580,118.00
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service fund is reported with governmental activities.		(519,583.46)
Change in Net Position - Governmental Activities		$ (9,579,659.74)

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

Charlotte County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 9,847,964.37
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	2,065.03
Payroll Deductions and Withholdings	3,321.94
Accounts Payable	71,597.76
Unearned Revenues	1,832,528.13
Total Current Liabilities	1,909,512.86
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	1,600,390.50
TOTAL LIABILITIES	3,509,903.36
NET POSITION	
Unrestricted	$ 6,338,061.01

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

Charlotte County District School Board
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	$ 19,036,300.10
Other Income	670,599.37
Total Operating Revenues	19,706,899.47
OPERATING EXPENSES	
Salaries	139,263.71
Employee Benefits	37,888.33
Purchased Services	4,152,979.79
Materials and Supplies	18,849.06
Capital Outlay	89.99
Insurance Claims	15,377,979.49
Total Operating Expenses	19,727,050.37
Operating Loss	(20,150.90)
NONOPERATING REVENUES	
Interest	567.44
Loss Before Transfers	(19,583.46)
Transfers Out	(500,000.00)
Change in Net Position	(519,583.46)
Total Net Position - Beginning	6,857,644.47
Total Net Position - Ending	$ 6,338,061.01

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

Charlotte County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	$ 17,424,026.90
Cash Payments for Insurance Claims	(15,859,997.39)
Cash Payments to Suppliers for Goods and Services	(2,692,504.93)
Cash Payments to Employees for Services	(176,894.78)
Other Receipts	670,599.37
Net Cash Used by Operating Activities	(634,770.83)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Other Funds	(500,000.00)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	567.44
Net Decrease in Cash and Cash Equivalents	(1,134,203.39)
Cash and Cash Equivalents, Beginning	10,982,167.76
Cash and Cash Equivalents, Ending	$ 9,847,964.37

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	$ (20,150.90)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Liabilities:	
Accrued Salaries and Benefits	426.28
Payroll Deductions and Withholdings	(169.02)
Accounts Payable	(71,974.44)
Deposits Payable	(49,002.15)
Unearned Revenues	(11,882.70)
Estimated Insurance Claims Payable	(482,017.90)
Total Adjustments	(614,619.93)
Net Cash Used by Operating Activities	$ (634,770.83)

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

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

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	2,669,045.95
LIABILITIES		
Due to Other Funds	$	129,835.47
Internal Accounts Payable		2,539,210.48
TOTAL LIABILITIES	$	2,669,045.95

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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

B. Reporting Entity

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

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

Blended Component Unit. A blended component unit is, in substance, part of the primary government's operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as part of the District. The Charlotte County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.I. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

The Charlotte Local Education Foundation, Inc. (Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Debt Service – Federal Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs on the District's qualified school construction bonds (QSCB).
- 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 and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's Employee Benefits Program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

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

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

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME and money market funds, except that amounts held in escrow for long-term debt are not considered to be cash equivalents.

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

2. Investments

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

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

Investments made locally include a money market fund, a Federal National Mortgage Association (FNMA) note, and Federated Prime Obligations and are reported at fair value.

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at 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	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	7 - 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.

5. Pensions

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

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

6. Long-Term Liabilities

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

In addition, the District has adopted Board Policy 6233, which provides that each year's final adopted budget shall include an appropriated (unassigned) projected fund balance of not less than 5 percent of the District's General Fund revenues. The projected fund balance may be allowed to fall below 5 percent only after a super majority vote of the Board.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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

3. District Property Taxes

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

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Charlotte County Property Appraiser, and property taxes are collected by the Charlotte 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 Charlotte 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 and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

The District's investments at June 30, 2016, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1), (2)	39 Day Average	$ 32,608,371.57
Debt Service Accounts	6 months	26,192.22
Bank of America - Money Market (1)	40 Day Average	95,358.12
Federal National Mortgage Association (FNMA)		
Discount Note (3)	October 31, 2016	2,572,033.17
Federated Prime Obligations (1), (4)	40 Day Average	142.97
Total Investments		$ 35,302,098.05

Notes: (1) Investments that have original maturities of 3 months or less are considered cash equivalents for financial reporting purposes.
(2) A portion of these investments ($21,204,701.67) are held under a master trust agreement and supplemental master trust agreement in connection with the Qualified School Construction Bonds (QSCB). See Note II.I.2.
(3) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZAB). See Note II.I.1.
(4) This investment is held under a master trust agreement and supplemental master trust agreement in connection with the QSCB. See Note II.I.2.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The SBA debt service accounts, the FNMA investment, and the mutual funds equities are valued using Level 1 inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

For Florida PRIME, Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

The District's investment in the FNMA discount note is authorized under a forward delivery agreement (FDA) with the QZAB paying agent. The FDA guarantees an interest rate of 3.25 percent. The provider of the FDA bears the interest rate risk.

