STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-180
March 2016

BROWARD COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Robert W. Runcie served as Superintendent and the following individuals served as Board members:

	District No.
Ann Murray	1
Patricia Good, Chair to 11-17-14	2
Heather P. Brinkworth	3
Abby M. Freedman	4
Dr. Rosalind Osgood, Vice Chair from 11-18-14	5
Laurie Rich Levinson	6
Nora Rupert	7
Robin Bartleman	At-Large, Countywide
Donna P. Korn, Vice Chair to 11-17-14, Chair from 11-18-14	At-Large, Countywide

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 Stefanie Johnson, CPA, and the audit was supervised by Diana G. Garza, CPA. For the information technology portion of this audit, the team leader was Sudeshna Aich, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

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

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BROWARD COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matters

Finding 1: The District provided $637,605 to its direct support organization without specific legal authority.

Finding 2: The District did not always ensure that salary payment documentation was complete and evidenced the timely review and approval by supervisory personnel. In addition, the District needs to continue efforts to remedy current and previous year salary overpayments.

Finding 3: District efforts to monitor employee overtime continue to need improvement.

Finding 4: The District could enhance controls to ensure that participation in the District's self-insurance program is limited to eligible participants.

Finding 5: The Board has not established a date for completion and submission of the school internal funds' audit reports to the Board. Reports for 96 of 233 school internal fund audits for the fiscal year ended June 30, 2014, were submitted to the Board from 13 to 19 months after fiscal year-end and 2 school internal fund audits had not been completed as of February 29, 2016.

Finding 6: The District did not always document appropriate monitoring of charter school closures. Such monitoring is important to ensure that property and unencumbered funds are appropriately returned to the District and that other statutory requirements related to school closures are met.

Finding 7: As similarly noted in our report Nos. 2010-183 and 2013-160, the District did not always timely correct deficiencies noted in annual facility inspections.

Finding 8: District tangible personal property controls need improvement. A similar finding was noted in our report Nos. 2010-183 and 2013-160.

Finding 9: District controls over virtual instruction program (VIP) operations and related activities could be enhanced by maintaining comprehensive, written VIP policies and procedures. A similar finding was noted in our report No. 2013-094.

Finding 10: As similarly noted in our report No. 2013-094, VIP provider contracts did not contain certain necessary provisions and District records did not evidence the basis upon which District personnel determined the reasonableness of student-teacher ratios established in the Florida Department of Education approved VIP provider contract.

Finding 11: The District could enhance procedures to ensure timely, written notifications are provided to parents about all VIP options offered. A similar finding was noted in our report No. 2013-094.

Finding 12: District Information Technology security controls related to user authentication continue to need improvement.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Student Financial Assistance Cluster, Title I, Magnet Schools Assistance, and Teacher Incentive Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Title I Program. Noncompliance and control deficiency findings are summarized below.

Federal Awards Findings

Federal Awards Finding No. 2015-001: Title I Program resources were not properly allocated to schools, resulting in questioned costs totaling $22,993,453.

Federal Awards Finding No. 2015-002: District policies and procedures related to financial aid disbursements for the Federal Pell Grant Program could be enhanced.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: (1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; (2) the economic and efficient operation of the District; (3) the reliability of records and reports; and (4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for the aggregate discretely presented component units, is 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The School Board of Broward County, Florida (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. The narrative is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position, and identify individual fund issues or concerns. As with other sections of this financial report, the information contained within this narrative should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and other required supplemental information.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- The District's financial status, as reflected in ***total net position***, increased by $124.4 million, or 26.9 percent, from $462.7 million, after restatement adjustment, to $587.1 million when compared to the prior year. The increase in total net position reflects primarily an increase in current and other assets of $186.7 million, increase in deferred outflow of resources of $191.9 million, offset by a decrease in capital assets of $88.5 million, an increase in liabilities of $688.5 million and an increase in deferred inflow of resources of $331.8 million, as well as the restated pension adjustment of $854.6 million.
- ***Total revenues*** increased by $168.3 million, or 6.9 percent, from $2.46 billion to $2.62 billion when compared to the prior year. The increase was principally the result of an increase in ad valorem taxes of $64.9 million (including General and Capital Funds) due to an increase in the total assessed property values, and an increase in other general revenues of $111.7 million due to an increase in Florida Education Finance Program (FEFP) and other miscellaneous programs.
- The District had $2.5 billion in ***expenses*** related to programs, an increase of $17.1 million, or 0.7 percent, from the prior year.
- The District's ***debt*** (Bonds Payable, Certificates of Participation and Capital Leases) increased by $46.2 million, or 2.6 percent, to $1.81 billion from $1.76 billion in the prior year. The change was primarily due to the issuance of the General Obligation Bond for the Safety, Music & Art, Athletics, Renovation, and Technology (SMART) initiative and the refunding of the Certificates of Participation. See Notes IX. through XIII. of the Notes to the Basic Financial Statements for more information.
- The Governmental Accounting Standards Boards (GASB) has issued Statement No. 68, "Accounting and Financial Reporting for Pension, an Amendment of GASB Statement No. 27" (GASB 68), and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date: An amendment of GASB Statement No. 68" (GASB 71) which were adopted by the District for the year ended June 30, 2015. GASB requires governments providing defined benefit pension plan to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. The District now reports a pension liability on its financial statements, as well as deferred outflows of resources and deferred inflows of resources for pension-related items in accordance with the new statements. In addition, the impact of implementing this statement resulted in a restatement of the beginning net position for governmental activities to adjust for the pension benefit liability that would have been reported in previous years. The implementation of GASB 68 resulted in a decrease of the beginning total net position of $854.6, million or 64.9 percent.

Governmental Funds Financial Statements

- The overall General Fund balance (the primary operating fund) increased $16.7 million, or 11.5 percent, to $161.4 million from $144.8 million in the prior year. The increase was mainly a result of Ad Valorem (property taxes) assessed value increases, resulting in an increase of revenues by $51 million compared to the prior year. In addition, State and Federal revenue sources also increased by approximately $7 million. The offset was a decrease in other local sources which is a decline by $22 million from the prior year and an increase in expenditures by $20 million.
- The Nonspendable portion of the fund balance includes $6.5 million in inventory and $13.8 million in prepaids ($13.7 million represents prepaid insurance). Prepaid insurance was included in assigned fund balance last year, however, GASB 54 stipulates that prepaid insurance is included in nonspendable fund balance. Prepaid insurance cannot be converted to cash because the money has already been spent.
- The assigned and unassigned portion of the fund balance increased $2.2 million compared to last year from $80.3 million as of June 30, 2014, to $82.5 million as of June 30, 2015. Last year's prepaid insurance balance of $12.3 million and current year prepaid insurance of $1.4 million was reclassified from assigned fund balance to nonspendable fund balance as stipulated per GASB 54.

Overview of Financial Statements

The District's annual financial report (AFR) includes a series of basic financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The governmental fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the governmental fund financial statements focus on major funds rather than fund types. The proprietary fund statements offer short-term and long-term financial information about the activities the District operates like businesses, such as printing services. The remaining statements, the Fiduciary Funds Statements, provide financial information for those activities in which the District acts solely as a trustee or agent for the benefit of others. The accompanying notes provide essential information that may not be readily available on the face of the basic financial statements. Consequently, these notes form an integral part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements incorporate governmental and business-type activities, as well as its non-fiduciary component units. They contain various adjustment, elimination and reclassification entries, such as the recording of depreciation, the recognition of other revenues, and the recognition of long-term liabilities. The government-wide financial statements are designed to provide the readers with a view of the District as a whole. While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities, and use the economic resources measurement focus and the accrual basis of accounting similar to the accounting used by most private-sector companies, matching the financial impact of long-term financial decisions to the period in which the expense or revenue is more properly attributed. In short, the financial impact of long-term decisions is promptly recorded as the transaction occurs, as opposed to recording it when paid. A good example of this is the recording of compensated absences, such as vacation and sick leave. In the fund financial statements, vacation and sick leave are expensed when used, not when accrued, with the unused hours accumulating over time. Consequently, the reader of the AFR would never see the potential financial impact the accumulated leave would have on the District's financial health. In the government-wide financial statements, vacation and sick leave are expensed when accrued, allowing the reader to see the full financial impact.

The Statement of Net Position combines and/or consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. The Statement of Net Position also provides information about the nature and amounts of investment of resources and obligations to creditors.

The Statement of Activities provides information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the Statement of Net Position, is one way to measure the District's financial health or financial position. A reader can think of the District's net position as the difference between what the District owns (assets) and what the District owes (liabilities). Over time, the increase or decrease in the District's net position, as reported in the Statement of Activities, is another indicator of whether its financial health is improving or deteriorating. The difference between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. To fully assess the financial health of any government entity, the reader must also consider other non-financial factors such as the quality of education provided, the safety of the schools, fluctuations in the local economy, State-mandated programs, administrative changes, and the physical condition of the District's capital assets.

FUND FINANCIAL STATEMENTS

Fund financial statements are generally presented on a modified accrual basis, using the current financial resources measurement focus, and report expenditures rather than expenses as used in the government-wide financial statements. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the American Recovery and Reinvestment Act (ARRA) Economic Stimulus Special Revenue Fund, the Certificates of Participation (COP) Series Debt Service Fund, the ARRA Economic Stimulus Debt Service Fund, the Local Millage Capital Improvement Fund, the Other Capital Improvement Fund, District Bonds Fund, and the ARRA Economic Stimulus Capital

Projects Fund. Data from the other eight governmental funds are combined into a single, aggregated presentation.

Governmental Funds. Most of the District's activities are reported in governmental funds which describe how money flows into and out of those funds and the balances remaining at year-end that are available for spending in future periods. These funds are reported using an accounting method called "modified accrual accounting," which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and services. Governmental fund information helps determine what financial resources will be available in the near future to support educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund. Based on the nature of the activities, proprietary funds are used to report the activities in the District's Internal Service Funds. The Internal Service Fund is used to record the financing of goods or services provided by one department to another on a cost reimbursement basis.

Proprietary funds, such as the internal service fund, are reported in the same way as government-wide financial statements. The Internal Service Fund is included in the governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District's fiduciary funds consists of agency funds used to account for student activity funds.

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

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's governmental activities.

Government-wide Financial Analysis.

The District's net position was $587.1 million at June 30, 2015, representing a $124.4 million, or 26.9 percent increase from June 30, 2014, after the restatement of beginning net position. By far, the largest portion of the District's net position increase is reflected in the current and other assets which is due to the proceeds from the issuance of the District Bonds of $155 million. The increase in the long term liabilities are primarily caused by the addition of the net pension liability for the Florida Retirement System which was added effective July 1, 2014, and presented as a restatement adjustment in the 2014 column. Unrestricted net position after the effects of the restatement for GASB Statement No. 68 changed by approximately $104 million due to the results of current year operations.

Table 1
Summary Statement of Net Position
(in thousands)

	As of June 30, 2015	As of June 30, 2014	Increase (Decrease)
Current and other assets	$ 924,875	$ 738,159	$ 186,716
Capital assets	2,905,670	2,994,146	(88,476)
Total assets	3,830,545	3,732,305	98,240
Deferred outflows of resources	249,169	57,283	191,886
Current and other liabilities	460,494	442,432	18,062
Long-term liabilities	2,699,843	2,029,397	670,446
Total liabilities	3,160,337	2,471,829	688,508
Deferred inflows of resources	332,229	452	331,777
Net position:			
Net investment in capital assets	1,282,288	1,280,610	1,678
Restricted	199,039	180,344	18,695
Unrestricted	(894,179)	(143,647)	(750,532)
Total net position	$ 587,148	$ 1,317,307	$ (730,159)

The second largest portion of the District's net position represents resources that are subject to external restrictions on how they may be used. Of the $199 million in restricted net position, $145.3 million are restricted for capital projects such as the SMART initiative. The District will use these resources to complete construction in progress, and perform property maintenance. Unrestricted net position was a deficit of $894.2 million at June 30, 2015.

The deficit in the Statement of Net Position should not be viewed as an indication of financial difficulties. The District would only experience actual deficit if it had to pay all of its long-term liabilities today at once.

As shown in Table 2, governmental activities increased the District's net position by $124.4 million from the prior year. Key highlights are as follows:

Table 2

Summary Statement of Changes in Net Position
(in thousands)

	For the Fiscal Years Ended June 30, 2015	2014	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 46,351	$ 47,998	$ (1,647)
Operating grants and contributions	88,904	84,318	4,586
Capital grants and contributions	16,276	27,518	(11,242)
Total program revenues	151,531	159,834	(8,303)
General revenues:			
Ad valorem taxes	1,083,193	1,018,330	64,863
Other general revenues (including FEFP)	1,390,128	1,278,400	111,728
Total general revenues	2,473,321	2,296,730	176,591
Total revenues	2,624,852	2,456,564	168,288
Functions/Program Expenses:			
Instructional services	1,538,275	1,524,589	13,686
Instructional support services	235,943	223,511	12,432
Operation and maintenance of plant	240,306	229,247	11,059
School administration	133,624	131,084	2,540
Food services	104,666	98,713	5,953
Facilities acquisition and construction	49,691	44,541	5,150
General administration	69,449	75,592	(6,143)
Pupil transportation services	84,884	85,853	(969)
Interest expense	43,607	70,231	(26,624)
Total expenses	2,500,445	2,483,361	17,084
Change in net position	124,407	(26,797)	151,204
Beginning net position	1,317,307	1,344,104	(26,797)
Restatement adjustment (See Note I.P.)	(854,566)	-	(854,566)
Beginning net position, as restated	462,741	-	
Ending net position	$ 587,148	$ 1,317,307	$ (730,159)

- Total program revenues decreased $8.3 million primarily due to a decrease in capital grants and contributions due to a charter school capital outlay being reported in other general revenue in the current year.
- Ad valorem taxes (property taxes) increased by $64.9 million (including General and Capital Funds) due to an increase in the total assessed property values.
- Other general revenues increased $111.7 million primarily as a result of increased activity associated with government-wide reporting requirements, which include debt refunding and other miscellaneous items.
- Total expenses increased $17 million, or 0.7 percent, due to increases in salary and benefits, charter school enrollment, and operation and maintenance of plant expenses, offset by a decrease in interest expense.

Financial Analysis of the Government's Funds. As was noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at the funds aids in determining if the District is being accountable for the resources taxpayers and others provide, and may also give more insight into the District's overall financial health. In particular, the combination of assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds. As of June 30, 2015, all governmental funds (including General Fund, Capital Project Fund, Debt Service Fund, Special Revenue Fund, etc.) reported a combined fund balance of $601.5 million, an increase of $186.1 million, or 44.8 percent from the prior year. The increase is primarily due to the issuance of the General Obligation Bond in the District Bonds Fund; which has a year-end fund balance of $160.4 million. An increase of $16.7 million in the General Fund balance, an increase of $12.3 million in the Local Millage Capital Improvement Fund balance, an increase of $6.6 million in the COP Series Debt Service Fund and a $5.2 million increase in Other Governmental Funds balance. The District's governmental fund balance increase was offset by a decrease of $15.2 million, of which $1.6 million in the ARRA Economic Stimulus Capital Project Fund and $13.6 million in Other Capital Improvement Fund.

General Fund. The fund balance for the General Fund increased $16.7 million primarily as a result of local and State revenue sources increasing more proportionately than expenditures. The increase was mainly a result of Ad Valorem (property taxes) revenue increasing by $51 million compared to the prior year due to an increase in the assessed value of property. In addition, State and Federal revenue sources also increased by approximately $7 million. The offset was a decrease in other local sources which declined by $22 million from the prior year and the increase in expenditures by $20 million. The assigned and unassigned portion of the fund balance increased $2.2 million compared to last year from $80.3 million as of June 30, 2014, to $82.5 million as of June 30, 2015.

Major Capital Projects Funds. The fund balance of the major capital projects funds increased by $157 million primarily due to the District's continuing to complete previous years' approved long-term projects funded by the prior year's accumulated capital reserves and the issuance of the District Bonds.

Major Debt Service Funds. The fund balance of the major Debt Service funds increased by $6.7 million primarily as a result of the refunding and scheduled debt payments (see Note X. of the Notes to the Basic Financial Statements for more information).

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to deal with unexpected changes in revenues and expenditures. The District's final budget amounts compared with actual amounts are provided in Table 3.

Table 3

Summary Schedule of Revenues, Expenditures and Changes in Fund Balance of General Fund
Budget and Actual (Budgetary Basis)
(in thousands)

	Budget			Variance Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Local sources:				
Ad valorem taxes	$ 875,250	$ 864,701	$ 864,701	$ -
Other	57,730	73,984	53,647	(20,337)
Total local sources	932,980	938,685	918,348	(20,337)
State sources:				
Florida Education Finance Program	644,400	628,202	628,202	-
Other	390,792	389,366	389,308	(58)
Total state sources	1,035,192	1,017,568	1,017,510	(58)
Federal sources	11,900	15,779	15,781	2
Total revenues	1,980,072	1,972,032	1,951,639	(20,393)
Other financing sources	72,825	64,994	64,993	(1)
Total amounts available for appropriations	2,052,897	2,037,026	2,016,632	(20,394)
Expenditures:				
Instructional services	1,349,672	1,319,341	1,313,500	5,841
Instructional support services	173,873	174,839	175,480	(641)
Pupil transportation services	84,072	80,649	81,815	(1,166)
Operation and maintenance of plant	225,998	235,131	236,930	(1,799)
School administration	133,080	131,111	129,136	1,975
General administration	77,660	92,379	65,586	26,793
Interest	177	124	124	-
Total expenditures	2,044,532	2,033,574	2,002,571	31,003
Other financing uses	5,057	6,821	6,821	-
Total charges against appropriations	2,049,589	2,040,395	2,009,392	31,003
Net change in fund balances	$ 3,308	$ (3,369)	$ 7,240	$ 10,609
Appropriated beginning fund balances:	$ 144,780	$ 3,369		
Adjustments to conform with GAAP:				
Elimination of encumbrances			9,412	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (GAAP Basis)			16,652	
Fund balances, beginning of year			144,780	
Fund balances, end of year			$ 161,432	

The primary differences between the final budget and actual is that the budget does not account for the other local revenue receipts declining from prior year. In addition, the budget does not factor the reclassification of the prepaid insurance premiums to the Balance Sheet for its amortization.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As shown in Table 4, at June 30, 2015, the District had invested approximately $2.9 billion in a broad range of capital assets. This amount represents a net decrease (including additions, deletions and depreciation) of $88.5 million from last year. The District is focused on keeping vital components of school buildings running, such as air conditioning and roofing systems while keeping the schools safe and accessible. There was $22.3 million committed towards various construction contracts. See Notes I.E. and VI. of the Notes to the Basic Financial Statements for more information.

