STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-183
March 2017

MADISON 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, K. Douglas Brown served as Superintendent of the Madison County Schools and the following individuals served as School Board Members:

	District No.
Susie Williamson	1
Kenneth Hall, Chair to 11-16-15	2
VeEtta L. Hagan, Chair from 11-17-15, Vice Chair to 11-16-15	3
Dr. Karen Pickles, Vice Chair from 11-17-15	4
Bart Alford	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 Tiffany R. Wilson, CPA, and the audit was supervised by Glenda K. Hart, 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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MADISON COUNTY DISTRICT SCHOOL BOARD

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MADISON COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the Madison 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

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, the significant deficiency is not considered to be a material weakness.

Significant Deficiency

Finding No. 2016-001: District procedures continue to need improvement to ensure financial statement account balances and transactions are properly reported.

The results of our tests disclosed 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; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding No. 2016-002: The District's budgetary process needs improvement to ensure expenditures are limited to budgeted amounts.

Summary of Report on Federal Awards

We audited the District's compliance with applicable Federal awards requirements. The Title I and School Improvement Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the financial statement finding included in our report No. 2016-132.

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. 2017-146.

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.*

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Madison 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 18 percent of the assets and 96 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Madison County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- As of June 30, 2016, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by $33,775,522.52. This amount represents net investment in capital assets of $40,666,457.26, restricted net position of $3,043,086.08, and a deficit unrestricted net position of $9,934,020.82.
- In total, net position increased $9,312,615.50, which represents a 38.1 percent increase over the 2014-15 fiscal year due to an increase of net investment in capital assets related to the renovation of the Madison County High School (MCHS).
- During the current fiscal year, General Fund expenditures exceeded revenues by $687,761.46. This may be compared to the prior fiscal year's results in which General Fund expenditures exceeded revenues by $1,463,459.74.
- At the end of the current fiscal year, the fund balance of the General Fund totaled $1,574,106.67, which is $270,703.61 less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances totaled $1,010,702.75, or 5.2 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report, The James Madison Preparatory High School, Inc., a charter school. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

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

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of 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	$ 6,614,594.31	$ 7,774,003.60
Capital Assets	44,677,027.11	35,522,555.36
Total Assets	51,291,621.42	43,296,558.96
Deferred Outflows of Resources	2,467,401.00	1,939,106.00
Long-Term Liabilities	15,510,995.65	14,018,867.91
Other Liabilities	2,547,758.25	2,419,722.03
Total Liabilities	18,058,753.90	16,438,589.94
Deferred Inflows of Resources	1,924,746.00	4,334,168.00
Net Position:		
Net Investment in Capital Assets	40,666,457.26	32,226,894.66
Restricted	3,043,086.08	4,097,158.33
Unrestricted (Deficit)	(9,934,020.82)	(11,861,145.97)
Total Net Position	$ 33,775,522.52	$ 24,462,907.02

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 increase in net investment in capital assets is due to additions to construction in progress related to the remodeling and renovations of MCHS, while the decrease in current and other assets of $1,159,409.29 is due to a decrease in due from other agencies for the PECO Special Facilities allocation offset by an increase in cash restricted for the remodeling and renovations of MCHS.

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 $9,448,116 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	$ 174,165.48	$ 176,130.04
Operating Grants and Contributions	1,502,081.91	1,424,658.21
Capital Grants and Contributions	9,449,590.63	6,166,978.28
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,940,761.57	3,880,399.38
Property Taxes, Levied for Capital Projects	1,017,192.82	1,001,620.67
Grants and Contributions Not Restricted to Specific Programs	18,580,295.39	19,129,157.85
Unrestricted Investment Earnings	17,878.16	4,903.12
Gain on Disposal of Capital Assets	108,200.00	
Miscellaneous	640,194.36	638,955.94
Total Revenues	35,430,360.32	32,422,803.49
Functions/Program Expenses:		
Instruction	12,115,732.38	13,217,060.38
Student Support Services	882,960.86	765,159.80
Instructional Media Services	251,204.05	246,612.17
Instruction and Curriculum Development Services	1,301,452.21	1,185,102.58
Instructional Staff Training Services	667,235.00	774,178.24
Instruction-Related Technology	193,843.13	366,165.75
Board	306,953.55	313,522.55
General Administration	543,962.51	508,928.68
School Administration	1,511,691.12	1,396,459.85
Facilities Acquisition and Construction	330,712.94	425,156.70
Fiscal Services	405,453.83	357,166.72
Food Services	1,582,349.61	1,616,716.92
Central Services	213,086.46	201,956.55
Student Transportation Services	1,483,429.59	1,571,059.22
Operation of Plant	2,337,771.33	2,124,651.01
Maintenance of Plant	237,141.28	298,715.20
Administrative Technology Services	150,979.61	235,079.78
Community Services	20,250.00	75,883.68
Unallocated Interest on Long-Term Debt	104,494.85	106,897.21
Unallocated Depreciation	1,477,040.51	1,504,734.33
Total Functions/Program Expenses	26,117,744.82	27,291,207.32
Change in Net Position	9,312,615.50	5,131,596.17
Net Position - Beginning	24,462,907.02	29,178,650.85
Adjustment to Beginning Net Position (1)	-	(9,847,340.00)
Net Position - Beginning, as Restated	24,462,907.02	19,331,310.85
Net Position - Ending	$ 33,775,522.52	$ 24,462,907.02

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

The largest revenue source is the State of Florida (68.5 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.

Capital grants and contributions revenue increased by $3,282,612.35, or 53.2 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The increase in funding is mainly due to Special Facility Construction Account funding received for the second year of the remodeling and renovations at MCHS during the 2015-16 fiscal year.

Instruction expenses represent 46.4 percent of total governmental expenses in the 2015-16 fiscal year. Instruction expenses decreased by $1,101,328, or 8.3 percent, from the previous fiscal year due mainly from a reduction in purchases of textbooks and computer equipment in the current year.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of the 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 $1,287,445.51 during the fiscal year to $4,066,836.06 at June 30, 2016. Approximately 24 percent of this amount is unassigned fund balance ($986,623.82), 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 ($86,982.91), (2) restricted for particular purposes ($2,969,150.40), or (3) assigned for particular purposes ($24,078.93).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $986,623.82, while the total fund balance is $1,574,106.67. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 5.2 percent of the total General Fund revenues, while total fund balance represents 8.2 percent of total General Fund revenues.