The District's investments in the State of Florida debt service accounts will be used for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk (and credit risk) for this account.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to ones considered to have low credit risks. Money market funds must be Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments in interest-bearing time deposits must be in qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy does not further limit its investment choices.

As of June 30, 2016, the District's investment in Florida PRIME and Bank of America money market fund are rated AAAm by Standard & Poor's.

The FNMA investment note is rated Aaa by Moody's Investor Services and AA+ by Standard & Poor's.

Custodial Credit Risk

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

The District's investment in the FNMA discount note is held in a custodial account by the paying agent.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. The FNMA note comprises 7 percent of total investments and 99 percent of investments in the other governmental funds.

C. 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	$ 12,814,723.30	$ -	$ -	$ 12,814,723.30
Construction in Progress	29,437,901.12	10,384,884.05	39,793,480.14	29,305.03
Total Capital Assets Not Being Depreciated	42,252,624.42	10,384,884.05	39,793,480.14	12,844,028.33
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,656,306.15	3,938.03	-	6,660,244.18
Buildings and Fixed Equipment	514,121,408.14	39,740,849.59	-	553,862,257.73
Furniture, Fixtures, and Equipment	25,860,828.30	1,518,893.97	1,323,193.85	26,056,528.42
Motor Vehicles	14,042,946.66	791,094.00	733,644.55	14,100,396.11
Audio Visual Materials and Computer Software	1,258,950.12	14,639.00	-	1,273,589.12
Total Capital Assets Being Depreciated	561,940,439.37	42,069,414.59	2,056,838.40	601,953,015.56
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	5,197,051.00	200,581.00	-	5,397,632.00
Buildings and Fixed Equipment	118,521,791.83	19,554,416.90	-	138,076,208.73
Furniture, Fixtures, and Equipment	20,228,498.06	2,188,407.34	1,279,056.82	21,137,848.58
Motor Vehicles	9,815,248.98	1,020,773.95	696,220.50	10,139,802.43
Audio Visual Materials and Computer Software	1,091,359.12	67,380.00	-	1,158,739.12
Total Accumulated Depreciation	154,853,948.99	23,031,559.19	1,975,277.32	175,910,230.86
Total Capital Assets Being Depreciated, Net	407,086,490.38	19,037,855.40	81,561.08	426,042,784.70
Governmental Activities Capital Assets, Net	$ 449,339,114.80	$ 29,422,739.45	$ 39,875,041.22	$ 438,886,813.03

The District's capital assets serve several functions; accordingly, depreciation expense, which totals $23,031,559.19, is not charged to functions but is shown as unallocated on the statement of activities.

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled $4,503,275 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 Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or at any time after

33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

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

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

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
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 $4,611,702 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 $26,614,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.206055534 percent, which was an increase of 0.000775794 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of $2,257,002. 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	$ 2,809,739	$ 631,223
Change of assumptions	1,766,516	-
Net Difference between projected and actual Earnings on Pension Plan Investments	-	6,355,178
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	1,542,243	-
District FRS contributions subsequent to the measurement date	4,611,702	-
Total	$ 10,730,200	$ 6,986,401

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $4,611,702, 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	$ (1,736,546)
2018	(1,736,546)
2019	(1,736,547)
2020	3,506,674
2021	689,218
Thereafter	145,844
Total	$ (867,903)

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)	$ 68,965,059	$ 26,614,836	$ (8,627,506)

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

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of $389,528.83 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

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 $1,471,691 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 $29,528,039 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 0.289535232 percent, which was a decrease of 0.002050287 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS pension expense of $2,246,273. 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	$ 2,323,086	$ -
Net difference between projected and actual earnings on HIS pension plan investments	15,984	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	374,938	159,127
District contributions subsequent to the measurement date	1,471,691	-
Total	$ 4,185,699	$ 159,127

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $1,471,691, 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	$ 428,174
2018	428,174
2019	428,173
2020	424,926
2021	423,365
Thereafter	422,069
Total	$ 2,554,881

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	$ 33,645,826	$ 29,528,039	$ 26,094,423

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

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of $6,466.18 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

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 Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the 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
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, 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 $1,304,442 for the fiscal year ended June 30, 2016.