Table 4

Capital Assets at Year-End
(in thousands)

	2015	2014	Increase (Decrease)
Land	$ 236,046	$ 236,046	$ -
Land improvements	459,726	456,348	3,378
Construction in progress	26,313	25,874	439
Broadcast license intangible	3,600	3,600	-
Buildings and fixed equipment	3,612,589	3,600,031	12,558
Furniture, fixtures and equipment	338,600	402,442	(63,842)
Assets under capital leases	44,536	48,283	(3,747)
Audio visual	703	695	8
Computer software	56,452	55,596	856
Motor vehicles	92,980	93,065	(85)
Less: accumulated depreciation	(1,965,875)	(1,927,834)	(38,041)
Total capital assets, net	$ 2,905,670	$ 2,994,146	$ (88,476)

Debt Administration. As shown in Table 5, at the end of June 30, 2015, the District had $1.81 billion in debt outstanding compared to $1.76 billion last year, an increase of $46.2 million, or 2.62 percent, from the prior year. The increase was a result of $155 million General Obligation Bond plus a net premium of $7.7 million totaling $162.7 million project proceeds and an increase of $22 million in capital leases. This was offset by net reductions of $123.9 million in COPs repayments and $6.9 million in Capital Outlay Bond Issues repayments. See Notes IX. through XIII. of the Notes to the Basic Financial Statements for more information.

Other obligations include accrued vacation pay and sick leave. See Note XIV. of the Notes to the Basic Financial Statements for more information.

Table 5

Debt Outstanding at Year-End
(in thousands)

	2015	2014	Increase (Decrease)
Capital outlay bond issues	$ 26,260	$ 33,185	$ (6,925)
General obligation bond issue	155,055	-	155,055
Certificates of participation	1,576,078	1,700,010	(123,932)
Capital leases	51,560	29,513	22,047
Total	$ 1,808,953	$ 1,762,708	$ 46,245

ECONOMIC FACTORS

The State of Florida, by Constitution, does not have a State personal income tax and therefore the State operates primarily using sales, gasoline, and corporate income taxes. State funds to school districts are provided primarily by legislative appropriations from the State's general revenue funds under the Florida Education Finance Program (FEFP). The level of tourism in the State heavily influences the amount collected. Any change in the anticipated amount of revenues collected by the State would directly impact the revenue allocation to the District.

REQUESTS FOR INFORMATION

The District's financial statements are designed to present users (participants, investors, creditors, and regulatory agencies) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report should be addressed to the Director of the Accounting and Financial Reporting Department, The School Board of Broward County, Florida, 600 Southeast Third Avenue, Fort Lauderdale, Florida 33301.

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THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF NET POSITION
JUNE 30, 2015
(in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Current assets:		
Cash, cash equivalents and investments	$ 591,711	$ 39,365
Due from other governmental agencies	54,421	1,086
Due from schools	-	3,573
Accrued interest receivable	585	-
Inventories	9,505	1,624
Prepaids and other assets	21,471	14,742
Total current assets	677,693	60,390
Non-current assets:		
Restricted cash, cash equivalents and investments	247,182	-
Capital assets:		
Non-depreciable	396,822	44
Depreciable, net	2,508,848	64,788
Total non-current assets	3,152,852	64,832
Total assets	3,830,545	125,222
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	23,728	-
Loss on refunding debt (net)	87,600	-
Pension actuarial adjustments	137,841	1,592
Total deferred outflows of resources	249,169	1,592
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	137,036	6,286
Accrued payroll taxes and withholding	14,065	8,575
Matured debt and interest payable	113,861	406
Due to other governmental agencies	8,828	433
Due to other schools	-	1,940
Retainage payable	5,874	-
Unearned revenue	8,949	411
Obligations under capital leases	10,942	1,066
Liability for compensated absences	19,488	152
Debt, net premiums and discounts	81,691	474
Estimated liability for self-insurance risks	41,519	-
Net pension liability	12,774	-
Other liabilities	5,467	1,573
Total current liabilities	460,494	21,316
Non-current liabilities:		
Obligations under capital leases	40,618	49,630
Liability for compensated absences	136,364	49
Debt, net premiums and discounts	1,798,271	1,957
Estimated liability for self-insurance risks	38,013	-
Other post-employment benefits obligations	72,011	-
Other liabilities	32,324	2,304
Derivatives swap liability (GASB 53)	23,728	-
Net pension liability	558,514	3,781
Total non-current liabilities	2,699,843	57,721
Total liabilities	3,160,337	79,037
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding debt	426	-
Pension actuarial adjustments	331,803	2,223
Total deferred inflows of resources	332,229	2,223
NET POSITION		
Net Investment in Capital Assets	1,282,288	14,260
Restricted for:		
State required carryover programs	3,973	-
Debt service	2,716	-
Capital projects	145,340	2,003
Food service	47,010	-
Scholarships	-	4,437
Unrestricted (deficit)	(894,179)	24,854
Total net position	$ 587,148	$ 45,554

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(in thousands)

			PROGRAM REVENUES	
		EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PROGRAM EXPENSES AND REVENUES:				
PRIMARY GOVERNMENT:				
Instructional services		$ 1,538,275	$ 28,133	$ -
Instructional support services		235,943	-	-
Pupil transportation services		84,884	1,209	-
Operation and maintenance of plant		240,306	-	-
School administration		133,624	-	-
General administration		69,449	-	-
Food services		104,666	17,009	88,904
Facilities acquisition and construction		49,691	-	-
Interest expense		43,607	-	-
Total governmental activities		$ 2,500,445	$ 46,351	$ 88,904
COMPONENT UNITS:				
Charter Schools/Foundation		$ 251,602	$ 7,458	$ 19,650

General Revenues:
Taxes:
Ad valorem taxes levied for:
General purposes
Debt service
Capital outlays
Grants and contributions not restricted to specific programs:
Florida education finance program
Other
Other Federal sources
Other State sources
Other local sources
Unrestricted investment earnings
Total general revenues

Change in net position

Total net position, beginning of year, as restated (See Note I.P.)

Total net position, end of year

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

CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
$ -	$ (1,510,142)	$ -
-	(235,943)	-
-	(83,675)	-
-	(240,306)	-
-	(133,624)	-
-	(69,449)	-
-	1,247	-
8,435	(41,256)	-
7,841	(35,766)	-
$ 16,276	(2,348,914)	-
$ 10,787	$ -	(213,707)
	864,701	-
	13	-
	218,479	-
	628,202	-
	-	200,765
	208,119	894
	407,355	10,325
	144,532	6,367
	1,920	47
	2,473,321	218,398
	124,407	4,691
	462,741	40,863
	$ 587,148	$ 45,554

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015
(in thousands)

	GENERAL FUND	ARRA ECONOMIC STIMULUS SPECIAL REVENUE FUND	COP SERIES DEBT SERVICE FUND	ARRA ECONOMIC STIMULUS DEBT SERVICE FUND
ASSETS:				
Equity in pooled cash and investments	$ 286,561	$ -	$ 1,698	$ 211
Cash and investments with trustees	-	-	100,152	13,278
Total cash, cash equivalents and investments	286,561	-	101,850	13,489
Due from other governmental agencies	22,258	1,174	-	-
Due from other funds	12,594	-	-	-
Accrued interest receivable	385	-	-	-
Inventories	6,532	-	-	-
Prepaids and other assets	20,179	-	-	-
Total assets	$ 348,509	$ 1,174	$ 101,850	$ 13,489
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	$ 123,444	$ 658	$ 23	$ 2
Accrued payroll taxes and withholdings	14,065	-	-	-
Due to other governmental agencies	8,828	-	-	-
Due to other funds	-	516	-	-
Unearned revenue	6,045	-	-	-
Retainage payable	-	-	-	-
Matured debt and interest payable	-	-	100,454	13,110
Liability for compensated absences	7,657	-	-	-
Estimated liability for self-insurance risks	27,038	-	-	-
Total liabilities	187,077	1,174	100,477	13,112
Fund balances:				
Nonspendable	20,361	-	-	-
Restricted	3,973	-	1,373	377
Committed	54,635	-	-	-
Assigned	23,199	-	-	-
Unassigned	59,264	-	-	-
Total fund balances	161,432	-	1,373	377
Total liabilities and fund balance	$ 348,509	$ 1,174	$ 101,850	$ 13,489

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

LOCAL MILLAGE CAPITAL IMPROVEMENT FUND	ARRA ECONOMIC STIMULUS CAPITAL PROJECT FUND	OTHER CAPITAL IMPROVEMENT FUND	DISTRICT BONDS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 94,942	$ 4,946	$ 33,140	$ 160,489	$ 59,435	$ 641,422
-	13,154	70,429	-	-	197,013
94,942	18,100	103,569	160,489	59,435	838,435
5,075	-	5,554	-	20,360	54,421
-	-	-	-	-	12,594
74	16	45	-	65	585
-	-	-	-	2,951	9,483
1,225	-	9	-	57	21,470
$ 101,316	$ 18,116	$ 109,177	$ 160,489	$ 82,868	$ 936,988
$ 1,151	$ 58	$ 5,236	$ 69	$ 6,019	$ 136,660
-	-	-	-	-	14,065
-	-	-	-	-	8,828
-	-	-	-	12,078	12,594
-	-	-	-	2,904	8,949
1,030	1,716	2,742	8	378	5,874
-	-	-	-	182	113,746
-	-	-	-	97	7,754
-	-	-	-	-	27,038
2,181	1,774	7,978	77	21,658	335,508
-	-	-	-	2,951	23,312
99,135	16,342	101,199	160,412	55,123	437,934
-	-	-	-	-	54,635
-	-	-	-	3,136	26,335
-	-	-	-	-	59,264
99,135	16,342	101,199	160,412	61,210	601,480
$ 101,316	$ 18,116	$ 109,177	$ 160,489	$ 82,868	$ 936,988

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015
(in thousands)

Total fund balances - governmental funds		$ 601,480
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 236,046	
Land improvements-nondepreciable	130,863	
Land improvements, net of accumulated depreciation	200,860	
Broadcast license intangible	3,600	
Buildings and fixed equipment, net of accumulated depreciation	2,232,154	
Furniture, fixtures and equipment, net of accumulated depreciation	23,373	
Assets under capital lease, net of accumulated depreciation	30,195	
Audio visual, net of accumulated depreciation	221	
Computer software, net of accumulated depreciation	15,195	
Motor vehicles, net of accumulated depreciation	6,737	
Construction in progress	26,313	2,905,557
Certain pension-related items are reported as deferred outflows of resources in the government-wide financial statements but not in the fund financial statements.		137,841
Certain pension-related items are reported as deferred inflows of resources in the government-wide financial statements but not in the fund financial statements.		(331,803)
Accumulated decrease in fair value of hedging derivatives is not a use of current financial resources and therefore are not reported in the fund financial statements.		23,728
Deferred losses on refunding is not a use of current financial resources and therefore are not reported in the fund financial statements.		87,600
An internal service fund is used by the District to charge the costs of services, such as printing services, to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Position.		218
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, and deferred inflows of resources are reported in the statement of net position.		
Balances at June 30, 2015 are:		
Accrued interest on long-term debt	$ (115)	
Certificates of participation	(1,576,078)	
Debt premiums and discounts, net	(122,569)	
Bonds payable	(181,315)	
Capital leases payable	(51,560)	
Compensated absences	(148,098)	
Other postemployment benefits (OPEB)	(72,011)	
Claims payable	(52,494)	
Deferred gain on refunding of debt	(426)	
Net pension liability	(571,288)	
Derivatives swap liability (GASB 53)	(23,728)	
Other liabilities	(37,791)	(2,837,473)
Total net position of governmental activities		$ 587,148

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

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(in thousands)

	GENERAL FUND	ARRA ECONOMIC STIMULUS SPECIAL REVENUE FUND	COP SERIES DEBT SERVICE FUND	ARRA ECONOMIC STIMULUS DEBT SERVICE FUND
REVENUES:				
Local sources:				
Ad valorem taxes	$ 864,701	$ -	$ -	$ -
Food sales	-	-	-	-
Interest on investments	975	-	94	169
Other	52,672	-	-	-
Total local sources	918,348	-	94	169
State sources:				
Florida education finance program	628,202	-	-	-
Public education capital outlay	-	-	-	-
Discretionary lottery funds	980	-	-	-
Categorical programs and other	388,328	-	-	-
Total State sources	1,017,510	-	-	-
Federal sources:				
Food service	-	-	-	-
Grants and other	15,781	16,342	-	-
Total Federal sources	15,781	16,342	-	-
Total revenues	1,951,639	16,342	94	169
EXPENDITURES:				
Current operating:				
Instructional services	1,310,145	11,398	-	-
Instructional support services	174,822	2,550	-	-
Pupil transportation services	80,650	-	-	-
Operation and maintenance of plant	233,692	1	-	-
School administration	129,070	1,377	-	-
General administration	64,656	1,016	-	-
Food services	-	-	-	-
Total current operating	1,993,035	16,342	-	-
Debt service:				
Principal retirement	-	-	77,646	4,540
Interest charges and other	124	-	73,739	8,061
Total debt service	124	-	151,385	12,601
Capital outlay	-	-	-	-
Total expenditures	1,993,159	16,342	151,385	12,601
Excess (deficiency) of revenues over (under) expenditures	(41,520)	-	(151,291)	(12,432)
OTHER FINANCING SOURCES (USES):				
District bonds	-	-	-	-
Refunding bonds issued	-	-	-	-
Certificates of participation refunding	-	-	423,165	-
Premium on long-term debt issued	-	-	84,089	-
Capital lease	-	-	-	-
Sale of capital assets	-	-	-	-
Payments to refunded bond escrow agent	-	-	(505,318)	-
Transfers in	64,993	-	155,957	12,574
Transfers out	(6,821)	-	-	-
Total other financing sources (uses)	58,172	-	157,893	12,574
Net change in fund balances	16,652	-	6,602	142
Fund balances (deficit), beginning of year	144,780	-	(5,229)	235
Fund balances, end of year	$ 161,432	$ 0.00	$ 1,373	$ 377

The accompanying notes to the basic financial statements are an integral part of this Statement.

LOCAL MILLAGE CAPITAL IMPROVEMENT FUND	ARRA ECONOMIC STIMULUS CAPITAL PROJECT FUND	OTHER CAPITAL IMPROVEMENT FUND	DISTRICT BONDS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 218,479	$ -	$ -	$ -	$ 13	$ 1,083,193
-	-	-	-	17,009	17,009
268	20	187	-	204	1,917
5,311	-	20,303	-	6,880	85,166
224,058	20	20,490		24,106	1,187,285
-	-	-	-	-	628,202
-	-	-	-	4,530	4,530
-	-	-	-	-	980
198	-	13,617	-	17,315	419,458
198	-	13,617	-	21,845	1,053,170
-	-	-	-	79,241	79,241
-	-	-	-	184,324	216,447
-	-	-	-	263,565	295,688
224,256	20	34,107	-	309,516	2,536,143
-	-	-	-	132,641	1,454,184
-	-	-	-	45,562	222,934
-	-	-	-	643	81,293
-	-	-	-	133	233,826
-	-	-	-	181	130,628
-	-	-	-	7,541	73,213
-	-	-	-	102,672	102,672
-	-	-	-	289,373	2,298,750
-	-	-	-	6,445	88,631
-	-	-	-	2,536	84,460
-	-	-	-	8,981	173,091
15,511	1,660	53,609	2,226	1,583	74,589
15,511	1,660	53,609	2,226	299,937	2,546,430
208,745	(1,640)	(19,502)	(2,226)	9,579	(10,287)
-	-	-	155,055	-	155,055
-	-	-	-	9,200	9,200
-	-	-	-	-	423,165
-	-	-	8,732	630	93,451
-	-	30,000		-	30,000
514	-	317	-	-	831
-	-	-	-	(10,016)	(515,334)
-	-	1,764	-	1,188	236,476
(196,968)	(7)	(26,198)	(1,149)	(5,333)	(236,476)
(196,454)	(7)	5,883	162,638	(4,331)	196,368
12,291	(1,647)	(13,619)	160,412	5,248	186,081
86,844	17,989	114,818	-	55,962	415,399
$ 99,135	$ 16,342	$ 101,199	$ 160,412	$ 61,210	$ 601,480

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (in thousands)

Total net change in fund balances - governmental funds		$ 186,081
Amounts reported for governmental activities in the statement of activities is different because:		
Governmental funds report capitalizable and non-capitalizable capital outlays as expenditures. However, in the Statement of Activities, the cost of those capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlays ($37,944) were less than depreciation ($118,319) and deleted assets ($8,212) in the current period.		(88,587)
The issuance of long-term debt provides a source of current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net position. Also, governmental funds report the effect of debt premiums, discounts, and deferral amounts on refunding when debt is first issued, but these amounts are deferred and amortized in the statement		
Debt proceeds	$ (710,871)	
Payment to escrow agent including interest and other charges	515,334	(195,537)
The repayment of long-term debt principal amount is reported as an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Principal payments		88,631
An internal service fund is used by the District to charge the costs of services, such as printing services to individual funds. The change in net position of the internal service fund is reported within the governmental activities.		140
In the Statement of Activities, certain operating expenses - compensated absences (vacation and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid) and for new retirees, the amount expected to be paid out for terminal sick leave over the next year.		
Net change in postemployment benefits obligation	$ (7,589)	
Net change in compensated absences	3,698	
Net change in other liabilities	4,297	
Net change in long-term claims	(403)	3
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due, except matured interest payable which is accrued in the debt service funds.		
Net change in accrued interest on long-term debt.		(75)
Change in debt-related deferrals including deferred amounts and premiums/discounts are recognized as paid or received in the governmental funds but must be capitalized and amortized in the government-wide presentation. This amount represents the net amount between current year's additions and amortization of prior year's amounts.		44,436
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 pension expense.		89,315
Change in net position of governmental activities		$ 124,407

The accompanying notes to the basic financial statements are an integral part of this Statement.