The Special Revenue – Other Fund has total revenues and expenditures of $3,444,477.97 each and the funding was mainly used for instruction related costs. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund decreased $284,961.46, or 7.6 percent primarily because of reductions in Federal grant funding for the Charter School Grant and ARRA – Race to the Top Grant.

The Debt Service – ARRA Economic Stimulus Fund has a total fund balance of $15,083.15 and is used for the payment of debt principal, interest, and related costs for the Series 2010A, Refunding, and Series 2010B – Qualified School Construction Bonds. The fund balance decreased by $98,317.61 during the fiscal year due to a one-time transfer to the General Fund of fund balance not obligated for debt service payments.

The Capital Projects – PECO Fund has a total fund balance of $1,847,305.29. This fund is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current fiscal year by $1,171,157.93 due to the MCHS renovation project nearing completion and the related draw down and expenditure of the Special Facilities Construction Account allocation. It should be noted that the total fund balance and $54,728.45 of future allocations have been encumbered for specific project needs.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2015-16 fiscal year, the District amended its General Fund budget several times. While there were no significant variances between the original and final budgeted revenues, final appropriations exceeded the original budgeted amounts by $914,587.99 or 4.6 percent. Budget revisions occurred primarily from changes in planned expenditures for instruction.

Actual revenues are in line with the final budgeted amounts while actual expenditures are $969,738.63, or 4.6 percent, less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $1,305,176.44.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, is $44,677,027.11 (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. The total increase in capital assets for the current fiscal year was 25.8 percent due mainly to net additions to construction in progress of $10,156,368.48 for ongoing remodeling and renovations at the MCHS.

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 $2,577,938.85, composed of $2,048,464 of bonds payable and $529,474.85 Special PECO Advance Payable. During the current fiscal year, retirement of debt was $732,130.32.

The District's bonds payable consists of state school bonds and district revenue bonds. State school bonds, which have an outstanding balance of $149,000, are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. District revenue bonds have an outstanding balance of $1,899,464 and are secured from the District's pari-mutuel tax proceeds distributed annually by the State.

Special PECO Advance Payable represents the amount of the PECO Special Facilities allocation expected to be replaced by other District capital outlay sources for funding the remodeling and renovations at the MCHS.

Additional information on the District's long-term debt can be found in Notes II.H.1. through II.H.3. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The latest enrollment projections for the District indicate an increase in full-time equivalent (FTE) of approximately 119 students during the 2016-17 fiscal year, which will increase overall State revenue to the District. However, the projected increase in FTE is primarily attributable to the opening of the Madison Creative Arts Academy charter school in the 2016-17 fiscal year at full capacity, in addition to a grade expansion at the James Madison Preparatory High School, Inc. charter school, with an estimated payout of approximately $3.1 million in State revenue to these charters schools for the 2016-17 fiscal year.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Madison County District School Board, 210 NE Duval Avenue, Madison, Florida 32340.

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

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 5,046,032.54	$ 1,160.00
Investments	3,634.07	-
Accounts Receivable	641.08	532.00
Due from Other Agencies	1,477,303.71	3,002.00
Inventories	86,982.91	-
Deposits Receivable	-	1,118.00
Capital Assets:		
Nondepreciable Capital Assets	15,496,239.62	-
Depreciable Capital Assets, Net	29,180,787.49	95,974.00
TOTAL ASSETS	51,291,621.42	101,786.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	2,467,401.00	177,461.00
LIABILITIES		
Accrued Salaries and Benefits	222,042.25	-
Payroll Deductions and Withholdings	53,612.44	8,302.00
Accounts Payable	126,064.16	14,064.00
Construction Contracts Payable	461,706.36	-
Construction Contracts Payable - Retained Percentage	970,924.64	-
Due to Other Agencies	529,597.18	-
Matured Bonds Payable	128,246.00	-
Matured Interest Payable	54,862.18	-
Unearned Revenues	703.04	-
Long-Term Liabilities:		
Portion Due Within One Year	1,061,814.43	6,000.00
Portion Due After One Year	14,449,181.22	214,226.00
TOTAL LIABILITIES	18,058,753.90	242,592.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	1,924,746.00	19,421.00
NET POSITION		
Net Investment in Capital Assets	40,666,457.26	95,974.00
Restricted for:		
State Required Carryover Programs	454,726.76	-
Debt Service	18,717.22	-
Capital Projects	2,172,777.15	-
Food Service	301,235.02	-
Fuel Tax Rebate	95,629.93	-
Unrestricted (Deficit)	(9,934,020.82)	(78,740.00)
TOTAL NET POSITION	$ 33,775,522.52	$ 17,234.00

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

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

		Program Revenues	
	Expenses	**Charges for Services**	**Operating Grants and Contributions**
Functions/Programs			
Primary Government			
Governmental Activities:			
Instruction	$ 12,115,732.38	$ 1,305.00	$ -
Student Support Services	882,960.86	-	-
Instructional Media Services	251,204.05	-	-
Instruction and Curriculum Development Services	1,301,452.21	-	-
Instructional Staff Training Services	667,235.00	-	-
Instruction-Related Technology	193,843.13	-	-
Board	306,953.55	-	-
General Administration	543,962.51	-	-
School Administration	1,511,691.12	-	-
Facilities Acquisition and Construction	330,712.94	-	-
Fiscal Services	405,453.83	-	-
Food Services	1,582,349.61	143,436.18	1,502,081.91
Central Services	213,086.46	-	-
Student Transportation Services	1,483,429.59	29,424.30	-
Operation of Plant	2,337,771.33	-	-
Maintenance of Plant	237,141.28	-	-
Administrative Technology Services	150,979.61	-	-
Community Services	20,250.00	-	-
Unallocated Interest on Long-Term Debt	104,494.85	-	-
Unallocated Depreciation	1,477,040.51	-	-
Total Primary Government	$ 26,117,744.82	$ 174,165.48	$ 1,502,081.91
Component Unit			
Charter School	$ 930,483.00	$ 26,299.00	$ 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
Gain on Disposal of Assets
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
$ -	$ (12,114,427.38)	$ -
-	(882,960.86)	-
-	(251,204.05)	-
-	(1,301,452.21)	-
-	(667,235.00)	-
-	(193,843.13)	-
-	(306,953.55)	-
-	(543,962.51)	-
-	(1,511,691.12)	-
9,325,416.22	8,994,703.28	-
-	(405,453.83)	-
-	63,168.48	-
-	(213,086.46)	-
-	(1,454,005.29)	-
-	(2,337,771.33)	-
55,488.00	(181,653.28)	-
-	(150,979.61)	-
-	(20,250.00)	-
68,686.41	(35,808.44)	-
-	(1,477,040.51)	-
$ 9,449,590.63	(14,991,906.80)	-
$ 0.00	-	(904,184.00)
	3,940,761.57	-
	1,017,192.82	-
	18,580,295.39	840,136.00
	17,878.16	22.00
	108,200.00	-
	640,194.36	2,942.00
	24,304,522.30	843,100.00
	9,312,615.50	(61,084.00)
	24,462,907.02	78,318.00
	$ 33,775,522.52	$ 17,234.00