Payables to the Investment Plan. At June 30, 2016, the District reported a payable of $131,388.96 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2016.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical 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, 71 retirees received other postemployment benefits. The District had a negative amount of $41,063 for the required contributions toward the annual OPEB cost, net of retiree contributions totaling $610,284, which represents 0.97 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)	$ 280,968
Amortization of Unfunded Actuarial Accrued Liability	596,124
Annual Required Contribution	877,092
Interest on Net OPEB Obligation	85,908
Adjustment to Annual Required Contribution	(272,724)
Annual OPEB Cost (Expense)	690,276
Contributions Toward the OPEB Cost	41,063
Increase in Net OPEB Obligation	731,339
Net OPEB Obligation, Beginning of Year	2,454,518
Net OPEB Obligation, End of Year	$ 3,185,857

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 596,402	26.8%	$ 2,033,377
2014-15	603,097	30.2%	2,454,518
2015-16	690,276	-5.9%	3,185,857

Funded Status and Funding Progress. As of January 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was $5,273,623, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $5,273,623 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $62,956,152, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.4 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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of January 1, 2016, used the entry age normal cost actuarial 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 3.5 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, a general price inflation rate of 2.5 percent and an annual healthcare cost trend rate of 6.5 percent initially for the 2015-16 fiscal year, reduced by 0.25 percent per year, to an ultimate rate of 4.6 percent after 24 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 9-year period. The remaining amortization period at June 30, 2016, was 9 years.

F. 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 Federal Programs	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 57,803.40	$ 7,414.46	$ 1,276,159.52	$ 22,667.13	$ 1,364,044.51

G. Risk Management Programs

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

The District's health insurance program for its employees is provided on a self-insured basis up to specific limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claims amounts above $300,000 on an individual basis, and aggregate excess coverage of $5 million when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of $1,600,390.50 was determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2016.

The following schedule represents the changes in claims liability for current and past fiscal year for the District's self-insurance fund:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2014-15	$ 1,741,541.55	$ 14,723,582.50	$ (14,382,715.65)	$ 2,082,408.40
2015-16	2,082,408.40	15,377,979.49	(15,859,997.39)	1,600,390.50

H. Changes in Short-Term Debt

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

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ 0.00	$ 19,000,000	$ 19,000,000	$ 0.00

On September 3, 2015, the Charlotte County District School Board issued Tax Anticipation Note, Series 2015, in the amount of $19 million. The note carried an interest rate of 1 percent and was repaid on March 31, 2016. Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

I. Long-Term Liabilities

1. Qualified Zone Academy Bonds Payable

On November 27, 2006, the District entered into a financing arrangement, characterized as a lease-purchase agreement, with the Charlotte School Board Leasing Corporation (Leasing Corporation), whereby the District secured financing under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB Program provides no interest cost financing to purchase certain goods and services for schools located in eligible District areas (zones). The District received financing of $5 million from a local bank on November 27, 2006. Interest on the debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of the sale. Repayment of the original $5 million financing proceeds is due in full on November 27, 2022. In connection with the financing, the District entered into a forward delivery agreement requiring annual deposits of $242,708.40 into a sinking fund for 16 consecutive years, beginning November 27, 2007. The forward delivery agreement provides a guaranteed investment return of 3.25 percent per annum, whereby the required deposits, along with the accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. The financing proceeds were designated for technology upgrades/replacements, computer laptops, and instructional equipment/materials at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbor Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School. As of June 30, 2016, the paying agent held $2,572,033.17.

2. Qualified School Construction Bond Payable

In the 2009-10 fiscal year, the District established a master lease-purchase program for the lease-purchase financing of various current and future educational facilities and sites. The general terms of this program were determined pursuant to a Master Lease-Purchase Agreement and Master Trust Agreement between the District and the Leasing Corporation.

On May 28, 2010, the District entered into a financing arrangement with the Leasing Corporation under this program whereby the District secured financing under the Qualified School Construction Bonds (QSCB). The QSCB program was established by Section 1521 of the American Recovery and Reinvestment Act (ARRA) and codified in Section 54A and 54F of the Internal Revenue Code. Among other things, the program provides low interest cost financing to school districts to construct certain educational facilities. Interest on the debt is paid by the District, and reimbursed in part by the Federal government.