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2015
(in thousands)

		INTERNAL SERVICE FUND
ASSETS:		
Current assets:		
Equity in pooled cash and investments	$	458
Inventories		22
Other assets		1
Total current assets		481
Noncurrent assets:		
Furniture and equipment (net of accumulated depreciation)		113
Total assets		594
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses		376
Total current liabilities		376
Total liabilities		376
NET POSITION:		
Investment in capital assets		113
Unrestricted		105
Total net position	$	218

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(in thousands)

	INTERNAL SERVICE FUND
OPERATING REVENUES:	
Charges for services	$ 61,707
Total operating revenues	61,707
OPERATING EXPENSES:	
Personnel services	56,346
Depreciation	19
Other	5,336
Total operating expenses	61,701
Operating Income	6
NON-OPERATING REVENUE:	
Interest and other	134
Change in net position	140
Total net position - beginning of year	78
Total net position - end of year	$ 218

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(in thousands)

		INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from governmental customers	$	61,707
Cash payments for goods and services		(5,108)
Cash payments to employees		(56,346)
Net cash provided by operating activities		253
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Income		134
Net increase in cash and cash equivalents		387
CASH AND CASH EQUIVALENTS		
Beginning of year		71
End of year	$	458
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	6
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		19
Changes in assets and liabilities:		
Increase in furniture and equipment		(131)
Increase in other assets		(1)
Increase in accounts payable and accrued expenditures		360
Net Cash Provided by Operating Activities	$	253

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF JUNE 30, 2015
(in thousands)

		AGENCY FUNDS
ASSETS:		
Equity in pooled cash and investments	$	4,829
Cash and cash equivalents		10,495
Total assets	$	15,324
LIABILITIES		
Accounts payable	$	745
Due to student organizations and other agencies		14,579
Total liabilities	$	15,324

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

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School Board of Broward County, Florida (the District) has direct responsibility for operation, control and supervision of schools in Broward County and is considered a primary government for financial reporting purposes. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The general operating authority of the District and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Pursuant to Section 1010.01, Florida Statutes, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The District's significant accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The District was created by the State Constitution and is part of the State system of public education operated under the general direction and control of the State Board of Education. Established in 1915, the District is governed by nine elected board members (the Board). The appointed Superintendent of Schools is the executive officer of the District. The District has taxing authority and provides elementary, secondary, and vocational education services to the residents of Broward County, Florida (Broward 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 GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that 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 or incomplete.

Based on the application of these criteria, District management has determined that the component units reportable with the accompanying basic financial statements are the Broward School Board Leasing Corporation (the Corporation), the Broward Education Foundation (the Foundation) and 95 charter schools.

Blended Component Units - The Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note XII. of the Notes to the Financial Statements. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

Discretely Presented Component Units - The Foundation, a non-profit direct-support organization of the District, is included as a discretely presented component unit in the accompanying basic financial statements. The purpose of the Foundation is exclusively educational and charitable, namely, to receive, hold, invest and administer property and to make expenditures for the benefit of the District. In addition, the Foundation is fiscally dependent on the District to provide financial support for its ongoing operating expenses. An audit of the Foundation's financial statements has been conducted by an independent certified public accountant and is on file at the District's administrative office at 600 Southeast Third Avenue, Fort Lauderdale, Florida 33301.

Additionally, in accordance with Section 1002.33, Florida Statutes, district school boards are authorized to approve charter (Charter) school applications. Charter schools are public schools operating under a performance contract with the local school district and are fiscally dependent on the District for a majority of their funding. Revenues such as Florida Education Finance Program (FEFP), State categoricals and other State and Federal revenue sources are received by the District on behalf of the Charter schools and then remitted to them. As such, Charter schools are funded on the same basis and are subject to the same financial reporting requirements as the District. Additionally, all students enrolled in Charter schools are included in the District's total enrollment. There were 95 operating Charter school sites in fiscal year 2015. All of the Charter schools are considered component units of the District or another legal entity. For financial reporting purposes, 91 of the Charter schools are included in the basic financial statements of the District as discretely presented component units. The audited financial information for Broward Charter School of Science & Technology, iGeneration Empowerment Academy, and New Generation Preparatory High, were not reported to the District as of the date of publication of this report. Except as noted above, an audit of the Charter schools' financial statements were conducted by an independent certified public accountants and are on file at the District's administrative office at 600 Southeast Third Avenue, Fort Lauderdale, Florida 33301.

The component unit beginning net position does not agree to prior year ending net position on the Statement of Net Position because availability of financial information for individual Charter schools varies from year to year.

The accompanying basic financial statements include the operations of the District, the Corporation, the Foundation and the 91 Charter schools. For financial reporting purposes, the operations of Charter schools within multiple locations operating under a single contract with the District are presented on a consolidated basis. Therefore, the operations of the Somerset Academy and Somerset Neighborhood have been consolidated. The District is independent of and is not financially accountable for any other local governmental units or civic entities other than those mentioned above. The Foundation and Charter schools are presented in the government-wide presentation.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide Financial Statements – The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the government in its entirety, except for those that are fiduciary, and distinguish between the District's governmental and business-type activities. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which are generally supported by fees charged. The District currently does not have any business-type activities.

The Statement of Net Position includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District. The Statement of Activities presents a comparison between the direct expenses and program revenues of the District. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function.

Amounts reported as program revenues include (1) charges to students for tuition and fees at technical colleges and extended care programs, rentals, materials, supplies, or services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The District eliminates from the Statement of Net Position and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Fund to minimize the effect of double counting. However, direct expenses are not eliminated from the various functional categories.

Fund Financial Statements – Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are interest and principal on long-term debt, compensated absences, pension obligation, self-insured claims and other postemployment benefits (OPEB), which are recognized when due, unless funds have been set aside in the debt service funds for repayments. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value and (b) non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.

Revenue resulting from exchange transactions is recorded on the modified accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions are further classified into (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government-mandated non-exchange transactions, and (d) voluntary non-exchange transactions. Derived tax revenues (e.g., sales taxes) are recorded when the transaction occurs. Imposed non-exchange transactions (e.g., property taxes) are recorded when the use of the resource is required or first permitted by time requirement (e.g., property taxes, the period for which they are levied). Government-mandated and voluntary non-exchange transactions (e.g., Federal mandates, grants and donations) are recorded when all eligibility requirements have been met.

When applying the “susceptible to accrual” concept under the modified accrual basis, revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District considers all revenues except grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered available if collected within 6 months of the end of the current fiscal period.

Agency (Fiduciary) funds, accounted for on the accrual basis, are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus.

The Proprietary Fund Financial Statements are prepared under the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service fund are for graphics and printing, maintenance services, and facility construction management provided to other funds. Operating expenses for the internal service fund include salaries, employee benefits, purchased services, supplies, materials, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fund statements provide information about the District’s funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is reported in a separate column. The American Recovery and Reinvestment Act (ARRA) funds did not meet the minimum criteria for major fund determination during fiscal year 2015. However, it will continue to be presented as a major fund because management believes it is particularly important for financial statement users for the purpose of consistency. Non-major funds are aggregated and reported in a single column. Currently, the District does not have any funds classified as enterprise funds.

The District reports the following major funds:

GENERAL FUND

The General Fund is the primary operating fund of the District. The General Fund is used 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.

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) ECONOMIC STIMULUS SPECIAL REVENUE FUND

ARRA Economic Stimulus includes State Fiscal Stabilization Funds and Stimulus Grants Funds. These funds are used to save and create jobs; improve student achievement through school improvement and reform; ensure transparency and accountability, and report publicly on the use of funds; and invest one-time ARRA funds thoughtfully to minimize the funding cliff.

CERTIFICATE OF PARTICIPATION (COP) SERIES DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for the payment of debt principal, interest, and related costs on the long-term certificates of participation (COP).

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) ECONOMIC STIMULUS DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for the payment of debt principal, interest, and related costs on the ARRA Economic Stimulus Capital Project Funds.

LOCAL MILLAGE CAPITAL IMPROVEMENT (Local Property Tax) FUND

This fund is used to account for financial resources received from millage to be used for maintenance and other educational capital needs, including new construction, renovation and remodeling projects.

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) ECONOMIC STIMULUS CAPITAL PROJECT FUND

ARRA Economic Stimulus Capital Projects Funds include Qualified School Construction and Build America Bonds. These funds are used for capital expenditures related to construction, renovation and remodeling projects and are authorized by Federal law.

OTHER CAPITAL IMPROVEMENT FUND

Other Capital Improvement Funds includes the Certificates of Participation Series, Classrooms First, and Impact Fees funds. These funds are used as revenue for planned improvements of property and equipment that meet the specific restrictions of those funding sources and are authorized by statute or local ordinance.

DISTRICT BONDS FUND – (SMART) SAFETY, MUSIC & ART, ATHLETICS, RENOVATION AND TECHNOLOGY

On November 4, 2014, the residents of Broward County approved the issuance of up to $800 million of General Obligation Bond funds; the District has also provided an additional $184 million to aid in this project. This amount will be used to provide resources over a 5-year period to fund critically needed projects and programs in Safety, Music and Art, Athletics, Renovation and Technology.

The District also reports the following additional fund types:

PROPRIETARY FUND – INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods or services provided by one department to another on a cost reimbursement basis. This fund is used to account for printing and other services provided to other District funds and is included in the governmental activities in the government-wide financial statements.

FIDUCIARY FUNDS – AGENCY FUNDS

This fund is used to account for resources of the schools' internal funds, which is used to administer monies collected at the schools in connection with school, student athletics, classes, and club activities.

C. DEPOSITS AND INVESTMENTS

The District maintains an accounting system in which substantially all general District cash, investments, and accrued interest are recorded and maintained in a separate group of accounts. All such cash and investments are reflected as "Equity in Pooled Cash and Investments" in each fund in the accompanying financial statements. Investment income is allocated based on the weighted average balances of each fund's Equity in Pooled Cash and Investments.

Cash includes amounts in demand and time accounts as well as cash on hand. For purposes of the statement of cash flows, cash and cash equivalents also include highly liquid investments with an original maturity of 3 months or less at time of purchase.

The District's investment in the Florida Education Investment Trust Fund (FEITF), which the FEITF indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2015, is similar to money market funds in which shares are owned in the fund rather than the underlying investments. These amounts are reported at fair value, which is amortized cost.

Investments are stated at fair value as determined from quoted market prices. Funds are invested in various instruments allowed by the District's investment policy and by Florida Statutes, including money market funds and bank certificates of deposit.

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

D. INVENTORIES AND PREPAIDS

Inventories consist of expendable supplies held for consumption in the course of the District's operations. Inventories are stated at cost, as determined on a first-in, first-out basis, or a moving weighted average cost basis. United State Department of Agriculture commodities received from the Federal government are recorded at the unit rate established by the Federal government. This inventory is accounted for under the consumption method, and as such, is recorded as expenditure when used.

Prepaid expenses are recognized when the goods or services are received but not consumed at year-end. The expenditure is recorded when the asset is used.

E. CAPITAL ASSETS

Capital assets, which the District defines as land, buildings and fixed equipment, improvements other than buildings, furniture, fixtures, and equipment, audio visual equipment, computer software, and motor vehicles with a cost of $1,000 or greater and an initial useful life of more than 1 year, are reported in the government-wide financial statements. Such assets are recorded at historical cost or at estimated historical cost if the actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. Land, Land Improvements, Construction in Progress and Broadcast License Intangible are not depreciated. Other capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Description	Estimated Useful Lives
Improvements other than buildings	15 to 35 years
Buildings and fixed equipment	7 to 50 years
Furniture, fixtures and equipment	5 to 20 years
Audio visual	5 years
Computer software	5 years
Motor vehicles	10 to 15 years

Depreciation expense on school buses has been allocated to the pupil transportation function on the government-wide Statement of Activities. All other depreciation expense has been ratably allocated to the various expense functions based on an analysis of the use of each room in the District and its relative square footage.

Capital assets owned by the Proprietary Fund, principally equipment, are stated at cost. Straight-line depreciation has been provided over the estimated useful lives of these assets, which range from 3 to 5 years.

When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the results of operations in the government-wide statements.

The District is required annually to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in manner or duration of use of a capital asset, and construction stoppage. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Based on this criteria, there were no impairments recognized in fiscal year 2015.

F. REVENUE

State Revenue Sources **-** Revenues from State sources for current operations are primarily from the FEFP, administered by the Florida Department of Education (FDOE), under the provisions of Section 1011.62, Florida Statutes. The District files reports on full-time equivalent (FTE) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made.

The District receives revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these 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 year to be expended for the same categorical educational programs. These funds are described as "restricted for State required carryover programs" in the Statement of Net Position and the Governmental Funds Balance Sheet. The revenues for FEFP and categorical programs are recognized in the period in which the funds are available for use and when all eligibility requirements have been met.

Property Taxes **–** In the fund financial statements, property tax revenue is recognized when levied for, and available, which is when received, except at year-end when revenue is accrued for taxes collected by the Broward County Revenue Collector as of fiscal year-end, but remitted to the District within 60 days subsequent to fiscal year-end.

Federal Revenue Sources **–** The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally awarded based on applications submitted to, and approved by, various granting agencies. For Federal awards for 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.

G. UNEARNED/UNAVAILABLE REVENUE

Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the government-wide and the fund financial statements. In addition, amounts related to governmental fund receivables that are measurable, but not available are recorded as unavailable revenue in the governmental fund financial statements.

H. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the statement of net position. Debt premiums and discounts and deferral amounts on refunding are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not differ materially from the effective interest method. Debt payable is reported net of the applicable debt premium or discount. Debt issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognized debt premiums and discounts and prepaid insurance costs during the current period. The face amount of the debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds received and principal payments, are reported as debt service expenditures.

I. COMPENSATED ABSENCES

Compensated absences are salary-related payments to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of Social Security and Medicare and retirement contributions. They are recorded as expenditures when used or are accrued as a payable to employees who are entitled to cash payment in lieu of taking leave. District employees may accumulate unused sick leave without limitation and unused vacation up to a specified amount depending on their date of hire. Vacation leave is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. Sick leave is payable to employees upon retirement at the rate of pay in effect at the time the leave is earned. The number of days payable is subject to limitations as set forth in District policies.

The government-wide financial statements report long-term liabilities or obligations that are expected to be paid in the future. Long-term liabilities reported include vested vacation and sick pay benefits and an estimate for anticipated non-vested sick pay benefits. In the fund financial statements, the current portion represents the estimated terminal sick-leave amount that is due to, and has not been paid out to, employees who have retired on or prior to June 30, 2015.

The non-current portion (the amount estimated to be used in subsequent fiscal years) of $148.1 million is maintained separately and represents a reconciling item between the fund financial statements and government-wide financial statements.

J. SELF-INSURANCE

The District is self-insured for portions of its general and automobile liability insurance, workers' compensation, and health insurance. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on claims incurred but not reported (see Note XIX. of the Notes to the Basic Financial Statements). The estimated liability for self-insured risks represents an estimate of the amount to be paid on claims reported and on claims incurred but not reported. For the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year-end) and represents a reconciling item between the governmental fund level and government-wide presentations.

K. FUND BALANCES

Fund balance is the difference between fund assets and liabilities in the governmental fund financial statements that are based on the modified accrual basis of accounting. GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* provides for two major fund balance classifications: nonspendable and spendable. Nonspendable fund balance includes amounts that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of nonspendable fund balance include inventory, prepaid items and the principal (corpus) of a permanent fund. The District has classified inventory and prepaid items as nonspendable.

GASB 54 provides for four categories of the spendable fund balance classification based on the level of constraint placed on the use of those resources.

- Restricted fund balance includes amounts on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions or enabling legislation.
- Committed fund balance includes resources constrained to a specific purpose by the District's highest level of decision-making authority, the School Board. This formal action is completed through a Board resolution. These items cannot be used for any other purpose unless the Board takes action to remove or change the constraint through the same formal action of a Board resolution.
- Assigned fund balance represents amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Under the provisions of Section 1001.51, Florida Statutes, Duties and Responsibilities of District School Superintendent, the Superintendent is delegated certain financial authority. The District's management can assign fund balance based on Board direction.
- Unassigned fund balance in the General Fund includes the remaining fund balance, or net resources, available for any purpose. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

L. NET POSITION

In the statement of net position, assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position on the government-wide and proprietary fund financial statements that are based on the accrual basis of accounting. Net position is displayed in three components:

- The Net investment in capital assets component of net position consists of: capital assets (net of accumulated depreciation) and deferred outflow of resources for losses on refunding transactions; reduced by the outstanding balance of debt related to the acquisition or construction of those assets and deferred inflow of resources for gains on refunding transactions.
- The Restricted component of net position consists of restricted assets (where constraints on their use are: (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation), reduced by liabilities and deferred inflows of resources related to those assets.

- The Unrestricted component of net position (deficit) consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the other two components of net position.

When both restricted and unrestricted assets are available for a specific purpose, it is the District's policy to use restricted assets first, until exhausted, before using unrestricted resources. Further descriptions of the components of net position are addressed in Note XXI.

M. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the financial position has a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources represent a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. Deferred outflows of resources include deferred losses on refunding, changes in proportion and proportionate share of contributions to the pension plan, change in actual and projected earnings on pension plan investment, changes in assumptions, employer pension contributions subsequent to the measurement date, and the accumulated decrease in the fair value of the hedging derivative. Deferred inflows of resources include deferred gain on refunding debt, difference between expected and actual experiences, projected and actual earnings of the pension plan, and changes in proportion and differences between District contributions and proportionate share of contributions.

O. PENSIONS

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) and Health Insurance Subsidy (HIS) defined benefit plans, additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans and are recorded in the government-wide financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The District's retirement plans and related amounts are described in a subsequent note.

P. RESTATEMENT

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* (GASB 68), and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date: An amendment of GASB Statement No. 68* (GASB 71) which were adopted by the District for the fiscal year ended June 30, 2015. GASB requires governments providing defined benefit pension plan to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension-benefits. In accordance with the new statements, the District now reports a pension liability on its financial statements, as well as deferred outflows of resources and deferred inflows of resources for pension related items. In addition, the impact of implementing this statement resulted in a restatement of the beginning net position for governmental activities to adjust for the pension benefit liability that would have been reported in previous years.