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

	General Fund	Special Revenue - Other Fund	Debt Service - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 1,420,094.82	$ -	$ 343,191.33
Investments	-	-	-
Accounts Receivable	-	641.08	-
Due from Other Funds	335,328.62	-	-
Due from Other Agencies	115,920.60	272,018.22	-
Inventories	13,047.23	-	-
TOTAL ASSETS	$ 1,884,391.27	$ 272,659.30	$ 343,191.33
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 222,042.25	$ -	$ -
Payroll Deductions and Withholdings	53,323.48	263.10	-
Accounts Payable	34,918.87	81,946.25	-
Construction Contracts Payable	-	-	-
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Funds	-	190,328.62	145,000.00
Due to Other Agencies	-	121.33	-
Matured Bonds Payable	-	-	128,246.00
Matured Interest Payable	-	-	54,862.18
Unearned Revenues	-	-	-
Total Liabilities	310,284.60	272,659.30	328,108.18
Fund Balances:			
Nonspendable:			
Inventories	13,047.23	-	-
Restricted for:			
State Required Carryover Programs	454,726.76	-	-
Debt Service	-	-	15,083.15
Capital Projects	-	-	-
Food Service	-	-	-
Fuel Tax Rebate	95,629.93	-	-
Total Restricted Fund Balance	550,356.69	-	15,083.15
Assigned for:			
Purchases on Order	24,078.93	-	-
Unassigned Fund Balance	986,623.82	-	-
Total Fund Balances	1,574,106.67	-	15,083.15
TOTAL LIABILITIES AND FUND BALANCES	$ 1,884,391.27	$ 272,659.30	$ 343,191.33

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

Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
$ 2,770,921.50	$ 511,824.89	$ 5,046,032.54
-	3,634.07	3,634.07
-	-	641.08
-	-	335,328.62
1,042,651.93	46,712.96	1,477,303.71
-	73,935.68	86,982.91
$ 3,813,573.43	$ 636,107.60	$ 6,949,922.93
$ -	$ -	$ 222,042.25
-	25.86	53,612.44
4,161.29	5,037.75	126,064.16
461,706.36	-	461,706.36
970,924.64	-	970,924.64
-	-	335,328.62
529,475.85	-	529,597.18
-	-	128,246.00
-	-	54,862.18
-	703.04	703.04
1,966,268.14	5,766.65	2,883,086.87
-	73,935.68	86,982.91
-	-	454,726.76
-	3,634.07	18,717.22
1,847,305.29	325,471.86	2,172,777.15
-	227,299.34	227,299.34
-	-	95,629.93
1,847,305.29	556,405.27	2,969,150.40
		-
-	-	24,078.93
-	-	986,623.82
1,847,305.29	630,340.95	4,066,836.06
$ 3,813,573.43	$ 636,107.60	$ 6,949,922.93

Madison 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		$ 4,066,836.06
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.		44,677,027.11
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ (2,048,464.00)	
Special Public Education Capital Outlay Advance Payable	(529,474.85)	
Compensated Absences Payable	(2,750,327.80)	
Net Pension Liability	(9,448,116.00)	
Other Postemployment Benefits Payable	(734,613.00)	(15,510,995.65)
The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	$ 2,467,401.00	
Deferred Inflows Related to Pensions	(1,924,746.00)	542,655.00
Net Position - Governmental Activities		$ 33,775,522.52

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

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Madison 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 Fund	Debt Service - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ -	$ -	$ 50,348.16
Federal Through State and Local	101,184.79	3,444,477.97	-
State	14,550,626.83	-	217,000.00
Local:			
Property Taxes	3,940,761.57	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	677,791.58	-	944.60
Total Local Revenues	4,618,553.15	-	944.60
Total Revenues	19,270,364.77	3,444,477.97	268,292.76
Expenditures			
Current - Education:			
Instruction	11,054,070.85	1,623,946.26	-
Student Support Services	584,661.57	298,299.29	-
Instructional Media Services	233,618.17	17,585.88	-
Instruction and Curriculum Development Services	672,790.23	628,661.98	-
Instructional Staff Training Services	95,925.08	568,395.17	-
Instruction-Related Technology	190,702.54	1,866.28	-
Board	305,178.55	-	-
General Administration	390,092.51	153,811.10	-
School Administration	1,510,452.17	1,238.95	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	405,453.83	-	-
Food Services	57,462.62	-	-
Central Services	210,676.09	2,410.37	-
Student Transportation Services	1,470,802.10	12,627.49	-
Operation of Plant	2,337,633.50	137.83	-
Maintenance of Plant	237,141.28	-	-
Administrative Technology Services	150,379.61	-	-
Community Services	20,250.00	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	30,835.53	135,497.37	-
Debt Service:			
Principal	-	-	128,246.00
Interest and Fiscal Charges	-	-	93,364.37
Total Expenditures	19,958,126.23	3,444,477.97	221,610.37
Excess (Deficiency) of Revenues Over Expenditures	(687,761.46)	-	46,682.39
Other Financing Sources (Uses)			
Transfers In	417,057.85	-	-
Special Facilities Education Capital Outlay Advance	-	-	-
Sale of Capital Assets	-	-	-
Transfers Out	-	-	(145,000.00)
Total Other Financing Sources (Uses)	417,057.85	-	(145,000.00)
Net Change in Fund Balances	(270,703.61)	-	(98,317.61)
Fund Balances, Beginning	1,844,810.28	-	113,400.76
Fund Balances, Ending	$ 1,574,106.67	$ 0.00	$ 15,083.15