The financing was accomplished through the issuance of a School Board of Charlotte County, Florida Master Lease Program – Master Lease Certificates, Series 2010A – QSCB in the principal amount of $60 million. The certificate proceeds were received from the lender (Bank of America) and designated for the replacement construction of two schools, Meadow Park Elementary School and Lemon Bay High School. Under the terms of Lease Schedule 2010A to the Master Lease-Purchase Agreement, and other related agreements, the District provided a ground lease to the Leasing Corporation, then would construct, acquire, install and lease-purchase the projects from the Leasing Corporation.

Repayment of the original $60 million certificate proceeds is due in full on May 1, 2027. Interest payments are due semi-annually based on a 5.7 percent annual interest rate, and a Federal interest subsidy reimbursement is available at an annual rate of 5.29 percent. The subsidy was reduced for 2016, pursuant to the requirements of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended, from the original $3,174,000 to $2,958,168. Interest payments in 2016 were $3,420,000. Rent paid by the District to the Leasing Corporation corresponds to the annual debt service requirements on the bonds. Rents are paid from “Available Revenues” of the District, including capital outlay millage revenues. The lease term ends on the date the certificates are paid in full.

In connection with the financing and pursuant to a Series 2010A Supplemental Master Trust Agreement, the Leasing Corporation assigned its rights to the rent collections to a Trustee (Regions Bank), requiring the District to deposit the 17 annual “basic” rent payments of $3,529,412 (corresponding to the principal portion of the bond), beginning in 2011, into a sinking fund held by the Trustee, as security for the bond. These amounts will be sufficient to pay the $60 million principal balance at maturity. Investment income earned in the Sinking Fund can be used to reduce future annual rent payments. At June 30, 2016, the market value of the sinking fund account was $21,204,844.64.

3. Bonds Payable

State school bonds payable at June 30, 2016, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009-A, Refunding	$ 70,000.00	5.0	2019
Series 2014-B, Refunding	1,003,000.00	2.0 - 5.0	2020
Subtotal	1,073,000.00		
Add: Unamortized Premium	103,034.81		
Total Bonds Payable	$ 1,176,034.81		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2017	$ 510,970.00	$ 459,000.00	$ 51,970.00
2018	513,020.00	484,000.00	29,020.00
2019	78,820.00	74,000.00	4,820.00
2020	57,120.00	56,000.00	1,120.00
Total State School Bonds	1,159,930.00	1,073,000.00	86,930.00
Add: Unamortized Premium	103,034.81	103,034.81	-
Total	$ 1,262,964.81	$ 1,176,034.81	$ 86,930.00

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Qualified Zone Academy Bonds Payable	$ 5,000,000.00	$ -	$ -	$ 5,000,000.00	$ -
Qualified School Construction Bonds Payable	60,000,000.00	-	-	60,000,000.00	-
Bonds Payable	1,629,887.11	-	453,852.30	1,176,034.81	459,000.00
Estimated Insurance Claims Payable	2,082,408.40	15,377,979.49	15,859,997.39	1,600,390.50	-
Compensated Absences Payable	11,460,746.93	1,833,592.21	1,967,538.13	11,326,801.01	1,833,592.21
Other Postemployment Benefit Obligations	2,454,518.00	690,276.00	(41,063.00)	3,185,857.00	-
Net Pension Liability	39,789,040.00	35,004,787.00	18,650,952.00	56,142,875.00	1,083,764.00
Total Governmental Activities	$ 122,416,600.44	$ 52,906,634.70	$ 36,891,276.82	$ 138,431,958.32	$ 3,376,356.21

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. Estimated insurance claims payable are generally liquidated with resources of the internal service fund. Due to the nature of the liability, none of the other postemployment benefits obligations are considered due in 1 year.

J. 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.

K. Interfund Receivables and Payables

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

	Interfund	
Funds	**Receivables**	**Payables**
Major:		
General	$ 469,788.47	$ -
Special Revenue:		
Other Federal Programs	-	339,953.00
Fiduciary	-	129,835.47
Total	$ 469,788.47	$ 469,788.47

Interfund receivables and payables are temporary loans of cash between funds for a period of less than 13 months. The temporary loans will be repaid in the next fiscal year.