The District's net position at July 1, 2014, has been restated as follows (in thousands):

	Governmental Activities	Component Units
Net position, July 1, 2014	$ 1,317,307	$ 45,264
Restated amount related to the implementation of GASB 68	(854,566)	(4,401)
Net position, as restated, July 1, 2014	$ 462,741	$ 40,863

Q. IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* (GASB 68). The new GASB statement requires a liability for pension obligations, known as the net pension liability (NPL), to be recognized on the Statement of Net Position of the plan and participating employers. Similarly, a pension expense (PE) will be recognized on the Statement of Activities. This statement is effective for the period beginning June 15, 2014. The District adopted GASB 68 in the fiscal year 2015 and the results are reflected in the government-wide financial statements, in Note XVI. to the financial statements, as well as in the required supplementary information. The adoption of this statement resulted in the restatement of the District's net position at July 1, 2014, as noted in Note I.P. to the financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The District adopted GASB 69 in fiscal year 2015 financial statements. The adoption of GASB 69 did not impact the District's financial position or results of operations.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date: An amendment of GASB Statement No. 68*. (GASB 71). The District adopted GASB 71 in the fiscal year 2015 financial statements. The Districted adopted GASB 71, is reflected in the government-wide financial statements, in Note XVI., in the Notes to the Financial Statements, as well as in the Required Supplementary Information Section. The adoption of this statement resulted in the restatement of the District's net position at July 1, 2014, as noted in Note I.P. to the financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement is effective for fiscal years beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68. The impact on the District's financial position or results of operations has not yet been determined for this un-adopted standard.

In June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the District beginning with its year ending June 30, 2018. This Statement will establish rules on reporting by OPEB plans that administer benefits on behalf of governments. This Statement will not impact the District.

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the District beginning with its year ending June 30, 2018. This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement will result in the recognition of a significant liability that is not yet measurable.

In June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the District beginning with its year ending June 30, 2016. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards Board. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

In August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the District beginning with its year ending June 30, 2017. This Statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

For the fiscal year ending June 30, 2015, expenditures exceeded appropriations in the following funds (in thousands):

- Other Capital Improvement Fund by $29,208
- Local Millage Capital Improvement Fund by $9,784
- ARRA Economic Stimulus Capital Project Fund by $1,002
- Food Service Special Revenue Fund by $1,859

III. DEPOSITS AND INVESTMENTS

The Board adopted Board Policy Number 3110, a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that establishes permitted investments, asset allocation limits and issuer limits, credit ratings requirements, and maturity limits to protect the District's cash and investment assets. The policy's main objectives are geared to maintain the safety of principal, liquidity and return on investment.

A. Cash and Cash Equivalents, and Investments

As of June 30, 2015, the carrying amount of the District's bank deposit account was $265.6 million. Banks qualified as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes, hold all deposits.

Cash equivalents consist of amounts placed with Bank of America and Florida Education Investment Trust Fund (FEITF).

Funds can be invested in non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this State and/or in National Banks organized by the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. A maximum of 25 percent of available funds may be invested in non-negotiable interest bearing time certificates of deposit. A maximum of 15 percent of available funds may be deposited with any one issuer. The maximum maturity on any certificate is 1 year from the date of purchase.

Cash and investments at June 30, 2015 are shown below (in thousands):

	Governmental Funds	Internal Service Funds	Total Government-wide	Agency Fund
Federal Treasury Bonds & Notes	$ 203,174	$ 143	$ 203,317	$ 1,533
Government Sponsored Entity Securities	84,664	60	84,724	638
Municipal Bonds	3,077	2	3,079	23
Corporate Notes and Paper	22,281	16	22,297	167
Commercial Paper	8,112	6	8,118	61
Discount Note	49,552	35	49,587	373
Asset Backed Securities	7,279	5	7,284	55
Funds Held by Trustee:				
Federal Treasury Bonds & Notes	4,707	-	4,707	-
Commercial Paper	171,931	-	171,931	-
Funds Held in Trust by State	673	-	673	-
Florida Education Investment Trust	29,794	21	29,815	225
Total Investments	585,244	288	585,532	3,075
Total Deposits	253,191	170	253,361	12,249
Total cash, cash equivalents, and investments	$ 838,435	$ 458	$ 838,893	$ 15,324

Credit Risk:

The District has adopted an investment policy that authorizes the District to participate in the State Board of Administration Investment Pool (SBA). The policy also authorizes the District to invest in interest-bearing time deposits or savings accounts, direct obligations of the United States Treasury, Federal Agencies, discount notes, and money market funds with the highest credit quality rating from nationally recognized statistical rating organizations and registered with the Securities and Exchange Commission; State and/or local government taxable and/or tax exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and “AA” by Standard & Poor’s for long term debt, or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt; and bankers acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short term paper is rated, at a minimum, “P-1” by Moody’s Investors Services and “A-1” by Standard & Poor’s. Additionally, the bank shall not be listed with any recognized credit watch information service.

The Policy also authorizes the District to invest in commercial paper of any United States company that is rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). Additionally, the company shall not be listed with any recognized credit watch information service. Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard & Poor’s.

As of June 30, 2015, the District's investment securities had the following ratings as shown in the chart below (dollars in thousands):

Investments	Fair Market Value	S&P or Moody's[1] Rating
Short-term portfolio:		
SBA: Debt Service Accounts	$ 673	NA
Florida Education Investment Trust Fund	30,040	AAAm
Corporate Notes	35	AAA
Corporate Notes	691	AA
Commercial Paper	180,110	A-1
Discount Note	49,960	AAA
Government Sponsored Entity Securities	62,365	AAA
Treasury Bonds and Notes	130,148	AA
Municipal Bonds	3,102	AA
Long-term portfolio:		
Corporate Notes	13,318	AA
Corporate Notes	8,420	AAA
Government Sponsored Entity Securities	22,589	AAA
Government Sponsored Entity Securities	408	AA
Asset Backed Securities	3,108	A-1
Asset Backed Securities	1,164	AAA
Asset Backed Securities	3,067	Aaa[1]
Treasury Bonds and Notes	58,407	AAA
Treasury Bonds and Notes	21,002	AA
Total Investments	$ 588,607	

Interest Rate Risk:

The District manages its exposure to interest rate risk in fair value by forecasting cash outflows and inflows. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than 24 months. According to the District's policy, securities may be purchased at a premium or traded for other securities to improve yield, maturity or credit risk.

Investments of bond reserves, construction funds, and other non-operating funds (core funds) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed 5 years. The following table shows the District's short-term portfolio weighted average maturity at June 30, 2015 (dollars in thousands):

Investments	Fair Market Value	Maturity: Less than 1 Year	Maturity: 2 Years	Weighted Average Maturity (Days)
SBA: Debt Service Accounts	$ 673	$ 673	$ -	1
Florida Education Investment Trust Fund	30,040	30,040	-	1
Corporate Notes	726	726	-	312
Commercial Paper	180,110	180,110	-	113
Discount Note	49,960	49,960	-	108
Government Sponsored Entity Securities	62,365	62,365	-	101
Treasury Bonds and Notes	130,148	130,148	-	106
Municipal Bonds	3,102	3,102	-	297
Total	$ 457,124	$ 457,124	$ 0	

The following table shows the District's long-term portfolio effective duration at June 30, 2015:

Investments	Fair Market Value	Effective Duration In Years
Asset Backed Securities	$ 7,339	2.16
Corporate Notes	21,738	2.09
Government Sponsored Entity Securities	22,997	0.65
Treasury Bonds and Notes	79,409	0.88
Average effective duration	$ 131,483	0.84

The long-term portfolio uses the effective duration method.

Concentration of Credit Risk:

The District's Investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the District's Investment Portfolio.

<u>The Local Government Surplus Funds Trust Fund (SBA)</u>:

A maximum of 100 percent of available funds may be invested by the District's Treasurer (the Treasurer) in the SBA. Funds deposited with the SBA are invested in the pooled investment account, an external investment pool administered by the State of Florida and operated in a manner consistent with the Security and Exchange Commission's Rule 2a7-like of the Investment Company Act of 1940.

<u>U.S. Government Securities</u>:

The Treasurer may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. A maximum of 100 percent of available funds may be invested in these securities; the maximum length to maturity is 5 years from the date of purchase.

These securities include but are not limited to: Cash Management Bills, Treasury Securities - State and Local Government Series (SLGS), Treasury Bills, Treasury Notes, Treasury Bonds, and Treasury Strips.

U.S. Government Agencies:

The Treasurer may invest in bonds, debentures, discount notes or callables issued or guaranteed by the United States Government Agencies, provided such obligations are backed by the full faith and credit of the United States Government. A maximum of 50 percent of available funds may be invested in U.S. government agencies. A maximum of 25 percent of available funds may be invested in individual U.S. government agencies. The maximum length to maturity is 5 years from the date of purchase.

Federal Agency (U.S. Government sponsored agencies):

The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Government Sponsored Agencies (Federal Instrumentalities), which are non-full faith. A maximum of 80 percent of available funds may be invested in Federal Instrumentalities. A maximum of 40 percent may be invested in any one issuer. The maximum length to maturity for an investment is 5 years from the date of purchase.

Corporate Notes:

The Treasurer may invest in Corporate Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard’s & Poor’s. A maximum of 25 percent of available funds may be invested in corporate notes. Only 5 percent invested with one issuer. The length to maturity shall be 5 years from the date of purchase.

Commercial Paper:

The Treasurer may invest in commercial paper of any United States company that is rated, at the time or purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated “A” or better by at least two nationally recognized rating agencies. A maximum of 35 percent of available funds may be directly invested in prime commercial paper. The maximum length to maturity for prime commercial paper shall be 270 days from the date of purchase.

The following table shows the composition of the District’s investments at June 30, 2015 (dollars in thousands).

Investments	Fair Market Value	Percentage of Portfolio
Short-term investments:		
State Board of Administration:		
Debt Service Account	$ 673	0.11%
Florida Education Investment Trust Fund	30,040	5.10%
Corporate Notes:		
General Electric	35	0.01%
Toyota Motor Credit Corp	691	0.12%
Commercial Paper:		
Bank of Tokyo Mitsubishi LTD	3,344	0.57%
BNP Paribas Finance, Inc	3,137	0.53%
General Electric	699	0.12%
Toyota Motor Credit Corp.	999	0.17%
US Bank NA	171,931	29.22%
Discount Notes:		
Federal Home Discount Note	49,960	8.49%
Government Sponsored Entity Securities:		
Federal Home Loan Bank	32,289	5.49%
Federal Home Loan Mortgage Corporation	10,031	1.70%
Federal National Mortgage Association	20,045	3.41%
Treasury Bonds and Notes	130,148	22.11%
Municipal Bonds	3,102	0.53%
Long-term investments:		
Corporate Notes:		
Apple Incorporated	3,009	0.51%
Berkshire Hathaway Fin	3,369	0.57%
Chevron Corp Notes	2,731	0.46%
Citigroup Global Markets	1,654	0.28%
General Electric	109	0.02%
International Business Machine	3,941	0.67%
Johnson and Johnson	1,930	0.33%
JP Morgan Chase	3,297	0.56%
Microsoft Corp	75	0.01%
The Coca Cola Company	536	0.09%
Toyota Motor Credit Corp	495	0.08%
Wal-Mart Stores Global Notes	592	0.10%
Government Sponsored Entity Securities:		
Federal Home Loan Bank	12,729	2.16%
Federal Home Loan Mortgage Corporation	7,399	1.26%
Federal National Mortgage Association	2,869	0.49%
Asset Backed Securities:		
Citibank	1,164	0.20%
Ford	1,700	0.29%
Honda	1,319	0.22%
Nissan Auto	1,367	0.23%
Toyota Motor Credit Corp	1,789	0.30%
Treasury Bonds and Notes	79,409	13.49%
Total investment	$ 588,607	100.00%

Custodial Risk:

Pursuant to Section 218.415(10), Florida Statutes, securities, with the exception of certificates of deposit, are held with a third party custodian; and all securities purchased by, and all collateral obtained by the District is properly designated as an asset of the District. The securities are held in an account separate and apart from the assets of the financial institution.

As of June 30, 2015, the District's investment portfolio was held by Wells Fargo Securities, LLC, a third party custodian, as required by the School Board's investment policy.

IV. DUE TO/FROM OTHER GOVERNMENTAL AGENCIES AND UNEARNED REVENUE

Due To/From Other Governmental Agencies:

At June 30, 2015, the District's due to/from other governmental agencies balances are as follows (in thousands):

	General Fund	ARRA Economic Stimulus Special Revenue Fund	Local Millage Capital Improvement Fund	Other Capital Improvement Fund	Other Governmental Funds	Total
Due from other governments:						
Federal Government:						
Miscellaneous Federal	$ 2,197	$ 1,174	$ -	$ -	$ 15,073	$ 18,444
State Government:						
Food Reimbursement	-	-	-	-	1,719	1,719
Motor Vehicle License Tax	-	-	-	-	3,568	3,568
Local Government:						
Taxes Receivable	20,049	-	5,075	-	-	25,124
Miscellaneous Local	12	-	-	5,554	-	5,566
Total due from other governmental agencies	$ 22,258	$ 1,174	$ 5,075	$ 5,554	$ 20,360	$ 54,421
Due to other governments:						
Florida Retirement System Contribution	$ 8,768	$ -	$ -	$ -	$ -	$ 8,768
Miscellaneous	60	-	-	-	-	60
Total due to other governmental agencies	$ 8,828	$ 0	$ 0	$ 0	$ 0	$ 8,828

Unearned Revenue:

Governmental funds and government-wide activities defer revenue recognition in connection with resources from exchange transactions that have been received, but not yet earned. At June 30, 2015, the various components of unearned revenue reported in the government-wide statements and the governmental funds were as follows (in thousands):

	Unearned Revenue Government-wide	Unearned Revenue Governmental Funds
Becon	$ 6,045	$ 6,045
Grant drawdowns prior to meeting all eligibility requirements	2,904	2,904
Total	$ 8,949	$ 8,949

V. AD VALOREM TAXES

The District is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. Property taxes are assessed by the Broward County Property Appraiser and are collected by the Broward County Revenue Collector who remits them to the District. The Board adopted the 2014 tax levy on September 16, 2014.

Property values are assessed as of January 1 of each year, and levied on November 1, at which time taxes become an enforceable lien on property. Such levy serves to finance expenditures of the following fiscal year. 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 four percent for early payment.

On April 1 of the year following the year of assessment, taxes become delinquent and Florida Statutes provide 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 certificates to satisfy unpaid taxes. The District recognizes revenue during the fiscal year following the year of assessment. Accordingly, substantially all of the taxes assessed on January 1, 2014, have been recognized during the fiscal year ended June 30, 2015.

The following is a summary of millages and taxes levied on the final 2014 tax rolls for the fiscal year 2015 (dollars in thousands):

		Taxes		
	Millages	Levied	Collected	Uncollected
General Funds				
Non-voted School Tax:				
Required Local Effort	5.190	$ 796,842	$ 755,749	$ 9,562
Discretionary Local Effort	0.748	114,877	108,952	1,378
	5.938	$ 911,719	$ 864,701	$ 10,940
Capital Project Funds				
Non-voted School Tax:				
Capital Improvements	1.500	$ 230,309	$ 218,479	$ 2,764
Debt Service Funds				
Voted Tax:				
Debt Service	0.000	$ 0	$ 13	$ 0

The State Constitution limits the non-voted levying of taxes by the District to 10 mills ($10 per thousand of assessed valuation). State law prescribes the upper limit of non-voted taxes to be levied on an annual basis, with the fiscal year 2015, limit being 7.438 mills, which includes up to 1.50 mills for the Capital Projects Funds. The voter approved levy for debt service is limited to 6 mills; for fiscal year 2015, no taxes for debt service were levied.

The total assessed value for calendar year 2014, on which the fiscal 2015 levy was based, was approximately $153.5 billion, which is subject to change based upon appeals to the Broward County Value Adjustment Board.

The Broward County Revenue Collector is not required by law to make an accounting to the District of the difference between taxes levied and taxes collected. The State required the District to budget at a 96 percent collection rate. The actual property taxes collected or accrued for fiscal year 2015 were 94.8 percent of the taxes levied.

VI. CAPITAL ASSETS

A summary of changes in capital assets is as follows (in thousands):

	Balance 07/01/2014	Additions	Deletions	Transfers	Balance 06/30/2015
Primary Government:					
Capital assets not being depreciated:					
Land	$ 236,046	$ -	$ -	$ -	$ 236,046
Land improvements	130,108	654	-	101	130,863
Construction in progress	25,874	10,463	(1,689)	(8,335)	26,313
Broadcast license intangible	3,600	-	-	-	3,600
Total capital assets not being depreciated	395,628	11,117	(1,689)	(8,234)	396,822
Other capital assets:					
Land improvements	326,240	2,092	-	531	328,863
Buildings and fixed equipment	3,600,031	5,214	(359)	7,703	3,612,589
Furniture, fixtures and equipment	401,967	18,331	(79,307)	(2,997)	337,994
Assets under capital leases	48,283	-	-	(3,747)	44,536
Audio visual	695	149	(141)	-	703
Computer software	55,596	856	-	-	56,452
Motor vehicles:					
Buses	65,935	1,155	(6,674)	6,744	67,160
Other	27,130	719	(2,029)	-	25,820
Total other capital assets at historical cost	4,525,877	28,516	(88,510)	8,234	4,474,117
Less accumulated depreciation for:					
Land improvements	(115,707)	(12,296)	-	-	(128,003)
Buildings and fixed equipment	(1,301,701)	(78,734)	-	-	(1,380,435)
Furniture, fixtures and equipment	(368,141)	(9,032)	71,454	(8,902)	(314,621)
Assets under capital leases	(22,378)	(8,764)	-	16,801	(14,341)
Audio visual	(482)	(140)	140	-	(482)
Computer software	(35,816)	(5,441)	-	-	(41,257)
Motor vehicles:					
Buses	(59,401)	(2,810)	6,674	(7,899)	(63,436)
Other	(23,734)	(1,102)	2,029	-	(22,807)
Total accumulated depreciation*	(1,927,360)	(118,319)	80,298	-	(1,965,382)
Total other capital assets, net	2,598,517	(89,803)	(8,212)	8,234	2,508,735
Total primary government, net	2,994,145	(78,686)	(9,901)	-	2,905,557
Internal service fund:					
Machinery and equipment	475	131	-	-	606
Accumulated depreciation*	(474)	(19)	-	-	(493)
Total Internal service fund, net	1	112	-	-	113
Total capital assets, net	$ 2,994,146	$ (78,574)	$ (9,901)	$ 0	$ 2,905,669

*Depreciation expense was recorded in the following governmental functions:

Instructional Services	$ 85,192
Instructional support services	12,914
Pupil transportation services	3,538
Operation and maintenance of plant	6,237
School administration	2,784
General Administration	2,202
Food services	5,452
Total depreciation expense	$ 118,319

VII. INTERFUND TRANSACTIONS

Interfund Transfers. A summary of interfund transfers for the fiscal year ended June 30, 2015, is as follows (in thousands):

	Transfers In					
	General Fund	COP Series Debt Service Fund	ARRA Economic Stimulus Debt Service Fund	Other Capital Improvement Fund	Other Governmental Funds	Total
Transfers Out:						
General Fund	$ -	$ 5,018	$ -	$ 1,764	$ 39	$ 6,821
Local Millage Capital Improvement Funds	46,494	150,474	-	-	-	196,968
ARRA Economic Stimulus Capital Project Funds	-	7	-	-	-	7
Other Capital Improvement Funds	13,166	458	12,574	-	-	26,198
District Bonds Fund	-	-	-	-	1,149	1,149
Other Governmental Funds	5,333	-	-	-	-	5,333
Total Primary Government	$ 64,993	$ 155,957	$ 12,574	$ 1,764	$ 1,188	$ 236,476

The transfers in to the General Fund primarily relate to the funding of maintenance and repairs of existing school facilities pursuant to Chapter 1013 of the Florida Statutes. The transfers in also represent reimbursement of property and casualty insurance premiums pursuant to Section 1011.71, Florida Statutes. The transfers in to the Debt Service Funds relate to the funding of principal and interest payments on the District's outstanding debt issues.