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

Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 50,348.16
-	1,649,058.55	5,194,721.31
9,343,896.00	175,375.63	24,286,898.46
-	1,017,192.82	4,957,954.39
-	143,436.18	143,436.18
6,283.94	3,781.70	688,801.82
6,283.94	1,164,410.70	5,790,192.39
9,350,179.94	2,988,844.88	35,322,160.32
-	165,582.68	12,843,599.79
-	-	882,960.86
-	-	251,204.05
-	-	1,301,452.21
-	2,914.75	667,235.00
-	1,274.31	193,843.13
-	1,775.00	306,953.55
-	58.90	543,962.51
-	-	1,511,691.12
90,645.28	240,067.66	330,712.94
-	-	405,453.83
-	1,524,886.99	1,582,349.61
-	-	213,086.46
-	-	1,483,429.59
-	-	2,337,771.33
-	-	237,141.28
-	600.00	150,979.61
-	-	20,250.00
10,191,568.48	-	10,191,568.48
296,932.58	11,878.30	475,143.78
543,884.32	60,000.00	732,130.32
-	11,130.48	104,494.85
11,123,030.66	2,020,169.07	36,767,414.30
(1,772,850.72)	968,675.81	(1,445,253.98)
543,884.32	-	960,942.17
14,408.47	-	14,408.47
43,400.00	100,000.00	143,400.00
-	(815,942.17)	(960,942.17)
601,692.79	(715,942.17)	157,808.47
(1,171,157.93)	252,733.64	(1,287,445.51)
3,018,463.22	377,607.31	5,354,281.57
$ 1,847,305.29	$ 630,340.95	$ 4,066,836.06

Madison 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			$ (1,287,445.51)
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 capital outlays in excess of depreciation expense in the current fiscal year.			9,254,471.75
In the governmental funds, the cost of assets disposed in the current year 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.			(100,000.00)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which the repayments exceeded the increase in the estimated Special PECO Advance Payable in the current fiscal year.			
	Bonds Payable	$ 188,246.00	
	Special PECO Advance Repayment	543,884.32	
	Increase in Special PECO Advance Payable Estimate	(14,408.47)	717,721.85
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.			345,251.41
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.			(57,252.00)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.			
	FRS Pension Contribution	$ 836,696.00	
	HIS Pension Contribution	224,973.00	
	FRS Pension Expense	(319,064.00)	
	HIS Pension Expense	(302,737.00)	439,868.00
Change in Net Position - Governmental Activities			$ 9,312,615.50

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

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

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	134,978.85
LIABILITIES		
Internal Accounts Payable	$	134,978.85

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 separate component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Madison 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 not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

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

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 District's charter school, James Madison Preparatory High School, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Madison County District School Board. The charter school is considered to be a component unit of the District because the District is financially accountable for the charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the charter school, and there is the potential for the charter school to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter school's audited financial statements for the fiscal year ended June 30, 2016. The audit report is filed in the District's administrative offices at 210 NE Duval Avenue, Madison, Florida 32340.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental 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 Fund – to account for certain Federal grant program resources.
- Debt Service – ARRA Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the Series 2010A, Refunding and Series 2010B – Qualified School Construction Bonds (QSCBs).
- Capital Projects – Public Education Capital Outlay (PECO) Fund – to account for the proceeds of Special Facility Construction Account appropriations to be used for the renovation of the Madison County High School, and for the financial resources generated by the PECO and Debt Service Trust Fund to be used for facilities maintenance.

Additionally, the District reports the following fiduciary fund type:

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

The charter school is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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

2. Investments

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

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

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Purchased food inventories are stated at cost on the last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Transportation inventories are valued at cost determined on a specific identification basis. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at year end to reflect year-end physical inventories.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Land and buildings acquired or constructed prior to July 1, 1989, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, $182,565 of stated land values and $6,213,707 of stated undepreciated building values are based on these estimates.

Capital assets are depreciated using the composite method over the following estimated useful lives:

Description	Estimated Useful Lives
Improvements Other Than Buildings	15 - 35 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

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

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

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

7. Deferred Outflows/Inflows of Resources

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund 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 Board has by resolution authorized the chief financial officer to assign fund balance. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In addition, the District has adopted Board Policy 7.01 which provides at least 5 percent of the current year's annual estimated General Fund revenues to be reserved for contingency purposes. In the event these reserves are needed, a vote of four or more members of the Board is required before using these funds, upon recommendation of the Superintendent at a public hearing called for the purpose of encumbering the reserved funds.

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 PECO 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.

Pursuant to Section 1013.64, Florida Statutes, the District received special allocations in the 2014-15 and 2015-16 fiscal years for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including 0.75 mills of the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for each year from the 2014-15 through 2016-17 fiscal years. During the 3-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

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 Madison County Property Appraiser, and property taxes are collected by the Madison 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 Madison County Tax Collector at fiscal year-end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	39 Day Average	$ 3,506,635.33
Debt Service Accounts	6 Months	3,634.07
Total Investments		$ 3,510,269.40

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

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 District's investment in SBA debt service accounts is valued using Leve 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 from increasing interest rates.

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

For Florida PRIME, 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.

Credit Risk

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the debt service accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 709,829.03	$ 100,000.00	$ 100,000.00	$ 709,829.03
Construction in Progress	4,630,042.11	10,191,568.48	35,200.00	14,786,410.59
Total Capital Assets Not Being Depreciated	5,339,871.14	10,291,568.48	135,200.00	15,496,239.62
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,383,676.68	-	-	3,383,676.68
Buildings and Fixed Equipment	43,594,112.49	-	-	43,594,112.49
Furniture, Fixtures, and Equipment	4,511,492.60	473,948.78	741,190.41	4,244,250.97
Motor Vehicles	3,989,611.70	-	18,085.00	3,971,526.70
Audio Visual Materials and Computer Software	712,251.33	1,195.00	167,890.00	545,556.33
Total Capital Assets Being Depreciated	56,191,144.80	475,143.78	927,165.41	55,739,123.17
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,645,784.80	145,159.73	-	1,790,944.53
Buildings and Fixed Equipment	15,222,871.52	871,882.25	-	16,094,753.77
Furniture, Fixtures, and Equipment	4,437,941.23	458,803.53	741,190.41	4,155,554.35
Motor Vehicles	3,989,611.70	-	18,085.00	3,971,526.70
Audio Visual Materials and Computer Software	712,251.33	1,195.00	167,890.00	545,556.33
Total Accumulated Depreciation	26,008,460.58	1,477,040.51	927,165.41	26,558,335.68
Total Capital Assets Being Depreciated, Net	30,182,684.22	(1,001,896.73)	-	29,180,787.49
Governmental Activities Capital Assets, Net	$ 35,522,555.36	$ 9,289,671.75	$ 135,200.00	$ 44,677,027.11

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled $1,477,040.51 was charged to unallocated depreciation expense 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 $621,801 for the fiscal year ended June 30, 2016.

