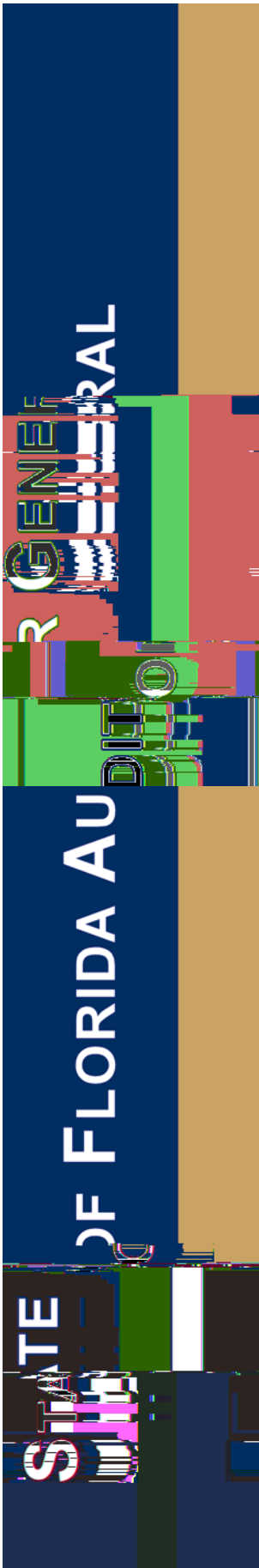


CHARLOTTE COUNTY

2



Board Members and Superintendent

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
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AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street



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

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 MSb**

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

	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

Operating Results for the Fiscal Year Ended

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:

The following graph shows total expenditures by source:

Total Expenditures by Source

FINANCIAL ANALYSIS OF THE DISTRICT'

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

Major Governmental Funds

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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BASIC FINANCIAL STATEMENTS

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

	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:		

**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	-	-	-

**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	<u>(56,142,875.00)</u>		(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	<u>(7,145,528.00)</u>		<u>7,770,371.00</u>

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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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
<u>21,227,768.00</u>	<u>2,263,599.90</u>	<u>108,223,915.52</u>
<u>21,227,768.00</u>	<u>10,310,258.38</u>	<u>167,044,536.25</u>
-	-	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
<u>14,726,307.75</u>	<u>9,672,941.26</u>	<u>167,632,913.53</u>
<u>6,501,460.25</u>	<u>637,317.12</u>	<u>(588,377.28)</u>
-	242,708.40	9,607,659.08
-	-	45,875.43
<u>(8,849,503.08)</u>	<u>(258,156.00)</u>	<u>(9,107,659.08)</u>
<u>(8,849,503.08)</u>	<u>(15,447.60)</u>	<u>545,875.43</u>
<u>(2,348,042.83)</u>	<u>621,869.52</u>	<u>(42,501.85)</u>
<u>8,607,592.70</u>	<u>6,080,426.01</u>	<u>42,577,813.42</u>
<u>\$ 6,259,549.87</u>	<u>\$ 6,702,295.53</u>	<u>\$ 42,535,311.57</u>

**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)
			(10,370,740.69)
			(81,561.08)
			427,000.00
			26,141.16
	\$	26,852.30 (711.14)	
			19,596.63
			(20,735.37)
			133,945.92
			(731,339.00)
			1,580,118.00
			(519,583.46)
FRS Pension Expense	\$	4,611,702.00 1,471,691.00 (2,257,002.00) (2,246,273.00)	1,580,118.00

**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**

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

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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 the component unit. A

balances are reported in fund financial statements, certain eli

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

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.

B. Investments

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

	Maturities	Fair Value
SBA:		
Florida PRIME (1), (2)	39 Day Average	\$ 32,608,371.57
Debt Service Accounts	6 months	26,192.22

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:

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		

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

YMhe me Â

Description

Differences between expected and actual experience	\$	631,223
Change of assumptions		-
Net Difference between projected and actual		

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 m ing i d Ä f Cme e

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

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
	596,124
Annual Required Contribution	877,092

Percentage of

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

<u>Fiscal Year</u>	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
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.

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:

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
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

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 Sta] M

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

Revenues

Intergovernmental:				
Federal Direct	\$ 175,000.00	\$ 175,000.00	\$ 175,765.17	\$ 765.17
Federal Through State and Local State	1,080,000.00	1,080,000.00	1,011,908.62	(68,091.38)
	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	163,614.00	163,040.40	160,000.00	4,051,670,594.45
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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

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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*



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT ON 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,

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.

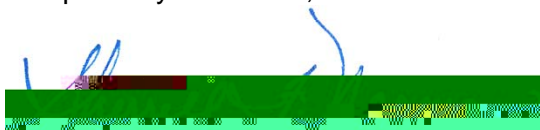
Report on Internal Control Over Compliance

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

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,

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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.