L. 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
Categorical Educational Program - Class Size Reduction	$ 16,863,345.00
Florida Education Finance Program	13,893,093.00
Workforce Development Program	2,372,784.00
School Recognition	765,212.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	676,993.19
Voluntary Prekindergarten Program	566,369.12
Gross Receipts Tax (Public Education Capital Outlay)	258,156.00
Racing Commission Funds	148,833.32
Florida Best and Brightest Teachers	148,612.86
Food Service Supplement	103,360.00
Miscellaneous	227,801.94
Total	$ 36,024,560.43

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

2. Property Taxes

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

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.949	$ 72,604,238
Prior Period Funding Adjustment	0.014	205,387
Basic Discretionary Local Effort	0.748	10,973,524
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	22,005,729
Total	7.211	$ 105,788,878

M. Interfund Transfers

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

	Interfund	
Funds	**Transfers In**	**Transfers Out**
Major:		
General	$ 5,425,000.00	$ -
Debt Service:		
Federal Economic Stimulus	3,939,950.68	-
Capital Projects:		
Local Capital Improvement	-	8,849,503.08
Nonmajor Governmental	242,708.40	258,156.00
Internal Service	-	500,000.00
Total	$ 9,607,659.08	$ 9,607,659.08

Interfund transfers represent permanent transfers of money between funds. In general, funds are transferred to the General Fund from the capital projects funds to finance various District maintenance projects and equipment purchases. Transfers to debt service funds are to fund the required annual sinking fund payments.

III. CONSORTIUMS

The District is a member of the Greater Florida Consortium of School Boards. This consortium is organized to provide educational information, interpretation, and consultation assistance to the affected districts.

IV. NON-FEDERAL SHARE FOR HEAD START PROGRAMS

For the Head Start and Early Head Start programs, the District is required to provide 20 percent of the total amount expended using non-Federal funds and donated goods and services. Local funds expended were for facilities, equipment, and District support staff, such as therapists, psychologists, and teachers. Donated goods and services were provided by the community and were used for the benefit of the program. During this fiscal year, for grant number 04CH4774/01 with a period ending October 31, 2015, the required amount of non-Federal share is $199,286.92. For grant number 04CH4774/02, the required amount of non-Federal share during the period November 1, 2015, through June 30, 2016, is $351,783.28.

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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	$ 175,000.00	$ 175,000.00	$ 175,765.17	$ 765.17
Federal Through State and Local	1,080,000.00	1,080,000.00	1,011,908.62	(68,091.38)
State	35,664,656.00	35,065,380.00	34,996,353.54	(69,026.46)
Local:				
Property Taxes	80,547,756.00	80,835,756.00	80,836,627.96	871.96
Miscellaneous	3,346,633.00	3,926,627.00	3,825,130.75	(101,496.25)
Total Local Revenues	83,894,389.00	84,762,383.00	84,661,758.71	(100,624.29)
Total Revenues	120,814,045.00	121,082,763.00	120,845,786.04	(236,976.96)
Expenditures				
Current - Education:				
Instruction	76,176,053.00	76,472,431.66	75,484,000.50	988,431.16
Student Support Services	7,700,638.00	7,621,036.00	7,550,752.21	70,283.79
Instructional Media Services	1,655,212.00	1,561,301.00	1,532,584.53	28,716.47
Instruction and Curriculum Development Services	2,959,424.00	3,200,789.00	3,172,746.45	28,042.55
Instructional Staff Training Services	1,369,992.00	1,459,514.00	1,453,431.76	6,082.24
Instruction-Related Technology	985,259.00	973,259.00	966,154.27	7,104.73
Board	741,567.00	778,767.00	760,156.28	18,610.72
General Administration	410,821.00	523,313.00	512,594.23	10,718.77
School Administration	9,533,736.00	9,647,184.00	9,612,143.60	35,040.40
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	999,275.00	999,275.00	984,825.10	14,449.90
Central Services	2,714,241.00	2,725,054.00	2,708,170.70	16,883.30
Student Transportation Services	6,258,793.00	5,725,583.00	5,654,749.10	70,833.90
Operation of Plant	11,843,332.00	11,908,769.00	11,797,836.61	110,932.39
Maintenance of Plant	3,776,769.00	4,051,375.00	4,001,871.34	49,503.66
Administrative Technology Services	1,652,217.00	1,775,303.00	1,670,594.45	104,708.55
Community Services	163,217.00	180,217.00	178,460.51	1,756.49
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	-	-	-
Other Capital Outlay	-	62,032.34	62,032.34	-
Debt Service:				
Interest and Fiscal Charges	90,000.00	90,000.00	78,093.62	11,906.38
Total Expenditures	129,030,546.00	129,755,203.00	128,181,197.60	1,574,005.40
Deficiency of Revenues Over Expenditures	(8,216,501.00)	(8,672,440.00)	(7,335,411.56)	1,337,028.44
Other Financing Sources				
Transfers In	5,425,000.00	5,425,000.00	5,425,000.00	-
Loss Recoveries	-	-	45,875.43	45,875.43
Total Other Financing Sources	5,425,000.00	5,425,000.00	5,470,875.43	45,875.43
Net Change in Fund Balances	(2,791,501.00)	(3,247,440.00)	(1,864,536.13)	1,382,903.87
Fund Balances, Beginning	10,233,157.00	10,233,157.00	10,233,157.66	0.66
Fund Balances, Ending	$ 7,441,656.00	$ 6,985,717.00	$ 8,368,621.53	$ 1,382,904.53