FRS Pension Plan

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

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

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

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

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

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

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

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

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

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $836,696 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 $4,891,898 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.037873707 percent, which was a decrease of 0.003151801 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 $319,064. 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	$ 516,439	$ 116,021
Change of assumptions	324,692	-
Net difference between projected and actual earnings on FRS pension plan investments	-	1,168,103
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	203,680	413,653
District FRS contributions subsequent to the measurement date	836,696	-
Total	$ 1,881,507	$ 1,697,777

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $836,696, 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	$ (194,830)
2018	(194,830)
2019	(194,830)
2020	(194,830)
2021	97,196
Thereafter	29,158
Total	$ (652,966)

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)	$ 12,676,012	$ 4,891,898	$ (1,585,765)

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 $125,757.38 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 $224,973 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 $4,556,218 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 0.044675692 percent, which was a decrease of 0.002885713 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of $302,737. 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	$ 358,455	$ -
Net difference between projected and actual earnings on HIS pension plan investments	2,466	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	226,969
District contributions subsequent to the measurement date	224,973	-
Total	$ 585,894	$ 226,969

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $224,973, 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	$ 21,824
2018	21,824
2019	21,824
2020	21,824
2021	21,207
Thereafter	25,449
Total	$ 133,952

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	$ 5,191,598	$ 4,556,218	$ 4,026,406

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 $24,267.82 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, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan members' accounts during the 2015-16 fiscal year were as follows:

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

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

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

The District's Investment Plan pension expense totaled $63,838.63 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. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to Board Policy 6.193. Under this retirement incentive, retirees receive a $100 per month rate subsidy for 24 months following their date of retirement. 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, 45 retirees received other postemployment benefits. The District provided required contributions of $185,502 toward the annual OPEB cost, net of retiree contributions totaling $246,384, which represents 3 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)	$ 75,138
Amortization of Unfunded Actuarial Accrued Liability	220,525
Annual Required Contribution	295,663
Interest on Net OPEB Obligation	22,353
Adjustment to Annual Required Contribution	(75,262)
Annual OPEB Cost (Expense)	242,754
Contribution Toward the OPEB Cost	(185,502)
Increase in Net OPEB Obligation	57,252
Net OPEB Obligation, Beginning of Year	677,361
Net OPEB Obligation, End of Year	$ 734,613

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 229,979	68.1%	$ 610,862
2014-15	240,498	72.3%	677,361
2015-16	242,754	76.4%	734,613

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $1,890,384, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,890,384 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $8,149,746, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.2 percent.

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

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

The District's OPEB actuarial valuation as of October 1, 2014, used the entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District's 2015-16 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 3.3 percent per year, projected salary increases of 3.7 percent to 7.8 percent, and an annual healthcare cost trend rate of 7.5 percent initially beginning October 1, 2014, reduced by 0.5 percent per year until 5 percent per year, and then by various decrements to an ultimate rate of 4.49 percent in 2040. The investment rate of return and payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 15-year period. The remaining amortization period at June 30, 2016, was 8 years.

F. Construction and Other Significant Commitments

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

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

Major Funds				
General	Special Revenue - Other	Capital Projects - PECO	Nonmajor Governmental Funds	Total Governmental Funds
$ 24,078.93	$ 59,133.47	$ 1,902,033.74	$ 74,964.93	$ 2,060,211.07

At June 30, 2016, the encumbrances for the Capital Projects – PECO Fund exceeded the total fund balance by $54,728.45. The encumbrances are expected to be honored using the resources received in the subsequent fiscal year. If restricted capital outlay funds are insufficient, unrestricted General Fund resources will be used to honor these encumbrances.

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

Project	Contract Amount	Completed to Date	Balance Committed
Madison County High School Renovation	$ 11,968,019.09	$ 10,706,231.86	$ 1,261,787.23

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

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

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

H. Long-Term Liabilities

1. Special Public Education Capital Outlay (PECO) Advance Payable

The liability at June 30, 2016, of $529,474.85 represents the amount of the PECO Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2016-17 fiscal year.

2. Bonds Payable

Bonds payable at June 30, 2016, are as follows:

Bond Type	**Amount Outstanding**	**Interest Rates (Percent)**	**Annual Maturity To**
State School Bonds:			
Series 2014B, Refunding	$ 149,000	2 - 5	2020
District Revenue Bonds:			
Series 2010A, Refunding	709,464	3.39	2021
Series 2010B	1,190,000	5.39	2027
Total Bonds Payable	$ 2,048,464		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

State School Bonds

These bonds are issued by the SBE on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

District Revenue Bonds

On September 22, 2010, the School Board issued District Revenue Bonds, Series 2010A, Refunding, and Series 2010B Qualified School Construction Bonds (QSCBs). A portion of the interest paid on the Series 2010 bonds will be rebated to the Board by the United States Treasury pursuant to the American Reinvestment and Recovery Act of 2009 (ARRA). The ARRA, signed into law on February 17, 2009, created a new category of direct subsidy debt for school districts, QSCBs. The QSCB does not represent incremental Federal funding; it must be repaid by the District.