Interfund Receivables and Payables. Individual fund receivable and payable balances as reported in the Governmental Funds Balance Sheet at June 30, 2015 are as follows (in thousands):

	Payable Fund		
	ARRA Economic Stimulus Special Revenue Fund	Other Governmental Funds	Total
Receivable Fund:			
General Fund	$ 516	$ 12,078	$ 12,594

Interfund amounts represent internal borrowing for grant expenditures pending reimbursement from the grantor.

VIII. TAX ANTICIPATION NOTES

On October 21, 2014, the District issued Tax Anticipation Notes (TANS), Series 2014. The $125 million note proceeds were used to pay fiscal year 2015 operating expenditures prior to the receipt of ad valorem taxes. Interest costs incurred on the life of this issue for the year ended June 30, 2015, were $1.6 million, with the effective yield of 0.07 percent. There was no arbitrage rebate due on the TANS, Series 2014. The notes came due January 30, 2015.

Short-term debt activity for the year ended June 30, 2015, was as follows (in thousands):

	Beginning Balance July 1, 2014	Issued	Redeemed	Ending Balance June 30, 2015
Tax Anticipation Notes	$ 0	$ 125,000	$ 125,000	$ 0

IX. CAPITAL LEASES

Property acquired under capital leases, which is stated at acquisition cost, is included in the government-wide financial statements. At June 30, 2015, the various components of property acquired under capital leases reported in the government-wide statements were as follows (in thousands):

	Amount
Furniture, fixtures and equipment	$ 20,641
Buses	23,895
Subtotal	44,536
Less: Accumulated Depreciation	(14,341)
Total Net Book Value	$ 30,195

The following is a summary of changes in capital leases for the fiscal year ended June 30, 2015 (in thousands):

	Interest Rate	Final Maturity Date	July 1, 2014	Increases	Decreases	June 30, 2015
School Buses	4.06%	12/18/2016	$ 2,951	$ -	$ (1,145)	$ 1,806
School Buses/Equipment	4.13%	11/1/2014	1,820	-	(1,820)	-
School Buses	1.81%	5/10/2021	4,442	-	(601)	3,841
Technology Equipment	1.27%	2/27/2018	10,000	-	(2,453)	7,547
School Buses/ Hard Drive	1.95%	2/27/2022	10,300	-	(1,202)	9,098
Computers	1.37%	9/4/2018	-	6,000	(732)	5,268
Technology	1.42%	4/3/2019	-	9,000	-	9,000
School Buses	1.99%	4/3/2023	-	15,000	-	15,000
Total capital leases			$ 29,513	$ 30,000	$ (7,953)	51,560
Less: portion due within 1 year						(10,942)
Total capital leases due in more than 1 year						$ 40,618

The following is a summary of the future minimum lease payments under capital leases together with the present value of minimum lease payments as of June 30, 2015 (in thousands):

Fiscal Year	Amount
2016	$ 11,807
2017	11,181
2018	10,554
2019	7,209
2020	4,113
2020-2023	9,586
Total minimum lease payments	54,450
Less:	
Amount representing interest	(2,890)
Present value of minimum lease payments	$ 51,560

The amount representing interest was calculated using annual rates ranging from 1.27 percent to 4.13 percent.

X. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2015 (in thousands):

	Interest Rate	Final Maturity Date	July 1, 2014	Increases	Decreases	June 30, 2015	Amounts Due One Year
Bonds payable:							
Capital outlay bond issues:							
Series 2005A	3.00-5.00%	1/1/2017	$ 11,960	$ -	$ (11,960)	$ -	$ -
Series 2005B	3.50-5.00%	1/1/2020	2,050	-	(2,050)	-	-
Series 2006A	4.10-4.625%	1/1/2026	170	-	(10)	160	10
Series 2008A	4.25-5.00%	1/1/2028	4,325	-	(160)	4,165	180
Series 2009A-New Money	4.00-5.00%	1/1/2029	1,005	-	(40)	965	45
Series 2009A-Refunding	5.00%	1/1/2019	1,475	-	(265)	1,210	275
Series 2010A-Refunding	4.00-5.00%	1/1/2022	5,915	-	(550)	5,365	600
Series 2011A-Refunding	3.00-5.00%	1/1/2023	6,285	-	(1,090)	5,195	455
Series 2014B-Refunding	2.00-5.00%	1/1/2020	-	9,200	-	9,200	6,088
Total capital outlay bond issues			33,185	9,200	(16,125)	26,260	7,653
General Obligation Bonds:							
Series 2015	3.50-5.00%	7/1/2040	-	155,055	-	155,055	3,215
Total General Obligation Bonds			-	155,055	-	155,055	3,215
Certificates of participation:							
Series 2004A-Refunding	5.00-5.25%	7/1/2017	23,645	-	(7,480)	16,165	7,875
Series 2004B-Refunding	5.00-5.25%	7/1/2017	41,200	-	(13,035)	28,165	13,725
Series 2004C	2.50-5.25%	7/1/2016	15,520	-	(7,510)	8,010	8,010
Series 2004-QZAB	(i)	12/22/2020	372	-	(53)	319	53
Series 2005A	3.00-5.00%	7/1/2015	139,265	-	(139,265)	-	-
Series 2006A	4.20-5.25%	7/1/2016	176,195	-	(166,300)	9,895	9,895
Series 2006B	Variable	7/1/2031	65,000	-	-	65,000	-
Series 2007A	3.75-5.00%	7/1/2017	215,150	-	(194,430)	20,720	10,110
Series 2008A	4.00-5.25%	7/1/2033	247,595	-	(8,304)	239,291	8,695
Series 2009A-Tax Exempt	5.00-5.25%	7/1/2027	20,140	-	-	20,140	-
Series 2009A-BAB	7.40%	7/1/2034	63,910	-	-	63,910	-
Series 2009A-QSCB	(ii)	7/1/2024	45,373	-	(4,540)	40,833	4,540
Series 2010A-QSCB	6.45%	7/1/2027	51,645	-	-	51,645	-
Series 2011A-Refunding	3.25-5.00%	7/1/2024	171,425	-	-	171,425	-
Series 2012A-Refunding	4.00-5.00%	7/1/2028	264,900	-	(6,000)	258,900	7,785
Series 2012B-Refunding	2.26%	7/1/2021	44,535	-	-	44,535	-
Series 2014A-Refunding	4.33-4.38%	7/1/2029	114,140	-	(180)	113,960	135
Series 2015A-Refunding	5.00%	7/1/2030	-	252,360	-	252,360	-
Series 2015B-Refunding	5.00%	7/1/2032	-	170,805	-	170,805	-
Total certificates of participation			1,700,010	423,165	(547,098)	1,576,078	70,823
Total bonds and certificates of participation payable			$ 1,733,195	$ 587,420	$ (563,223)	1,757,393	
Add: Net premium/discount						122,569	
Less: Amounts due within one year						(81,691)	
Add: Interest rate swap - fair value (GASB 53)						23,728	
Total debt, net of premiums and discounts						$ 1,821,999	$ 81,691

(i) Interest on the Series 2004-QZAB is paid by the Federal government in the form of an annual tax credit to the bank or other financial institution that holds the QZAB. Annual payments of $53,062 will be made for 16 consecutive years, being deposited in an escrow account held by a fiscal agent, which when coupled with interest earnings and net appreciation in market value will be sufficient to pay off the principal balance of the QZAB, in full, at maturity on December 22, 2020.

(ii) Series 2009A-QSCBs (Qualified School Construction Bonds) are issued with principal only repaid by the District (no interest) and the investor receives a tax credit in lieu of interest payment. Annual payments of $4,540,000 will be made for 11 consecutive years, being deposited in an escrow account held by a fiscal agent. The Series 2009A-QSCB will mature on July 1, 2024.

On November 4, 2014, the residents of Broward County approved the issuance of up to $800 million of General Obligation Bond funds; the District has also provided an additional $184 million to aid in this project. This amount will be used to provide resources over a 5-year period to fund critically needed projects and programs in Safety, Music and Art, Athletics, Renovation and Technology.

As of June 30, 2015, one separate bond series was issued pursuant to this referendum. The General Obligation Bond Series 2015 were sold on June 18, 2015, in the amount of $155 million, which are secured by the general taxing authority of the District. In addition to the Series 2015 bonds, the District plans to issue such approved general obligation bonds in several tranches over the next 5 to 6 years.

The Capital Outlay Bond Issues (COBI) are retired by the State for the District. The bonds mature serially and are secured by a pledge of the District's share of revenue from the sale of license plates. The State Board of Administration determines the sinking fund requirements for these bonds annually. The sinking fund, maintained in the COBI Debt Service Fund, at June 30, 2015, was $0.7 million.

On January 7, 2015, the District issued the Certificate of Participation, Series 2015A for $252.4 million to currently refund the majority of the Certificates of Participation Series, 2005A and Series 2006A. Additionally, the District, on January 8, 2015, issued the Certificate of Participation, Series 2015B for $170.8 million to refund the majority of the Certificates of Participation, Series 2007A through a competitive sales process. The District was able to capitalize on the low interest rate environment that occurred at the beginning of the year due to favorable market conditions. The District realized a net present value (NPV) savings of more than $52.5 million. The refunding resulted in a decrease in future debt payments of $25.8 million and an economic gain of $17.4 million.

The Certificates of Participation are liquidated through the COP Series Debt Service Fund from the proceeds of the capital millage levied by the District. See Note XII. of the Notes to the Basic Financial Statements for further discussion of the Certificates.

The Tax Reform Act of 1986 requires local units of government to rebate to the Federal government the income (in excess of interest costs) received from investing proceeds on substantially all tax-exempt debt issued subsequent to August 1986. Such rebate of cumulative arbitrage earnings must be paid every 5 years until such time as the proceeds have been expended. For the fiscal year ended June 30, 2015, the District has no accrued liability for rebatable arbitrage.

Annual requirements to amortize all bond issues outstanding as of June 30, 2015, are as follows (in thousands):

	Capital Outlay Bond Issues			General Obligation Bond Issue			Certificates of Participation		
Year Ending June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	7,653	$ 1,294	$ 8,947	$ 3,215	$ 6,859	$ 10,074	$ 70,823	$ 76,709	$ 147,532
2017	4,232	874	5,106	3,615	6,459	10,074	68,588	73,367	141,955
2018	2,335	663	2,998	3,795	6,279	10,074	84,313	70,282	154,595
2019	2,091	546	2,637	3,985	6,089	10,074	93,908	67,662	161,570
2020	1,914	449	2,363	4,185	5,890	10,075	97,998	64,151	162,149
2021-2025	6,265	1,019	7,284	24,280	26,091	50,371	572,019	254,946	826,965
2026-2030	1,770	174	1,944	30,280	20,085	50,365	455,690	115,752	571,442
2031-2035	-	-	-	36,855	13,507	50,362	132,739	16,976	149,715
2036-2041	-	-	-	44,845	5,522	50,367	-	-	-
Total	$ 26,260	$ 5,019	$ 31,279	$ 155,055	$ 96,781	$ 251,836	$ 1,576,078	$ 739,845	$ 2,315,923

Other Liabilities

The District and Broward Teachers Union reached an agreement on November 26, 2013, to provide for hourly compensation for high school teachers who taught a sixth period during the 2012-13 school year. It also provided for hourly compensation through October 31, 2013, for high school teachers who were teaching a sixth period in the 2013-14 school year. This agreement will pay the teachers over a 5-year period beginning in the 2013-14 school year. The remaining balance of $16.4 million is to be paid over the remaining 3 years.

XI. DEFEASED DEBT

On December 2, 2014, the SBE issued Series 2014B, with an average interest rate of 5 percent to effectuate a savings in debt service costs. The District's portion of the Series 2014B bonds totaling $9.2 million were used to refund the $9.68 million principal amount of Series 2005A and Series 2005B that mature on or after January 1, 2016. The District's pro rata share of the net proceeds of the Series 2014B bonds was $9.8 million (including a premium at issuance of $0.6 million and after deduction of $0.02 million by the FDOE for the District's pro rata share of underwriting fees, insurance, and other issuance cost). The SBE Capital Outlay Bonds Series 2005A and 2005B were called on January 1, 2015.

On January 7, 2015, the District issued the Certificates of Participation, Series 2015A for $252.4 million to currently refund the majority of the Certificates of Participation, Series 2005A and Series 2006A. The net proceeds of $301.9 million (par amount plus bond premium of $50.7 million less $1.2 million in costs of issuance and underwriter's discount) were deposited into an irrevocable escrow and used to redeem the refunded certificates. As a result, $288.1 million of the refunded certificates are considered to be in-substance defeased and the liability for these certificates has been removed from the Statement of Net Position.

Additionally, the District, on January 8, 2015, issued the Certificate of Participation, Series 2015B for $170.8 million to refund the majority of the Certificates of Participation, Series 2007A. The net proceeds of $203.4 million (par amount plus bond premium of $33.3 million less $0.7 million in costs of issuance and underwriters' discount) were deposited into an irrevocable escrow and used to redeem the refunded certificates. As a result, the $184.8 million of the refunded certificates are considered to be in-substance defeased and the liability for these certificates has been removed from the Statement of Net Position. The loss on the refunding of debt is $66.7 million for fiscal year 2015. The total was allocated among the District's Swaps and certifications that were refinanced. To bring the Swaps in compliance with GASB 53, the refunding was in the amount of $20.9 million and the District's loss on the certificates as a result of its refunding totaled $66.7 million.

XII. OBLIGATION UNDER LEASE PURCHASE AGREEMENT - CERTIFICATES OF PARTICIPATION

The District entered into a Lease Purchase Agreement with the Corporation on June 15, 1989, and a Master Lease Purchase Agreement on July 1, 1990, (the lease agreements) to finance the acquisition or construction of certain facilities, vehicles and equipment for District operations. On March 16, 2004, June 18, 2004, June 6, 2006, March 30, 2007, June 19, 2008, June 17, 2009, July 23, 2010, May 20, 2011, April 5, 2012, September 27, 2012, February 27, 2014, January 7, 2015, and January 8, 2015 the Corporation issued refunding and new money Certificates, Series 2004A (refunding), Series 2004B (refunding), Series 2004C, Series 2006A, Series 2006B, Series 2007A, Series 2008A, Series 2009A-Tax Exempt, Series 2009A-BAB, Series 2009A-QSCB, Series 2010A-QSCB, Series 2011A (refunding), Series 2012A (refunding), Series 2012B (refunding), Series 2014A (refunding), Series 2015A (refunding), and Series 2015B (refunding) in the amounts of $69.9 million, $71.9 million, $110.5 million, $65 million, $270.6 million, $20.1 million, $63.9 million, $49.9 million, $51.6 million, $175.5 million, $270.7 million, $44.5 million, $114.1 million, $252.4 million, and $170.8 million, respectively, to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the lease agreements. Interest rates ranged from 2 percent to 7.4 percent.

On January 7, 2015, the District issued the Certificate of Participation, Series 2015A for $252.4 million to currently refund the majority of the Certificates of Participation, Series 2005A and Series 2006A. Additionally, the District on January 8, 2015, issued the Certificate of Participation Series 2015B for $170.8 million to refund the majority of the Certificates of Participation, Series 2007A through a competitive sales process. The District was able to capitalize on the low interest rate environment that occurred at the beginning of the year due to favorable market conditions. The District realized a net present value (NPV) savings of more than $52.5 million.

On February 27, 2014, the District issued the Certificate of Participation, Series 2014A for $114.1 million to currently refund the Certificates of Participation, Series 2004D, through a competitive sale process. The most cost effective variable rate mode was to place the Series 2014A with a bank where the variable rate was set based on an index. The interest rate conversion locked in a rate spread, eliminating certain risks associated with variable rate obligations and reducing the District's debt service costs.

On September 27, 2012, the District issued the Certificates of Participation, Series 2012B for $44.5 million to refund the Certificates of Participation, Series 2005, through a negotiated private sale. This refunding was completed in order to convert from the 2005B Certificates variable interest rate mode to a fixed interest rate of 2.258 percent. This allowed the District to eliminate the risk of future interest rate increases and guarantee a fixed interest rate to a maturity at historically low interest rates.

In April 2012, the Corporation issued Certificate Series, 2012A in the amount of $270.7 million. The Series 2012A was issued to refund the outstanding Certificates of Participation pertaining to Series 2001A, Series 2001B and portions of Series 2003A and Series 2004C.