Special Revenue - Other Federal Programs Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 2,203,473.00	$ 2,207,767.00	$ 2,204,280.80	$ (3,486.20)
9,598,247.00	10,234,191.00	9,427,486.12	(806,704.88)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
11,801,720.00	12,441,958.00	11,631,766.92	(810,191.08)
4,964,755.00	5,710,515.74	5,373,673.43	336,842.31
753,276.00	732,333.00	693,048.85	39,284.15
-	-	-	-
2,962,407.00	2,929,080.00	2,839,711.36	89,368.64
2,229,925.00	2,356,992.50	2,067,172.29	289,820.21
-	-	-	-
-	-	-	-
567,496.00	371,190.00	326,517.60	44,672.40
158,366.00	112,591.00	112,211.32	379.68
-	9,499.97	-	9,499.97
548.00	-	-	-
-	-	-	-
14,549.00	17,942.00	17,661.36	280.64
150,398.00	151,209.00	151,165.92	43.08
-	1,760.00	1,760.00	-
-	-	-	-
-	-	-	-
-	3,938.03	3,938.03	-
-	44,906.76	44,906.76	-
-	-	-	-
11,801,720.00	12,441,958.00	11,631,766.92	810,191.08
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
01/01/12	$ -	$ 3,328,950	$ 3,328,950	0.0%	$ 63,062,639	5.3%
01/01/14	-	4,431,195	4,431,195	0.0%	60,812,164	7.3%
01/01/16	-	5,273,623	5,273,623	0.0%	62,956,152	8.4%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost actuarial 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	0.206055534%	0.205279740%	0.193020325%
District's proportionate share of the FRS net pension liability	$ 26,614,836	$ 12,525,083	$ 33,227,389
District's covered-employee payroll	$ 66,386,422	$ 65,195,464	$ 61,900,940
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	40.09%	19.21%	53.68%
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	$ 4,611,702	$ 5,023,809	$ 4,496,497
FRS contributions in relation to the contractually required contribution	(4,611,702)	(5,023,809)	(4,496,497)
FRS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 66,522,127	$ 66,386,422	$ 65,195,464
FRS contributions as a percentage of covered-employee payroll	6.93%	7.57%	6.90%