The Series 2010B-QSCBs are designated as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code (Code) and, pursuant to Section 6431 of the Code, the Board has elected to receive Federal subsidy payments on each interest payment date for the Series 2010B-QSCBs in an amount equal to the lessor of the amount of interest payable with respect to the Series 2010B-QSCBs on such date or the amount of interest which would have been payable with respect to the Series 2010B-QSCBs if the interest were determined at the applicable tax credit rate for Series 2010B-QSCBs pursuant to Section 54A(b)(3) of the Code. The interest rate is 5.39 percent with an allowed Federal subsidy of 5 percent, yielding a net amount of 0.39 percent. These bonds are authorized by Chapter 65-1869, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Madison County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of $2,518,418.50 of pari-mutuel revenues in connection with the District Revenue Bonds, described above. During the 2015-16 fiscal year, the District recognized pari-mutuel revenues totaling $217,000 and expended 100 percent of these revenues for debt service directly collateralized by these revenues.

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	$ 72,210.00	$ 65,000.00	$ 7,210.00
2018	71,960.00	68,000.00	3,960.00
2019	8,560.00	8,000.00	560.00
2020	8,160.00	8,000.00	160.00
Total State School Bonds	160,890.00	149,000.00	11,890.00
District Revenue Bonds:			
2017	220,785.00	132,593.00	88,192.00
2018	220,785.00	137,088.00	83,697.00
2019	220,785.00	141,735.00	79,050.00
2020	220,785.00	146,540.00	74,245.00
2021	220,785.00	151,508.00	69,277.00
2022-2026	1,205,469.99	991,666.65	213,803.34
2027	209,023.51	198,333.35	10,690.16
Total District Revenue Bonds	2,518,418.50	1,899,464.00	618,954.50
Total	$ 2,679,308.50	$ 2,048,464.00	$ 630,844.50

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 2,236,710.00	$ -	$ 188,246.00	$ 2,048,464.00	$ 197,593.00
Special PECO Advance Payable	1,058,950.70	14,408.47	543,884.32	529,474.85	529,474.85
Compensated Absences Payable	3,095,579.21	74,877.20	420,128.61	2,750,327.80	167,520.24
Net Pension Liability	6,950,267.00	2,937,717.00	439,868.00	9,448,116.00	167,226.34
Other Postemployment Benefits Payable	677,361.00	242,754.00	185,502.00	734,613.00	-
Total Governmental Activities	$ 14,018,867.91	$ 3,269,756.67	$ 1,777,628.93	$ 15,510,995.65	$ 1,061,814.43

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

I. 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.

J. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 335,328.62	$ -
Special Revenue:		
Other	-	190,328.62
Debt Service:		
ARRA Economic Stimulus Funds	-	145,000.00
Total	$ 335,328.62	$ 335,328.62

Interfund receivables and payables include amounts not obligated for debt service payments in the Debt Service – ARRA Economic Stimulus Fund and owed to the General Fund and temporary loans to cover deficit cash balances in the Special Revenue – Other Fund.

K. Revenues

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 11,670,928.00
Gross Receipts Tax (Public Education Capital Outlay)	9,343,896.00
Categorical Educational Program - Class Size Reduction	2,453,229.00
Voluntary Prekindergarten Program	174,272.38
Motor Vehicle License Tax (Capital Outlay and Debt Service)	105,694.63
Food Service Supplement	71,266.62
Workforce Development Program	69,972.00
School Recognition	53,909.00
Mobile Home License Tax	20,084.79
Miscellaneous	323,646.04
Total	$ 24,286,898.46

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	5.060	$ 3,581,424.17
Basic Discretionary Local Effort	0.748	529,428.00
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,061,687.22
Total	7.308	$ 5,172,539.39

L. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 417,057.85	$ -
Debt Service:		
ARRA Economic Stimulus Funds	-	145,000.00
Capital Projects:		
Public Education Capital Outlay	543,884.32	-
Nonmajor Governmental	-	815,942.17
Total	$ 960,942.17	$ 960,942.17

Interfund transfers were to move fund balances not obligated for debt service payments in the Debt Service – District Revenue Bonds Fund to the General Fund, to provide for the repayment of the Special PECO Advance, and to transfer restricted capital outlay revenues to offset eligible expenditures for maintenance salaries and property and casualty insurance.

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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 Through State and Local	$ 90,000.00	$ 90,000.00	$ 101,184.79	$ 11,184.79
State	14,944,423.62	14,423,896.00	14,550,626.83	126,730.83
Local:				
Property Taxes	3,879,150.00	3,828,840.97	3,940,761.57	111,920.60
Miscellaneous	264,000.00	564,924.00	677,791.58	112,867.58
Total Local Revenues	4,143,150.00	4,393,764.97	4,618,553.15	224,788.18
Total Revenues	19,177,573.62	18,907,660.97	19,270,364.77	362,703.80
Expenditures				
Current - Education:				
Instruction	10,867,800.83	11,581,577.80	11,054,070.85	527,506.95
Student Support Services	515,636.52	579,422.65	584,661.57	(5,238.92)
Instructional Media Services	249,886.82	253,029.91	233,618.17	19,411.74
Instruction and Curriculum Development Services	663,662.69	773,906.41	672,790.23	101,116.18
Instructional Staff Training Services	145,218.04	107,536.54	95,925.08	11,611.46
Instruction-Related Technology	207,899.64	280,633.41	190,702.54	89,930.87
Board	300,050.48	359,012.50	305,178.55	53,833.95
General Administration	838,398.54	959,986.48	390,092.51	569,893.97
School Administration	1,455,452.25	1,483,672.62	1,510,452.17	(26,779.55)
Facilities Acquisition and Construction	46,107.20	46,107.20	-	46,107.20
Fiscal Services	378,470.28	382,485.24	405,453.83	(22,968.59)
Food Services	16,604.51	29,511.77	57,462.62	(27,950.85)
Central Services	535,582.46	236,227.37	210,676.09	25,551.28
Student Transportation Services	1,407,415.71	1,433,848.97	1,470,802.10	(36,953.13)
Operation of Plant	1,910,004.91	1,904,601.95	2,337,633.50	(433,031.55)
Maintenance of Plant	263,201.15	252,108.70	237,141.28	14,967.42
Administrative Technology Services	205,800.15	209,033.72	150,379.61	58,654.11
Community Services	6,084.69	24,326.09	20,250.00	4,076.09
Fixed Capital Outlay:				
Other Capital Outlay	-	30,835.53	30,835.53	-
Total Expenditures	20,013,276.87	20,927,864.86	19,958,126.23	969,738.63
Excess (Deficiency) of Revenues Over Expenditures	(835,703.25)	(2,020,203.89)	(687,761.46)	1,332,442.43
Other Financing Sources				
Transfers In	300,924.00	300,924.00	417,057.85	116,133.85
Sale of Capital Assets	-	143,400.00	-	(143,400.00)
Total Other Financing Sources	300,924.00	444,324.00	417,057.85	(27,266.15)
Net Change in Fund Balances	(534,779.25)	(1,575,879.89)	(270,703.61)	1,305,176.28
Fund Balances, Beginning	1,707,470.88	1,844,810.12	1,844,810.28	0.16
Fund Balances, Ending	$ 1,172,691.63	$ 268,930.23	$ 1,574,106.67	$ 1,305,176.44