In May 2011, the Corporation issued Certificate Series 2011A in the amount of $175.5 million. The Series 2011A was issued to refund a portion of the outstanding Certificates of Participation pertaining to Series 1997B, Series 2001A and Series 2001B.

In July 2010, the Corporation issued Certificate Series 2010A-QSCB (Qualified School Construction Bonds) in the amount of $51.6 million. The Series 2010A-QSCB was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. This is a taxable obligation with the District receiving a direct subsidy rebate of a portion of the interest cost from the U.S. Treasury.

The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created two new categories of direct subsidy debt for school districts: The Qualified School Construction

Bonds (QSCBs) and the Build America Bonds (BABs). Neither the QSCBs nor the BABs represent incremental Federal funding, both must be repaid by the District.

In June 2009, the Corporation issued Certificate Series 2009A-Tax Exempt in the amount of $20.1 million. The Series 2009A-TE was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2009A-TE is a conventional Fixed Rate issue with interest ranging from 5 percent to 5.25 percent.

In June 2009, the Corporation issued Certificate Series 2009A-BAB (Build America Bond) in the amount of $63.9 million. The Series 2009A-BAB was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2009A-BAB Certificates are taxable debt instruments, whereby the District receives a direct rebate payment from the Federal Government equal to 35 percent of the interest cost. The Series 2009A-BAB is a conventional Fixed Rate issue with an interest rate of 7.4 percent.

In June 2009, the Corporation issued Certificate Series 2009A-QSCB (Qualified School Construction Bonds) in the amount of $49.9 million. The Series 2009A-QSCB was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2009A-QSCB Certificates are non-interest obligations, and are issued as "principal only" (i.e. the principal is repaid by the District).

In June 2008, the Corporation issued Certificate Series 2008A in the amount of $270.6 million. The Series 2008A was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2008A is a conventional Fixed Rate issue with interest ranging from 3.15 percent to 5.25 percent.

In March 2007, the Corporation issued Certificate Series 2007A in the amount of $272.6 million. The Series 2007A was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2007A is a conventional fixed rate with interest rates ranging from 3.5 percent to 5 percent.

In June 2006, the Corporation issued Certificates Series 2006A and 2006B in the amounts of $202.1 million and $65 million, respectively. Both Series were issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2006A is conventional fixed rate issue with the interest rates ranging from 4 percent to 5.25 percent. The Series 2006B is a Variable Rate issue. Interest is calculated at a variable rate on a weekly basis and payable weekly.

In December 2004, the District sold Series 2004-QZAB for $1 million of which $848,000 in principal will be repaid pursuant to the Trust Agreement.

The Corporation leases the facilities, vehicles and equipment to the District under the lease agreements, which are automatically renewable through varying dates (see summary below), unless earlier terminated following the occurrence of an event of default or a non-appropriation of funds to make lease payments, all as described and defined in the leases. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases, including the 2004-QZAB, 2004A, 2004B, 2004C, 2006A, 2006B, 2007A, 2008A, 2009A-Tax Exempt, 2009A-BAB, 2009A-QSCB, 2010A-QSCB, 2011A, 2012A, 2012B, 2014A, 2015A and 2015B. The remedies on default include the immediate surrender and delivery of possession of all facilities, vehicles and certain equipment (excludes certain computer equipment) financed under all leases to the Trustee in the condition, state of repair and appearance required under the leases. Upon such surrender, the Trustee will sell or lease such facilities, vehicles and certain equipment in such manner and to such person as it determines appropriate. The proceeds of any sale or lease will be applied first to the payment in full of the Certificates and then to the payment of the District's obligations under the reimbursement agreement and finally to the payment of the District.

A summary of the lease terms are presented as follows:

Certificates	Lease Term
Series 2004A-Refunding	June 30, 2017 as to the Facilities
Series 2004B-Refunding	June 30, 2017 as to the Facilities
Series 2004C	June 30, 2016 as to the Facilities
Series 2004-QZAB	December 22, 2020 as to the Facilities
Series 2006A	June 30, 2028 as to the Facilities
Series 2006B	June 30, 2031 as to the Facilities
Series 2007A	June 30, 2032 as to the Facilities
Series 2008A	June 30, 2033 as to the Facilities
Series 2009A-Tax Exempt	July 01, 2027 as to the Facilities
Series 2009A-BAB	July 01, 2034 as to the Facilities
Series 2009A-QSCB	July 01, 2024 as to the Facilities
Series 2010A-QSCB	July 01, 2027 as to the Facilities
Series 2011A-Refunding	July 01, 2024 as to the Facilities
Series 2012A-Refunding	July 01, 2028 as to the Facilities
Series 2012B-Refunding	July 01, 2021 as to the Facilities
Series 2014A-Refunding	July 01, 2029 as to the Facilities
Series 2015A-Refunding	July 01, 2030 as to the Facilities
Series 2015B-Refunding	July 01, 2032 as to the Facilities

The Series 2004A, 2004B, 2004C, 2006A, 2006B and 2008A Certificates are insured by Financial Security Assurance, Inc. The Series 2007A and Series 2009A-Tax Exempt are insured by Municipal Bond Investors Financial Guaranty Insurance Company. The Series 2009A-BAB Certificates and the Series 2009A-QSCB Certificates are not guaranteed under the financial guaranty insurance policy. The Series 2010A-QSCB Certificates are not insured by any municipal bond insurance policy. The Series 2011A and 2015A Certificates are insured by Assured Guaranty. There is no insurance for the Series 2012A, 2012B, 2014A and 2015B issues.

The Certificates are not separate legal obligations of the District, but represent undivided interests in the basic lease payments to be made from appropriated funds budgeted annually by the Board for such purposes from current or other funds authorized by law and regulations of the Florida Department of Education. However, neither the District, the State of Florida, nor any political subdivision thereof, shall be obligated to pay, except from appropriated funds, any sums due under the leases from any source of taxation. The full faith and credit of the District is not pledged for payment of such sums due hereunder and such sums do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation.

The remaining obligation, as of June 30, 2015, through maturity to the holders of the Certificates, is as follows (in thousands):

Year Ending June 30,	Series 2004A	Series 2004B	Series 2004C	Series 2004	Series 2006A	Series 2006B	Series 2007A
2016	$ 8,724	$ 15,204	$ 8,431	$ 53	$ 10,345	$ 3,250	$ 11,138
2017	8,725	15,198	-	53	-	3,250	11,135
2018	-	-	-	53	-	3,250	-
2019	-	-	-	53	-	3,250	-
2020	-	-	-	53	-	3,250	-
2021-2025	-	-	-	54	-	16,250	-
2026-2030	-	-	-	-	-	59,506	-
2031-2035	-	-	-	-	-	21,105	-
Subtotal	17,449	30,402	8,431	319	10,345	113,111	22,273
Less: Interest	(1,284)	(2,237)	(421)	-	(450)	(48,111)	(1,553)
Total Principal	$ 16,165	$ 28,165	$ 8,010	$ 319	$ 9,895	$ 65,000	$ 20,720

Year Ending June 30,	Series 2008A	Series 2009A T-E	Series 2009A BAB	Series 2009A QSCB	Series 2010A QSCB	Series 2011A	Series 2012A
2016	$ 20,405	$ 1,034	$ 4,729	$ 4,540	$ 3,332	$ 8,511	$ 20,492
2017	20,405	1,034	4,729	4,540	3,332	8,511	28,782
2018	20,401	1,034	4,729	4,540	8,497	32,546	28,804
2019	20,401	1,034	4,729	4,540	8,497	32,538	28,799
2020	20,405	1,034	4,729	4,540	8,497	32,539	24,842
2021-2025	102,023	11,385	23,645	18,133	42,482	107,142	148,432
2026-2030	102,014	15,035	45,527	-	16,994	-	79,179
2031-2035	61,212	-	48,103	-	-	-	-
Subtotal	367,266	31,590	140,920	40,833	91,631	221,787	359,330
Less: Interest	(127,975)	(11,450)	(77,010)	-	(39,986)	(50,362)	(100,430)
Total Principal	$ 239,291	$ 20,140	$ 63,910	$ 40,833	$ 51,645	$ 171,425	$258,900

Year Ending June 30,	Series 2012B	Series 2014A	Series 2015A	Series 2015B	Total
2016	$ 1,006	$ 5,181	$ 12,617	$ 8,540	$ 147,532
2017	6,076	5,026	12,619	8,540	141,955
2018	10,051	5,026	22,174	13,490	154,595
2019	10,304	5,026	24,494	17,905	161,570
2020	10,562	8,965	24,605	18,128	162,149
2021-2025	10,829	75,684	179,901	91,004	826,964
2026-2030	-	59,832	101,623	91,733	571,443
2031-2035	-	-	-	19,295	149,715
Subtotal	48,828	164,740	378,033	268,635	2,315,923
Less: Interest	(4,293)	(50,780)	(125,673)	(97,830)	(739,845)
Total Principal	$ 44,535	$113,960	$252,360	$170,805	$1,576,078

The Corporation entered into trust agreements with the Trustee pursuant to which the Certificates will be executed, delivered and paid under the terms of which (together with the leases) the facilities, vehicles and equipment will be acquired and/or constructed. Trust funds have been established with the Trustee to facilitate payments in accordance with the lease purchase agreement and the trust agreements securing payment of the Certificates.

XIII. INTEREST RATE SWAPS

The District is a party to two interest rate swap agreements recorded in the financial statements in accordance with GASB Statement No. 53 (GASB 53), *"Accounting and Financial Reporting for Derivative Instruments"*, which is in effect for periods beginning with fiscal year ended June 30, 2010. All derivatives are to be reported in the Statement of Net Position at fair value, and all hedges must be tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value is either reported in the Statement of Net Position, or in the Statement of Activities.

The District engaged an independent party to perform the valuation and required tests on these two swaps, and both swaps qualify for hedge accounting. Therefore, the change in fair value of the interest rate swaps for the period ended June 30, 2015, is reported within the Statement of Net Position. At the end of the year the Statement of Net Position represents a derivative swap liability of $23.7 million, offset by a corresponding deferred outflow account in the Statement of Net Position in accordance with GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".* The option for canceling these swaps is only available to the District and not to the Counterparty. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Following are disclosures of key aspects of these agreements:

A. Certificates of Participation, Series 2006B

Objective of the Interest Rate Swap – The District entered into a variable to fixed rate swap agreement for its Certificates of Participation, Series 2006B dated June 6, 2006. The objective was to achieve lower borrowing costs as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on the subject certificates.

Terms – The Swap, with JP Morgan Chase Bank, N.A., with an initial notional amount of $65 million, became effective on June 6, 2006. The swap amortizes in tandem with the hedged certificates. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 4.13 percent. The District will receive from the Counterparty a variable payment based on two floating rate structures: (1) from July 1, 2006 through June 30, 2009, the interest rate is based on the SIFMA Index; (2) from July 1, 2009 through June 30, 2031, the interest rate is based on 70 percent of the London Interbank Offered Rate (LIBOR). The swap agreement terminates on June 30, 2031.

Fair Value – This is the calculated value of the transaction using prevailing market rates, absent transaction costs, were the District to exit the transaction. The swap had a negative fair value of $20 million as of June 30, 2015, as compared to a negative fair value of $18.3 million in the prior year.

Hedging Derivative Instrument Payments and Hedged Debt – As of June 30, 2015, assuming interest rates remain the same for their term, as described, debt service requirements of the Series 2006B Certificates and the net swap payments, are as shown below. As rates vary, variable rate COP interest payments and net swap payments will vary and it is anticipated these schedules will vary from year to year. Interest rates swap schedules are based on interest rates effective on June 30, 2015.

(dollars in thousands)

Year Ending June 30,	Series 2006B Principal	Interest Rate Interest (1)	Interest Rate Swaps, Net (2)	Total
2016	$ -	$ 572	$ 2,600	$ 3,172
2017	-	572	2,600	3,172
2018	-	572	2,600	3,172
2019	-	572	2,600	3,172
2020	-	572	2,600	3,172
2021-2025	-	2,862	13,001	15,863
2026-2030	44,900	2,574	11,686	59,160
2031	20,100	178	806	21,084
Total	$ 65,000	$ 8,474	$ 38,493	$ 111,967

(1) Assumes variable interest rate of 0.8806 percent (actual rate on 6/30/15 of 70 percent LIBOR + 75 basis points (bps).

(2) Assumes fixed swap rate (payment) of 4.131 percent less variable swap receipt of 0.13055 percent (70 percent of LIBOR).

Credit Risk – This is the risk that a counterparty will not fulfill its obligations. As of June 30, 2015, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap agreement contains a collateral agreement with the Counterparty. To mitigate the potential for credit risk, if a Counterparty's credit rating from either Standard & Poor's (S&P) and/or Moody's Investors Services is "A- / A3", respectively or lower, and the fair value of the swap reaches certain threshold amounts, the swap requires collateralization of the fair value of the swap by the Counterparty with U.S. Government Securities. Collateral would be posted with a third party custodian.

Swap Counterparty Data as of June 30, 2015
(dollars in thousands)

Counterparty	Swap Notional Amount	Credit Rating Moody's	Credit Rating S&P	Swap Fair Value
JP Morgan Chase Bank, N.A.	$ 65,000	Aa3	A+	$ (19,990)

Basis Risk – Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable Counterparty. The District receipts on the swap are based on 1 Month LIBOR, just as the payments on the certificates are based on 1 Month LIBOR, with no difference in percentages, therefore there is no basis risk associated with this swap. The swap exposes the District to basis risk since the District receives a variable rate based on LIBOR to offset the variable rate the District pays on its COPs. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the COPs. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk – The District has the option to terminate the swap prior to its expiration date for any reason. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract. If the swap is terminated, the Series 2006B Certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate debt. Also, if at the time of termination, the swap has a negative fair value, the District would be liable to the Counterparty for payment equal to the swap's fair value.

B. Certificates of Participation, Series 2014A

Objective of the Interest Rate Swap – The objective was to achieve lower borrowing costs as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on Series 2004D. On February 27, 2014, the District refinanced the Certificates of Participation, Series 2004D with Certificates of Participation (direct placement) Series 2014A. The swap associated with the Series 2004D remained in place and then became associated with Series 2014A. GASB 53 requires a termination of hedge accounting upon a refunding requiring the balance in the deferral account to be included as a cost of refunding. The required testing of hedge effectiveness between Series 2014A COPs and the associated swap resumes.

Terms – The Swap, with Citibank, N.A., New York with an initial notional amount of $113.8 million, became effective on June 30, 2004. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 3.85 percent. The District will receive from the Counterparty a variable payment based on 67 percent of the LIBOR. The District will also pay the interest rate resulting from the 2014A variable rate certificates. The swap agreement terminates on July 1, 2029.

Fair Value – The swap had a negative fair value of $3.7 million as of June 30, 2015, as compared to a negative fair value of $23.4 million in the prior year.

Hedging Derivative Instrument Payments and Hedged Debt – As of June 30, 2015, assuming interest rates remain the same for their term, as described, debt service requirements of the Series 2014A Certificates and the net swap payments, are as shown below. As rates vary, variable rate COP interest payments and net swap payments will vary and it is anticipated these schedules will vary from year to year. Interest rates swap schedules are based on interest rates effective on June 30, 2015.

(dollars in Thousands)

Year Ending June 30	Series 2014A Principal	Interest (1)	Interest Rate Swaps, Net (2)	Total
2016	$ -	$ 728	$ 4,240	$ 4,968
2017	-	728	4,240	4,968
2018	-	728	4,240	4,968
2019	-	728	4,240	4,968
2020	-	728	4,240	4,968
2021-2025	60,075	2,827	16,454	79,356
2026-2030	53,750	882	5,109	59,741
Total	$ 113,825	$ 7,349	$ 42,763	$ 163,937

(1) Assumes variable interest rate of 0.6606 percent on $56,910,000 and 0.6199 percent on $56,915,000 (actual rate on 6/30/2015 of 70 percent LIBOR + 53 bps and 75 percent of LIBOR + 48 bps respectively).
(2) Assumes fixed swap rate (payment) of 3.85 percent less variable swap rate (receipt) of 0.125 percent.

Credit Risk – As of June 30, 2015, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap agreement contains a collateral agreement with the Counterparty. To mitigate the potential for credit risk, if a Counterparty's credit rating from either Standard & Poor's (S&P) and Moody's Investors Services is A+/A1, respectively or lower, and the fair value of the swap reaches certain threshold amounts, the swap requires collateralization of the fair value of the swap by the Counterparty with U.S. Government Securities. Collateral would be posted with a third party custodian.

Swap Counterparty Data as of June 30, 2015
(dollars in thousands)

Counterparty	Swap Notional Amount	Credit Rating Moody's	Credit Rating S&P	Swap Fair Value
Citibank, N.A., New York	$ 113,825	A1	A	$ (3,738)

Basis Risk – Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The swap exposes the District to basis risk since the District receives a percentage of LIBOR to offset the variable rate the District pays on its COPs. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the COPs. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk – The District has the option to terminate the swap prior to its expiration date for any reason. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract. If the swap is terminated, the Series 2014A Certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate debt. Also, if at the time of termination, the swap has a negative fair value, the District would be liable to the Counterparty for payment equal to the swap's fair value.

XIV. COMPENSATED ABSENCES

District employees are granted a specific number of vacation days and sick leave with pay as services are rendered. Certain employees are paid for portions of sick leave accrued but not used in a fiscal year. Administrative, supervisory and non-instructional professional employees are paid for unused vacation (up to a maximum of 60 days) upon termination. All other eligible employees are paid for unused vacation (up to a maximum of 50 days) upon termination.

All employees are eligible to receive portions of accumulated unused sick pay upon retirement. Such portions are determined based upon the employee's length of service. Prior to July 1, 2004, Florida Statutes and Board policy limited retirement sick leave payments to no more than 25 percent of the sick leave accumulated on or after July 1, 2001, up to a maximum payment of 60 days. Beginning July 1, 2004, this limitation was eliminated.

At June 30, 2015, the estimated current liability for accumulated sick leave including retirement and social security contributions was $7.7 million and $0.1 million in the General Fund and Special Revenue Funds, respectively. The balance of compensated absences payable from future resources was $26.5 million for accumulated vacation leave and $121.6 million for accumulated sick leave and are only reflected in the governmental activities in the government-wide presentation. The net change between the prior year balance and the current year balance of the non-current portion was recorded in the government-wide statements as a current year expense.