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	0.289535232%	0.291585519%	0.285622663%
District's proportionate share of the HIS net pension	$ 29,528,039	$ 27,263,957	$ 24,867,208
District's covered-employee payroll	87,860,115	86,635,181	83,239,500
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.61%	31.47%	29.87%
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	$ 1,471,691	$ 1,106,784	$ 998,874
HIS contributions in relation to the contractually required contribution	(1,471,691)	(1,106,784)	(998,874)
HIS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 88,705,630	$ 87,860,115	$ 86,635,181
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The January 1, 2016, projected unfunded actuarial accrued liability of $5,273,623 was significantly higher than the January 1, 2014, liability of $4,431,195 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- *Population Changes* – The number of enrolled retirees receiving post-employment healthcare benefits increased from 68 in the previous valuation to 71 in the latest valuation. At the same time, the number of active employees eligible for future postemployment healthcare benefits increased from 1,517 to 1,590. These changes had an increasing effect on the cost and liabilities.
- *Initial Cost of Coverage and Retiree Contributions* – The total cost of coverage increased from $792 per employee per month (as expected for year beginning January 1, 2014) to $842 per employee per month for the year beginning January 1, 2016. This is lower than the $919 per employee per month previously projected for this year. However, premiums charged to retirees remained level since the prior valuation, and as such had an effect of widening the gap between the costs and premiums collected from retirees. These combined changes had an increasing effect on the costs and liabilities.
- *Medical Trend Assumption* – The actuary made revisions in the assumed trend of medical/prescription cost and premium increases. It was assumed previously that premiums and costs would increase at a rate of 7 percent for the 2017 plan year. They revised the trend rates for costs and premiums applicable to the year beginning January 1, 2017, to increase by 6.5 percent. Under the new model, assumed trend rates are expected to decline over a 23-year period from 6.25 percent assumed for the year 2018 to the ultimate level of 4.24 percent. This change had a modest decreasing effect on the cost and liabilities.
- *Retiree Medical Coverage Assumptions* – The assumed rate of coverage acceptance has been revised to reflect based upon analysis of data collected for this year's valuation. In the previous valuation, it was assumed that 25 percent of retiring covered employees under the age of 65 would elect to continue medical coverage through the District's core plan. The current data suggests that more retirees have been making that choice in the recent years and, consequently, it is assumed that 30 percent of employees will elect to keep the coverage upon retirement. This change had an increasing effect on the costs and liabilities.
- *Demographic Assumptions* – The actuary has also revised certain demographic assumptions to align with the updated assumptions used by the Florida Retirement System for its July 1, 2015, actuarial valuation. This change had an increasing effect on the costs and liabilities.

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

Changes of Benefit Terms. No changes in benefit terms.

Changes of Assumptions. As of June 30, 2015, there were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60 percent, the real payroll growth assumption remained at 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return remained at 7.65 percent.

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

Changes of Benefit Terms. No changes in benefit terms.

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Charlotte 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:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	15002	$ 1,358,253.07
National School Lunch Program	10.555	15001, 15003	5,167,225.96
Summer Food Service Program for Children	10.559	14006, 14007, 15006, 15007	206,438.52
Total Child Nutrition Cluster			6,731,917.55
Fresh Fruit and Vegetable Program	10.582	15004	289,999.81
Total United States Department of Agriculture			7,021,917.36
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants	84.007	N/A	8,105.00
Federal Pell Grant Program	84.063	N/A	361,207.47
Total Student Financial Assistance Cluster			369,312.47
Indirect:			
Special Education Cluster:			
Special Education - Grants to States:	84.027		
Florida Department of Education		263	4,166,477.28
Sarasota County District School Board		None	63,352.48
Total Special Education - Grant to States	84.027		4,229,829.76
Special Education - Preschool Grants	84.173	267	88,143.62
Total Special Education Cluster			4,317,973.38
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	221,564.48
Title I Grants to Local Educational Agencies	84.010	212, 226	3,599,647.07
Career and Technical Education - Basic Grants to States	84.048	161	222,381.36
Education for Homeless Children and Youth	84.196	127	51,543.85
English Language Acquisition State Grants	84.365	102	34,498.64
Mathematics and Science Partnerships	84.366	235	420,191.58
Improving Teacher Quality State Grants	84.367	224	623,038.24
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RL111	282,930.41
Total Indirect			9,773,769.01
Total United States Department of Education			10,143,081.48
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600	N/A	2,204,280.80
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	175,765.17
Total Expenditures of Federal Awards			$ 19,545,044.81

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

(2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, 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 allowable or are limited as to reimbursement.

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

(4) Noncash Assistance - National School Lunch Program. Includes $570,442.29 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(5) Head Start. Expenditures include $1,407,133.11 for grant number/program year 04CH4774/01 and $797,147.69 for grant number/program year 04CH4774/02.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte 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 February 6, 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 and the discretely presented component unit, as described in our report on the District's financial statements. For the discretely presented component unit, 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to District management in our operational audit report No. 2017-083.

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
February 6, 2017

Sherrill F. Norman, CPA
Auditor General

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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 Charlotte 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
February 6, 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?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

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:
84.027 and 84.173	Special Education Cluster
93.600	Head Start
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

PRIOR AUDIT FOLLOW-UP

There were no prior audit findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.