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 3,852,449.00	$ 3,444,477.97	$ 3,444,477.97	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,852,449.00	3,444,477.97	3,444,477.97	-
2,022,709.09	1,623,946.26	1,623,946.26	-
300,336.94	298,299.29	298,299.29	-
22,806.49	17,585.88	17,585.88	-
530,644.03	628,661.98	628,661.98	-
366,502.74	568,395.17	568,395.17	-
21,854.17	1,866.28	1,866.28	-
4,561.30	-	-	-
155,615.82	153,811.10	153,811.10	-
17,135.69	1,238.95	1,238.95	-
-	-	-	-
-	-	-	-
4,006.55	-	-	-
2,924.78	2,410.37	2,410.37	-
8,760.46	12,627.49	12,627.49	-
13,984.39	137.83	137.83	-
-	-	-	-
-	-	-	-
47,754.96	-	-	-
332,851.59	135,497.37	135,497.37	-
3,852,449.00	3,444,477.97	3,444,477.97	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/10	$ -	$ 2,290,358	$ 2,290,358	0.0%	$ 8,346,253	27.4%
10/01/12	-	1,830,410	1,830,410	0.0%	9,190,666	19.9%
10/01/14	-	1,890,384	1,890,384	0.0%	8,149,746	23.2%

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

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

	2015	2014	2013
District's proportion of the FRS net pension liability	0.037873707%	0.041025508%	0.039291991%
District's proportionate share of the FRS net pension liability	$ 4,891,898	$ 2,503,159	$ 6,763,900
District's covered-employee payroll	$ 12,815,192	$ 13,273,165	$ 13,083,228
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	38.17%	18.86%	51.70%
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	$ 836,696	$ 923,393	$ 898,633
FRS contributions in relation to the contractually required contribution	(836,696)	(923,396)	(898,633)
FRS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 13,067,794	$ 12,815,192	$ 13,273,165
FRS contributions as a percentage of covered-employee payroll	6.40%	7.21%	6.77%

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	0.044675692%	0.047561405%	0.047609147%
District's proportionate share of the HIS net pension liability	$ 4,556,218	$ 4,447,108	$ 4,145,002
District's covered-employee payroll	$ 13,663,167	$ 14,126,574	$ 13,865,381
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.35%	31.48%	29.89%
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	$ 224,973	$ 170,778	$ 162,929
HIS contributions in relation to the contractually required contribution	(224,973)	(170,778)	(162,929)
HIS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 13,552,590	$ 13,663,167	$ 14,126,574
HIS contributions as a percentage of covered-employee payroll	1.66%	1.25%	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. Excess of Expenditures Over Appropriations in Individual Funds

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations by function (the legal level of budgetary control) for the following individual fund:

	Expenditures		
Fund/Activity	**Budget**	**Actual**	**Variance**
General:			
Student Support Services	$ 579,422.65	$ 584,661.57	$ (5,238.92)
School Administration	1,483,672.62	1,510,452.17	(26,779.55)
Fiscal Services	382,485.24	405,453.83	(22,968.59)
Food Services	29,511.77	57,462.62	(27,950.85)
Student Transportation Services	1,433,848.97	1,470,802.10	(36,953.13)
Operation of Plant	1,904,601.95	2,337,633.50	(433,031.55)

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

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

Madison 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	$ 326,649.39
National School Lunch Program	10.555	15001, 15003	1,082,965.02
Summer Food Service Program for Children	10.559	14006, 14007, 15006, 15007	25,580.79
Total Child Nutrition Cluster			1,435,195.20
Fresh Fruit and Vegetable Program	10.582	15004	36,399.20
Total United States Department of Agriculture			1,471,594.40
United States Department of Education:			
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	756,170.44
Special Education - Preschool Grants	84.173	266, 267	57,956.43
Total Special Education Cluster			814,126.87
Adult Education - Basic Grants to States	84.002	191, 193	45,437.95
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	1,156,338.19
Migrant Education State Grant Program	84.011	217	116,571.68
Career and Technical Education - Basic Grants to States	84.048	161	66,110.23
Education for Homeless Children and Youth	84.196	127	19,129.02
Rural Education	84.358	110	36,337.90
Improving Teacher Quality State Grants	84.367	224	162,156.64
School Improvement Grants	84.377	126	1,023,114.14
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311	169,830.64
Florida Gulf Coast University :			
Special Education - State Personnel Development	84.323	None	5,155.35
Total United States Department of Education			3,614,308.61
Total Expenditures of Federal Awards			$ 5,085,903.01

The notes below are an integral part of this schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Madison 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 or changes in net position of the District.

(2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following 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 $93,255.86 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Madison County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 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. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2016-001 that we consider to be a significant deficiency.

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 a certain additional matter that is discussed in Finding No. 2016-002. We also noted certain additional matters that we reported to District management in our operational audit report No. 2017-146.

District's Responses to Findings

The District's responses to the findings identified in our audit are included as District Response in Finding Nos. 2016-001 and 2016-002 and in the **CORRECTIVE ACTION PLAN**. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 2017

AUDITOR GENERAL

STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Madison County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2016. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 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?	Yes
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:
84.010	Title I Grants to Local Educational Agencies
84.377	School Improvement Grants
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING

Finding Number **2016-001**

Opinion Unit Governmental Activities

Financial Statements Account Titles Statement of Net Position: Nondepreciable Capital Assets; Depreciable Capital Assets, Net; Long-Term Liabilities – Portion Due After One Year; and Net Position – Unrestricted

Statement of Activities: Adjustment to Beginning Net Position, Transfers In, and various functional expenses

Adjustment Amounts Government-wide financial statements audit adjustments included, for example:

- Reductions to Capital Assets totaling $2.5 million, Net Position – Unrestricted totaling $600,000, and Adjustment to Beginning Net Position totaling $1.9 million.
- Elimination of Transfers In totaling $1 million and various offsetting credit entries totaling that amount.
- Additions to Long-Term Liabilities – Portion Due after One Year totaling $740,000 and various functional expenses totaling $60,000; and reduction to Adjustment to Beginning Net Position totaling $680,000.