The following is a summary of changes in the liability for compensated absences for the fiscal year ended June 30, 2015 (in thousands):

Balance - June 30, 2014		$ 160,926
Additions		78,004
Reductions		(83,078)
Balance - June 30, 2015		155,852
Less:		
Amount due within one year		
Current portion (modified accrual	$ 7,754	
Non-current portion		148,098
Other amount due within one year	11,734	
Total due in more than one year		$ 136,364
Total amount due within one year (full accrual basis)	$ 19,488	

XV. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District administers a single-employer defined benefit plan in accordance with the Governmental Accounting Standard Board Statement No. 45 (GASB 45), "Accounting and Financial Reporting by

Employers for Postemployment Benefits Other than Pensions," for certain postemployment benefits including continued coverage for the retirees and dependents in the Medical/Prescription Plans as well as participation in the Employer-sponsored Dental group plan. In addition, retirees are eligible to continue the Employer-sponsored term life insurance policy provided by the District. GASB 45's basic concept is to recognize the cost of an employee's OPEB during the period of service. As defined in the statement, a significant expense recognizing the past and future costs of providing OPEB benefits is required to be recorded annually. For fiscal year 2015, the funded status of the plan is determined using an actuarial roll-forward supplement based on the results of a full actuarial valuation previously performed as of January 1, 2015. The actuarial determined liability for the District was $142.6 million on January 1, 2015, being amortized over the remaining period of 23 years. The General Fund typically has been used in prior years to liquidate the long-term liabilities associated with the net pension obligation or other postemployment benefit obligations.

Plan Description. The Other Postemployment Benefits Plan (Plan) operates as a single-employer defined benefit plan. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The authority for establishing and amending the plan funding policy and benefits rests with the Board. Eligible retirees may choose among the same Medical Plan options available for active employees of the Employer. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the Medical Plan options. Covered retirees and their dependents are subject to all the same medical, prescription and life insurance benefits and rules for coverage as are active employees. Retirees and their dependents are permitted to remain covered under the District's respective medical plans as long as they pay the premium for the plan and coverage elected. This conforms to the requirement for Florida governmental employers' provision of Section 112.081, Florida Statutes. The premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs, that means that the District is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees, providing an implicit rate subsidy. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate under the District's Retirement Assistance Program. The District, therefore, has assumed an obligation to pay for that implicit subsidy for the covered lifetime of the current retirees and their dependents, as well for the covered lifetime of the current employees after they retire in the future. The District does not prepare a standalone financial report for the Plan, and the Plan is not included in the report of a Public Entity Retirement System or another entity.

Funding Policy. The District plans to fund this postemployment benefit on a pay-as-you-go basis. For fiscal year 2014-15, approximately 977 retirees received post-employment benefits, and 25 retirees receive life insurance postemployment benefits. The District provided required employer contributions toward the annual OPEB cost in the amount of $5,180,654, or 0.48 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligations. The OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The following is a summary of changes for the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the fiscal year ended June 30, 2015 (in thousands):

		Fiscal Year 2015
Annual Required Contribution (ARC)		
Normal Cost	$ 7,007	
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	6,309	
ARC		$ 13,316
Interest on net OPEB Obligation		2,255
Adjustment to ARC		(2,801)
Annual OPEB cost (expense)		12,770
Less: Contributions made		(5,181)
Net OPEB Obligation Increase		7,589
Net OPEB Obligation, Beginning of Year		64,422
Net OPEB Obligation, End of Year		$ 72,011

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2015, and the 2 preceding years were as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$ 16,637	$ 7,822	47.02%	$ 54,208
6/30/2014	17,390	7,176	41.27%	64,422
6/30/2015	12,770	5,181	40.57%	72,011

Funded Status and Funding Progress. The funded status of the plan as of January 1, 2015, the most recent valuation date, was as follows (in thousands):

Actuarial Accrued Liability (a)	$ 142,634
Actuarial Value of Assets (b)	-
Unfunded Actuarial Accrued Liability (a-b)	$ 142,634
Funded Ratio (b) / (a)	0.00%
Covered Payroll (Active Plan Members) (c)	$ 1,082,302
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((a)-(b)) / (c)	13.18%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	23 Years, Closed
Asset Valuation Method	Plan Not Funded
Investment Return Discount Rate *	3.5%
Assumed Rate of Payroll Growth *	3.5%
Healthcare Inflation Rate	Increase of 7% for First Year, Reduced Until Ultimate Rate of 4.6% is reached

* Includes a price inflation assumption of 2.5 percent

XVI. RETIREMENT PLANS

The District provides retirement benefits to its employees through the Florida Retirement System (FRS) and a Deferred Retirement Option Program (DROP). All regular employees of the District are covered by the Florida Retirement System, a State-administered cost-sharing multiple-employer defined benefit retirement plan (Plan) with a DROP and The Retiree Health Insurance Subsidy (HIS) Program available for eligible employees.

Florida State Retirement Programs

Plan Description: The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail.

Essentially, all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at specified ages or number of years of service depending upon the employee’s classification. The Plan also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. The Plan’s financial statements and required supplemental information are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Florida Department of Financial Services, Division of Accounting and Auditing at 200 East Gaines Street, Tallahassee, Florida 32399. Also, an annual report on the Plan which includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained by contacting the Florida Department of Management Services, Division of Retirement, at P. O. Box 9000, Tallahassee, Florida 32315-9000.

The District's FRS and HIS pension expense totaled $44.3 million for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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 except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of 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 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight 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:

Regular Class Members – Initially enrolled before July 1, 2011

Retirement Age / Years of Service	Percent Value
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68

Regular Class Members – Initially enrolled on or after July 1, 2011

Retirement Age / Years of Service	Percent Value
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 years of service	1.68

Class	Percent Value
Elected County Officers	3.00
Senior Management Service Class	2.00

Special Risk – Regular Class	Percent Value
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	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 contribution rates for Plan members are established, and may be amended, by the Florida Legislature. For the fiscal year ended June 30, 2015, contribution rates were as follows:

	Contribution Rates	
Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	7.37%
Florida Retirement System, County Elected Officers	3.00%	43.24%
Florida Retirement System, Senior Management Service	3.00%	21.14%
Florida Retirement System, Special Risk	3.00%	19.82%
Teachers' Retirement System, Plan E	6.25%	11.50%
State & County Officers and Employees' Retirement System, Plan A	N/A	N/A
State & County Officers and Employees' Retirement System, Plan B	N/A	N/A
Deferred Retirement Option Program	0.00%	12.28%
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Rates include the post-employment health insurance supplement of 1.26 percent and the administrative/educational cost of 0.04 percent of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan for the fiscal year ending June 30, 2015, totaled $74.3 million, which was equal to the required contributions for the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. As a result of the implementation of GASB 68, at June 30, 2015, the District reported a liability of $190.8 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 3.13 percent, which was a decrease of 0.01 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of $17.7 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,805
Net difference between projected and actual earnings on FRS pension plan investments	-	318,233
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	1,765
Changes in Assumptions	33,038	-
District contributions subsequent to the measurement date	74,349	-
Total	$ 107,387	$ 331,803

Deferred outflows of $74.3 million relate to District contributions to the Plan subsequent to the measurement date, which is in essence all contributions paid by the District during fiscal year 2015. The amount will be recognized as a reduction in the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as pension expense as follows:

Fiscal Year Ending June 30	Amount (in thousands)
2016	$ (75,885)
2017	(75,885)
2018	(75,885)
2019	(75,885)
2020	3,673
Thereafter	1,102
Total	$ (298,765)

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

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

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

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

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

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	31.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 815,940,662	$ 190,768,137	$(329,256,114)

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $4.97 million for the outstanding amount of contributions to the Plan for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

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

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three 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 for the fiscal year ending June 30, 2015, totaled $15.5 million, which was equal to the required contributions for the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $380.5 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's fiscal year contributions relative to the total fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 4.07 percent, which was an increase of 0.02 from its proportionate share measured as of June 30, 2013.

As of June 30, 2015, the District recognized pension expense of $26.6 million related to the HIS Plan. In addition, the District reported deferred outflows of resources from the following sources (in thousands):

Description	Deferred Outflows of Resources
District HIS contributions and proportionate share of contributions	$ 1,274
Net difference between projected and actual earnings on HIS pension plan investments	182
Change in Assumptions	13,540
District contributions subsequent to the measurement date	15,458
Total	$ 30,454

Deferred outflows of $15.5 million relate to District contributions to the Plan subsequent to the measurement date, which is in essence all contributions paid by the District during fiscal year 2015. The amount will be recognized as a reduction in the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources related to pensions will be amortized and recognized as pension expense as follows:

Fiscal Year Ending June 30	Amount (in thousands)
2016	$ 2,435
2017	2,435
2018	2,435
2019	2,435
2020	2,389
Thereafter	2,867
Total	$ 14,996

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

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

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

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

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	$ 432,811,176	$ 380,520,431	$ 336,872,622

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.

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of $1.06 million for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

FRS – Defined Contribution Pension Plan

The District contributed $8.2 million in fiscal year 2015 to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Class	14.00

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

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

Payables to the Investment Plan. At June 30, 2015, the District reported a payable of $0.5 million for the outstanding amount of contributions to the Plan for the fiscal year ended June 30, 2015.

XVII. RETIREMENT INCENTIVE PROGRAMS

In addition to the retirement benefits described in Note XVI., the District has authorized an early retirement incentive to provide financial assistance for the purchase of health and life insurance to our retirees.

For those eligible employees who qualify for the retirement incentive programs, the Employer's Retirement Assistance Program (RAP) Incentives, listed below are brief descriptions and eligibility criteria of this Plan.

RAP effective July 1, 2008 through October 15, 2008:

- Are retired under the RAP.
- Effective upon retirement, the District will provide paid employee health insurance (HMO or Consumer Driven Plan premium) until the employee is Medicare eligible.

- Were insured under the Employer's group life insurance program on the last day before the insured's retirement.
- Are one of the following:
  - o Full-time bargaining unit members who are at least age 55 and on Step 20 or higher on the teachers' salary schedule in the FRS and who have at least 10 years of service in the District.
  - o Full-time bargaining unit members who are at least age 55 and on Step 20 or above in the Teacher Retirement System (TRS) and who have at least ten 10 years of service in the District.

A summary of the total expenditures for the fiscal year ended June 30, 2015, is as follows (dollars in thousands):

	Number of Participants	Health Insurance*	Life Insurance	Total
RAP	18	$ 175	$ 2	$ 177

*Net of Florida Retirement System subsidy if applicable.

The District will subsidize health and life insurance premiums for those qualified employees on an annual basis. The subsidies continue until age 65. Premium costs in excess of the subsidy are borne by the participants. The District's expenditures are recognized in the fiscal year in which they are paid, and are not funded in advance on an actuarially determined basis. As of June 30, 2015, 18 employees participated in the District's retirement incentive program.

XVIII. FICA ALTERNATIVE

The District has established the FICA Alternative Retirement Plan (the FICA Plan), a defined contribution retirement plan, for certain temporary employees not covered under the Plan. Under provision of the Internal Revenue Code (IRC) section 3121(b)(7)(F), public employers could place employees not covered under existing employer pension plans into an alternative retirement plan in place of social security. The FICA Plan was established under IRC section 401(a) and requires a mandatory pre-tax contribution of 7.5 percent in lieu of social security. The FICA Plan is noncontributory for the District and eliminates the required match of social security contributions. Approximately 5,909 temporary employees are currently participating in the FICA Plan. For the period ended June 30, 2015, $2.6 million was contributed by participating employees based on gross wages of $34.5 million. A third party administrator administers the FICA Plan with administrative fees being paid by the District. The District does not have any fiduciary responsibility.

XIX. RISK MANAGEMENT

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 students, and natural disasters. Worker's compensation, automobile liability, general liability and health insurance coverage are being provided on a self-insurance basis up to specified limits. The District purchases commercial insurance for certain risks in excess of the self-insurance coverage and for other risks of loss. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating and payment of claims.

Claim activity (expenditures for general and automobile liability, workers' compensation and health insurance) is recorded in the General Fund as payments become due each period. The estimated liability for self-insured risks represents an estimate of the amount to be paid on claims reported and on claims incurred but not reported. For the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year-end) and represents a reconciling item between the fund level and government-wide presentations. Settled claims resulting from risks described above have not exceeded commercial coverage for the past three years.

The claims liability for workers compensation, automobile liability and general liability are based on an actuarial valuation performed by an independent actuary as of June 30, 2015, using a margin for a 50 percent confidence level. With the 50 percent confidence level, the actuary is estimating the margin necessary so that there is a 50 percent likelihood that the funding level will be sufficient to cover the actual liabilities. The employee health insurance liability is based on an actuarial calculation of estimated claims that have been incurred but not reported. The total claims liability of $79.5 million at June 30, 2015, includes estimated losses for all reported claims and for claims incurred but not reported.

A summary of changes in the estimated liability for self-insured risks is as follows (in thousands):

	2015	2014
Balance, beginning of year	$ 88,377	$ 82,216
Additions:		
Claims incurred	168,404	202,737
Reductions:		
Claims payments	(177,249)	(196,576)
Balance, end of year	79,532	$ 88,377
less: portion due within one year	(41,519)	
Total due in more than one year	$ 38,013	

XX. FUND BALANCE REPORTING

The District's fund balance is reported with the following hierarchy:

- **Nonspendable**: The District has $9.5 million in inventory and $13.8 million in prepaids classified as nonspendable.
- **Spendable**:

  Restricted for State Categorical Programs, Debt Service, Capital Projects, and Food Service: Florida Statutes require certain revenues to be designated for the purposes of State categorical programs, debt service, capital projects, and food service. The restricted fund balance totaling $437.9 million represents $4 million in State categorical programs, $2.7 million in debt service, $387.2 million in capital projects, and $44 million in food service.

Committed for Self Insurance: The School Board through resolution has committed $54.3 million for future self-insured claims.

Committed for Student Enrichment Programs: The School Board had classified $0.3 million as the committed fund balance for the student enrichment programs.

Assigned for School Operations: The District's management has assigned spendable fund balances for school operations of $23.2 million.

Unassigned: The District's General Fund unassigned fund balance is $59.3 million.

The following table shows the District's fund balance classification at June 30, 2015 (in thousands):

	General Fund	COP Series Debt Service Fund	ARRA Economic Stimulus Debt Service Fund	Local Millage Capital Improvement Fund	ARRA Economic Stimulus Capital Project Fund	District Bonds Fund	Other Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:									
Nonspendable:									
Inventories:									
General Fund	$ 6,532	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,532
Special Revenue – Food Service	-	-	-	-	-	-	-	2,951	2,951
Prepaids	13,829	-	-	-	-	-	-	-	13,829
Restricted:									
State Required									
Carryover Programs	3,973	-	-	-	-	-	-	-	3,973
Debt Service	-	1,373	377	-	-	-	-	966	2,716
Capital Projects	-	-	-	99,135	16,342	160,412	101,199	10,098	387,186
Special Revenue – Food Service	-	-	-	-	-		-	44,059	44,059
Committed:									
Student Enrichment Programs	307	-	-	-	-	-	-	-	307
Self-Insurance	54,328	-	-	-	-	-	-	-	54,328
Assigned:									
School Operations:									
Encumbrances	16,865	-	-	-	-	-	-	-	16,865
Insurance and OPEB	6,334	-	-	-	-	-	-	-	6,334
Special Revenue – Miscellaneous	-	-	-	-	-	-	-	3,136	3,136
Unassigned:	59,264	-	-	-	-	-	-	-	59,264
Total Fund Balance:	$161,432	$ 1,373	$ 377	$ 99,135	$ 16,342	$160,412	$ 101,199	$ 61,210	$ 601,480

The total of the assigned and unassigned amounts will be used to calculate fund balance as a percentage of revenues under the provisions of Section 1011.051, Florida Statutes. At the end of the fiscal year, the total amount of the assigned and unassigned General Fund balance was $82.4 million or 4.2 percent of the General Fund's total revenues, and 4.8 percent of the General Fund's total revenues excluding Charter school revenues.

XXI. NET POSITION

The government-wide statement of net position reports all financial and capital resources of the District, as well as its liabilities. The difference between assets and deferred outflows and liabilities and deferred inflows are reported as net position. Net position is displayed in three components:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position: Net position where constraints on their use are: (1) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position (deficit): All other assets and liabilities not part of the above categories. This amount represents the accumulated results of all past years' operations. The deficit in net position of governmental activities is due to long-term liabilities, including compensated absences, pension liabilities, and OPEB.

The composition of net investment in capital assets as of June 30, 2015, is shown in the table below (in thousands):

Total capital assets, net of accumulated depreciation		$ 2,905,670
less:		
Total debt outstanding, net of unspent proceeds	$ (1,617,508)	
Retainage payable	(5,874)	
Total related debt		(1,623,382)
Total net investment in capital assets		$ 1,282,288

XXII. COMMITMENTS AND CONTINGENCIES

At June 30, 2015, the District had purchase orders outstanding for goods and/or services related to future expenditures for the 2014-15 school year totaling $17.2 million in the General Fund ($16.9 million was within assigned fund balance and $0.3 million was restricted for State Categorical Programs), $2.5 million in the Special Revenue Funds and $42.6 million in the Capital Projects Funds, of which $22.3 million was for various construction contracts. The accompanying financial statements do not give effect to these purchase orders.

The District has various agreements with other governmental agencies that may require the District to contribute additional financial resources, as anticipated by such agreements. Such liabilities are accrued at the time they become known to the District.

The District receives funding from the State of Florida under the FEFP and is based in part on a computation of the number of students attending different types of instruction (FTE Computation). The accuracy of data compiled by individual schools supporting the FTE Computation is subject to audit by the State and, if found to be in error, could result in refunds to the State or in decreases to future funding allocations. Additionally, the District participates in a number of Federal, and State and local grants, which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the State due to errors in the FTE computation or the amount of grant expenditures, which may be disallowed by grantor agencies, would not be material to the financial position of the District.

The District is a defendant in numerous lawsuits as of June 30, 2015. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with its legal counsel, that the final settlements of these matters will not have a material adverse effect on the financial condition, changes in financial position, cash flows or changes in fund balance of the affected funds.