Prior Year Finding Auditor General Report No. 2016-132, Finding 1

Finding District procedures continue to need improvement to ensure that financial statement account balances and transactions are properly reported.

Criteria State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code (FAC), and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR).

Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). GAAP require that:

- The government-wide financial statements consist of a statement of net position and a statement of activities, which are prepared based on entries to convert the individual fund statements to those financial statements.
- On the statement of net position, total assets and deferred outflows of resources equal total liabilities, deferred inflows of resources, and net position.
- Adjustments to beginning net position be made only for changes in:
  - Accounting principles,
  - Estimates,
  - Accounting changes, or
  - The correction of an error in previously issued financial statements.
- Capital assets be reported at historical cost, net of accumulated depreciation on the statement of net position.

- Transfers between the funds included in governmental activities be eliminated in preparation of government-wide statements.
- Other postemployment benefits (OPEB) liabilities be reported for plans covering retired employees who continue to receive District-offered health benefits.

Condition	Contrary to GAAP, the District did not prepare appropriate conversion entries to report the government-wide financial statements. As a result, the Statement of Net Position did not balance as the assets and deferred outflows of resources exceeded liabilities, deferred inflows of resources, and net position. Also, contrary to GAAP, the District erroneously increased beginning net position to agree the ending net position between the government-wide financial statements, when no accounting change or correction of an error occurred. Other misstated or omitted items included, for example, overstated capital assets and misreported transfers in and the OPEB liability.
Cause	The errors occurred primarily because District personnel misunderstood the basis for certain conversion entries required for proper presentation of the government-wide financial statements. Also, District fiscal year-end reporting procedures were not effective to ensure appropriate consideration of all required financial activity. In addition, District review procedures were inadequate to detect and correct the reporting errors.
Effect	Reporting errors such as these may cause financial statement users to incorrectly assess the District's financial position. We extended our audit procedures to determine the adjustments necessary to properly report the accounts and transactions, and District personnel accepted the adjustments we proposed. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting.
Recommendation	The District should improve procedures to ensure that financial statement account balances and transactions are properly reported. Such procedures should include training for business and finance personnel to appropriately prepare government-wide financial statements and an appropriate review and approval of the AFR to detect and correct any reporting errors.
District Response	The District concurs with this finding. District staff will receive additional training covering government-wide financial reporting requirements. In addition, a peer financial officer will review district prepared government-wide report for the 2016-17 fiscal year prior to submission of the AFR.

ADDITIONAL MATTER

BUDGETARY CONTROLS

Finding Number	**2016-002**
Opinion Units	Not Applicable
Financial Statements Account Title	Not Applicable
Fund Name	General Fund
Adjustment Amounts	Not Applicable
Finding	The District's budgetary process needs improvement to ensure expenditures are limited to budgeted amounts.
Criteria	Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted by function if the Board

approves the expenditure and amends the budget within timelines established by the policies.

Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized.

Board Policy 6233 allows expenditures to exceed the amount budgeted within a fund at the functional level provided that the Board approves such expenditures and amends the budget no later than the AFR due date.

SBE Rule 6A-1.006(3), FAC, and Board policy prohibit Board approval of budget amendments after the AFR due date.

Condition The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. For the 2015-16 fiscal year, the District reported budgetary overexpenditures in six General Fund functional expenditure categories ranging from $5,239 to $433,032, and totaling $552,923.

Cause District personnel indicated that the budget overexpenditures occurred mainly because of priorities given to the District's new accounting system and ongoing major construction project.

Effect Without properly monitoring and amending the budget to meet changing financial circumstances, there is an increased risk that expenditures may exceed available resources.

Recommendation The District should enhance budgetary controls to ensure that expenditures are limited to budgeted amounts as required by State law, SBE rules, and Board policy.

District Response The District concurs with this finding. The District has instituted a new monthly financial statement reporting process to track revenue and expenditures to ensure that both are properly reported on the year-end financial statement. Any adjustments to either revenue or expenditures are noted on the new monthly statements.

PRIOR AUDIT FOLLOW-UP

The District had not taken corrective action to fully correct the financial statement finding cited in our previous report, as Finding No. 2016-001 was similarly noted in our report No. 2016-132.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2015-162 (2014-001)	Charter Schools (CFDA No. 84.282)	Subrecipient monitoring procedures did not always ensure that subrecipient expenditures charged to the Charter Schools Program were adequately documented or allowable, resulting in $7,875 of questioned costs.	Partially Corrected.	District is working with the FDOE to resolve and restore the questioned costs.
2015-162 (2014-003)	School Improvement Grant Cluster (CFDA Nos. 84.377 and 84.388)	Federal equipment use was not always limited to grant purposes, resulting in $25,749.44 of questioned costs.	Partially Corrected.	District is working with the FDOE to resolve and restore the questioned costs.
2016-132 (1)	Financial Reporting	District financial reporting procedures need improvement to ensure that account balances and transactions are properly reported.	Not Corrected.	District plans to implement new procedures relating to financial reporting in the 2016-17 fiscal year.

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

Finding Number:	*2016-001*
Planned Corrective Action:	District staff will receive additional training covering government-wide financial reporting requirements. In addition, a peer financial officer will review district prepared government-wide report for the 2016-17 fiscal year prior to submission of the AFR.
Anticipated Completion Date:	September 2017 (due date for AFR)
Responsible Contact Person:	Ray Griffin, CFO

Finding Number:	*2016-002*
Planned Corrective Action:	The District has instituted a new monthly financial statement reporting process to track revenue and expenditures to ensure that both are properly reported on the year-end financial statement. Any adjustments to either revenue or expenditures are noted on the new monthly statements.
Anticipated Completion Date:	Ongoing. Began using new report in December 2016. Prepared statements utilizing new format back to September 2016 in order to have the same format in place for the entire year.
Responsible Contact Person:	Ray Griffin, CFO