XXIII. SUBSEQUENT EVENTS

On September 29, 2015, the District issued $125 million Tax Anticipation Notes, Series 2015, pursuant to Section 1011.13, Florida Statutes, to provide interim funds for the payment of operating expenses of the District for the fiscal year commencing July 1, 2015, and ending June 30, 2016, in anticipation of the receipt of the ad valorem taxes. The Notes and the interest thereon will be special, limited obligations of the District, payable from and secured by a pledge of the ad valorem taxes levied and collected for the benefit of the District for operating purposes. The Notes are not subject to redemption prior to maturity.

On September 11, 2015, the District refinanced Certificates of Participation (COP), Series 2006B, which were originally issued in June 2006 with a variable interest rate which changed weekly. The Board has determined that it is in the best interest of the District to refinance its obligations under the original Series 2006B in order to stabilize the interest rate. The refinancing converted Series 2006B to a fixed rate of 4.511 percent. This conversion locked the interest rate through July 1, 2031.

On March 22, 2016, the District issued COP Series 2016A and 2016B, in the amounts of $198.2 million and $18.7 million, respectively. The COP Series 2016A and 2016B were used to refund COP Series 2008A and 2009A and resulted in a net present value savings of more than $24 million.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (in thousands)
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
SOURCES/INFLOWS:				
Revenues:				
Local sources:				
Ad valorem taxes	$ 875,250	$ 864,701	$ 864,701	$ -
Interest on investments	1,350	-	975	975
Other	56,380	73,984	52,672	(21,312)
Total local sources	932,980	938,685	918,348	(20,337)
State sources:				
Florida education finance program	644,400	628,202	628,202	-
Discretionary lottery funds	2,659	980	980	-
Categorical programs and other	388,133	388,386	388,328	(58)
Total state sources	1,035,192	1,017,568	1,017,510	(58)
Federal sources:				
Grants and other	11,900	15,779	15,781	2
Total federal sources	11,900	15,779	15,781	2
Total Revenues				
Other financing sources:				
Transfers in	72,825	64,994	64,993	(1)
Total other financing sources	72,825	64,994	64,993	(1)
Total amounts available for appropriations	2,052,897	2,037,026	2,016,632	(20,394)
USES/OUTFLOWS				
Expenditures:				
Current operating:				
Instructional services	1,349,672	1,319,341	1,313,500	5,841
Instructional support services	173,873	174,839	175,480	(641)
Pupil transportation services	84,072	80,649	81,815	(1,166)
Operation and maintenance of plant	225,998	235,131	236,930	(1,799)
School administration	133,080	131,111	129,136	1,975
General administration	77,660	92,379	65,586	26,793
Total current operating	2,044,355	2,033,450	2,002,447	31,003
Debt service:				
Interest charges and other	177	124	124	-
Total debt service	177	124	124	-
Capital outlay	-	-	-	-
Total expenditures	2,044,532	2,033,574	2,002,571	31,003
Other financing uses:				
Transfers out	5,057	6,821	6,821	-
Total charges against appropriations	2,049,589	2,040,395	2,009,392	31,003
Net change in fund balances	$ 3,308	$ (3,369)	7,240	$ 10,609
Appropriated beginning fund balances	$ -	$ 3,369		
Adjustment to conform with GAAP:				
Elimination of encumbrances			9,412	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (GAAP Basis)			16,652	
Fund balances, beginning of year			144,780	
Fund balances, end of year			$ 161,432	

MAJOR SPECIAL REVENUE FUND – ARRA ECONOMIC STIMULUS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (in thousands)
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ARRA Economic Stimulus Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
SOURCES/INFLOWS:				
Revenues:				
Federal sources:				
Other	$ 14,117	$ 17,347	$ 16,342	$ (1,005)
Total revenues	14,117	17,347	16,342	(1,005)
EXPENDITURES:				
Current operating:				
Instructional services	5,998	12,388	11,398	990
Instructional support services	4,930	2,557	2,601	(44)
Operation and maintenance of plant	-	1	1	-
School administration	2,446	1,377	1,377	-
General administration	743	1,024	1,016	8
Total current operating	14,117	17,347	16,393	954
Capital Outlay	-	-	-	-
Total expenditures	14,117	17,347	16,393	954
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	(51)	$ (51)
Appropriated beginning fund balances	$ -	$ -		
Adjustment to conform with GAAP:				
Elimination of encumbrances			51	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (GAAP Basis)			-	
Fund balances, beginning of year			-	
Fund balances, end of year			$ 0	

Schedule of Funding Progress –
Other Postemployment Benefits Plan (in thousands)

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]
01/01/11	$ -	$ 156,129	$ 156,129	0%	$ 1,187,368	13.15%
01/01/13	-	163,250	163,250	0%	1,053,105	15.50%
01/01/15	-	142,634	142,634	0%	1,082,302	13.18%

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

The January 1, 2015, unfunded actuarial accrued liability of $142.6 million was significantly less than the January 1, 2013, liability of $163.3 million as a result of:

- The number of retirees receiving post-employment health benefits decreased from the previous valuation. Additionally, the number of active employees eligible for post-employment benefits decreased. Combined population changes had a decreasing effect on the costs and liabilities.
- Revisions were made to the assumed short-term trends of medical and prescription costs. These changes had a decreasing effect on the costs and liabilities.
- Revisions were made to the assumed long-term trends of medical and prescription costs. These changes had a modest increasing effect on the costs and liabilities.
- Demographic assumptions of the July 1, 2014, FRS actuarial valuation were reviewed and revisions were made as appropriate. These changes had a small decreasing effect on the costs and liabilities.
- The assumed rates of participation were adjusted to reflect current experience. This change had a decreasing effect on costs and liabilities.
- Revisions were made to reflect provisions of the Affordable Care Act. This change had a modest decreasing effect on the costs and liabilities.

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

	2014	2013
District's proportion of the FRS net pension liability	3.13%	3.14%
District's proportionate share of the FRS net pension liability	$ 190,768	$ 540,324
District's covered-employee payroll	$ 1,082,302	$ 1,053,105
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	17.63%	51.31%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

	2015	2014
Contractually required FRS contribution	$ 74,349	$ 68,486
FRS contributions in relation to the contractually required contribution	74,349	68,486
FRS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 1,102,840	$ 1,082,302
FRS contributions as a percentage of covered-employee payroll	6.74%	6.33%

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 (in thousands) (1)

	2014	2013
District's proportion of the HIS net pension liability	4.07%	4.05%
District's proportionate share of the HIS net pension liability	$ 380,520	$ 352,835
District's covered-employee payroll	$ 1,209,179	$ 1,176,412
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.99%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

	2015	2014
Contractually required HIS contribution	$ 15,458	$ 13,941
HIS contributions in relation to the contractually required contribution	15,458	13,941
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 1,227,047	$ 1,209,179
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

1. Budgetary Basis of Accounting

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

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

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

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

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

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

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	14002	$ 15,430,374.45
National School Lunch Program	10.555 (2)(A)	14001, 14003	67,803,216.23
Summer Food Service Program for Children	10.559	14006, 14007	1,152,686.06
Total Child Nutrition Cluster			84,386,276.74
Florida Department of Agriculture and Consumer Services:			
Fresh Fruit and Vegetable Program	10.582	14004	641,999.08
Florida Department of Health:			
Child and Adult Care Food Program	10.558	None	2,537,506.22
Total United States Department of Agriculture			87,565,782.04
United States Department of Labor:			
Indirect:			
Florida Department of Education:			
WIA/WIOA - Youth Activities	17.259	None	696,945.71
Total United States Department of Labor			696,945.71
United States Department of Justice:			
Direct:			
Second Chance Act Reentry Initiative	16.812	N/A	224,465.66
Total United States Department of Justice			224,465.66
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	143,790.00
Federal Pell Grant Program	84.063	N/A	5,644,602.80
Total Student Financial Assistance Cluster			5,788,392.80
Magnet Schools Assistance	84.165	N/A	4,065,598.22
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	438,924.25
Fund for the Improvement of Education	84.215	N/A	692,580.37
Transition to Teaching	84.350	N/A	464,178.09
High School Graduation Initiative	84.360	N/A	790,880.29
Teacher Incentive Fund	84.374	N/A	11,034,200.57
Total Direct			23,274,754.59
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	51,141,829.23
Special Education - Preschool Grants	84.173	266, 267	1,345,729.68
Total Special Education Cluster			52,487,558.91
Adult Education - Basic Grants to States	84.002	191, 193	2,845,810.75
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	61,941,143.08
Migrant Education - State Grant Program	84.011	217	133,780.96
Career and Technical Education - Basic Grants to States	84.048	151, 161	2,837,930.29
Education for Homeless Children and Youth	84.196	127	101,204.68
Charter Schools	84.282	298	1,833,321.17
Twenty-First Century Community Learning Centers	84.287	244	880,093.41
English Language Acquisition State Grants	84.365	102	3,800,102.35
Improving Teacher Quality State Grants	84.367	224	8,600,634.13
School Improvement Grants	84.377	126	1,286,165.90
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grant, Recovery Act	84.395	RL111, RG311, RG411, RA111	16,385,022.07
Investing in Innovation (i3) Fund	84.411	141-000015	317,183.44
Total Indirect			153,449,951.14

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Health & Human Services			
Direct:			
Substance Abuse and Mental Health Services Projects - Projects of Regional and National Significance	93.243	N/A	$ 94,573.30
Head Start	93.600 (3)	N/A	14,137,967.83
Cooperative Agreements to Support Comprehensive Schools Health Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevent and School-Based Surveillance	93.079	N/A	569,695.83
Injury Prevention and Control Research and State and Community-Based Programs	93.136	N/A	80,030.40
Total Direct			14,882,267.36
Indirect:			
CCDF Cluster:			
Early Learning Coalition of Broward County, Inc.:			
Child Care and Development Block Grant	93.575	None	144,026.60
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	280,088.59
Total CCDF Cluster			424,115.19
Florida Department of Children & Families:			
Temporary Assistance for Needy Families	93.558	None	243,169.33
Social Services Block Grant	93.667	None	746.68
ARRA - Child Care and Development Block Grant	93.713	None	161,615.10
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	225,177.76
Total Indirect			1,054,824.06
Total United States Department of Health & Human Services			15,937,091.42
United States Department of Homeland Security			
Indirect:			
Division of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	155,375.44
Total United States Department of Homeland Security			155,375.44
United States Department of Defense			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	1,488,312.49
Air Force Junior Reserve Officers Training Corps	None	N/A	197,599.85
Marine Junior Reserve Officers Training Corps	None	N/A	139,075.00
Navy Junior Reserve Officers Training Corps	None	N/A	329,400.59
Total United States Department of Defense			2,154,387.93
Total Expenditures of Federal Awards			$ 283,458,753.93

Notes:
(1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
(2) Noncash Assistance: National School Lunch Program. - Includes $7,488,969.79 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
(3) Head Start. Expenditures include $4,162,978.39 for grant number/program year 04CH4684/01, $9,137,048.23 for grant number/program year 04CH4684/02, $295,416.11 for grant number/program year 04CH0314/37, and $542,525.10 for grant number/program year 04CH4684/02.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

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

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

INDEPENDENT AUDITOR'S REPORT ON 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2016

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

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

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

Report on Compliance for Each Major Federal Program

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

The District's basic financial statements include the operations of Central Charter School, Imagine Charter School at North Lauderdale, Renaissance Charter School at University, and Somerset Preparatory (Charter Schools) as part of the reported discretely presented component units on the accompanying basic financial statements. The Charter Schools expended $918,320, $709,798, $541,491, and $634,496, respectively, in Federal awards during the fiscal year ended June 30, 2015, which is not included in the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**. Our audit, described below, did not include the operations of these Charter Schools because, pursuant to Section 218.39(1), Florida Statutes, the Charter Schools engaged other auditors to perform audits in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding CFDA No. 84.010 Title I Grants to Local Educational Agencies as described in Federal Awards Finding No. 2015-001 for Eligibility – Title I Allocations. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Title I Grants to Local Educational Agencies for the fiscal year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2015.

Other Matter

The results of our auditing procedures disclosed another instance of noncompliance, which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-002. Our opinion on each major Federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133*,* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-001 that we consider to be a material weakness.

District's response to the internal control over compliance findings identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for Title I Grants to Local Educational Agencies (CFDA No. 84.010), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.007 and 84.063	Student Financial Assistance Cluster
84.010	Title I Grants to Local Educational Agencies
84.165	Magnet Schools Assistance
84.374	Teacher Incentive Fund
Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Payments to the Foundation

State law[1] provides that a district school board direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to or for the benefit of public kindergarten through 12th grade education and adult career and community education programs. State law[2] also authorizes the Board to permit a DSO to use District property, facilities, and personal services. The Board approved The Broward Education Foundation, Inc. (Foundation) as a DSO in August 1983 and the Foundation routinely receives and uses charitable contributions for the benefit of District students.

Our examination of District records disclosed that the Board approved payments to the Foundation during the 2012-13, 2013-14, and 2014-15 fiscal years totaling $217,111, $199,006, and $221,488, respectively, for Foundation accounting consulting services, lease payments, and the salary of the Foundation's Chief Executive Officer/President. Although the Foundation may use the Board's property, facilities, and personal services, we are unaware of any specific authority permitting the District to make payments to the Foundation.

In response to our inquiry, District personnel indicated that they were not aware that the District's cash transfers for Foundation expenses were not allowed by law and that funds taken from the Foundation decrease the funds available to provide scholarships and other financial assistance to both students and teachers. Notwithstanding this response, District payments to the Foundation are not specifically authorized by State law.

Recommendation: In the absence of specific authority, the District should discontinue the practice of making payments to the Foundation and should seek to recover from the Foundation the $637,605 in questioned payments.

Finding 2: Payroll Processing – Overpayments and Time Records

During the 2014-15 fiscal year, the District incurred $1.7 billion in salary expenditures. The Superintendent established the Payroll Bulletin[3] that requires documentation and supervisory approval of all payroll data such as time cards, time sheets, vacation and leave request forms, and all related payroll reports. Employees are responsible for documenting the hours worked and submitting all payroll documentation to the respective department or school payroll contact. The payroll contact presents the documentation to the respective supervisor, such as a director or principal, for approval prior to the pay dates. District procedures require all final payroll reports, including the time management report, earnings report, and overtime report, to be approved no later than the Wednesday prior to the pay date.

According to District personnel, salary expenditures during the 2014-15 fiscal year included errors associated with employee separations, leaves of absence, or changes in pay that resulted in salary

[1] Section 1001.453(1)(a)3., Florida Statutes.

[2] Section 1001.453(2), Florida Statutes.

[3] Business Practice Bulletin PR-100, *Payroll and Time Entry.*

overpayments totaling $812,782. In response to our inquiry, District personnel indicated that these overpayments occurred, in part, because terminations and changes in pay type from full-time to part-time were not always timely entered in the payroll system, employees sometimes delayed submission of leave request forms to payroll contacts and the respective supervisors, or salary supplements were disbursed in error.

Although we requested, the District did not identify the amounts by current and past fiscal year salary overpayments that remained uncollected. Additionally, although we requested, the District did not identify the overpayment amount considered to be uncollectible given the 2-year statute of limitations set by State law.[4] The total uncollected balance of salary overpayments, as of June 30, 2015, was $269,044.

As part of our audit we examined District records for two pay periods for 30 selected employees and found deficiencies related to the District's payroll processing. Specifically, we found that:

- District records of time worked, such as time sheets or other records, were not maintained to support 3 salary payments totaling $10,978.
- Time sheets or other records of time worked supporting 11 salary payments totaling $30,705 did not evidence supervisory review and approval.
- Final payroll reports were not timely reviewed and approved by a supervisor for 7 salary payments totaling $19,620. District records indicated that the review and approval for these 7 salary payments was 8 to 46 days late. Also, documentation showing approval of the final payroll reports was not provided for 2 salary payments.

District personnel indicated that these deficiencies occurred because administrators at each site location did not ensure that proper payroll procedures were followed and correct payroll documentation forms were used as set forth in the Payroll Bulletin. Without documentation to support time worked, and supervisory review and approval of time worked, there is limited assurance that the employees provided services consistent with Board expectations. In addition, without documentation of time worked and evidence of timely supervisory review and approval, there is an increased risk that these employees may be incorrectly compensated and employee leave records may not be accurate. Similar findings were noted in our report Nos. 2010-183 and 2013-160.

Recommendation: The District should ensure that, prior to payment, salary payments are accurate, properly documented, and timely reviewed and approved by supervisory personnel. The District should also continue efforts to remedy uncollected salary overpayments.

Finding 3: Payroll Processing – Overtime Payments

Board policy[5] provides for overtime payments to employees for hours worked in excess of the normal day as set by Board policy and employee contracts. Board policy and the Payroll Bulletin[6] require employees to obtain written approval from their supervisor prior to earning overtime or compensatory time pay and Board policy also states that employees will be subject to disciplinary action up to and including termination if prior written approval is not obtained. Board policy references Federal law,[7] which

[4] Section 95.11(4)(c), Florida Statutes.

[5] Board Policy 4300.1, *Overtime Pay or Compensatory Time*.

[6] Business Practice Bulletin PR-100, *Payroll and Time Entry*.

[7] Fair Labor Standards Act.

requires that, unless otherwise exempted, employees be paid overtime pay at a rate of not less than one and one-half times the regular rate for hours worked in excess of 40 per week. During the 2014-15 fiscal year, the District paid $8.8 million for employee overtime.

We reviewed all District overtime payments during the 2014-15 fiscal year to identify the 20 employees who were compensated the most for overtime. We found that 13 of the 20 employees were paid overtime in amounts totaling $334,122 and ranging from $18,369 to $46,424, or 20 to 87 percent of the employee's regular wages. For example, a part-time school age child care supervisor, whose duties included monitoring the before and after school care on-site child care program, earned overtime pay that equated to 87 percent of her regular pay. In addition, a vocational and career advisor, whose duties included working with parents, students, school administrators, and local businesses, earned overtime pay that equated to 68 percent of his regular pay.

According to District personnel, the District had not conducted a cost-benefit analysis related to overtime pay. Since the overtime rate of pay is one and one-half times the regular pay rate, and given the District's limited resources, extensive and continued use of overtime may negatively impact District operations in that overtime increases overall salary costs without a corresponding increase in the number of hours spent on operations. While we recognize the need for overtime for certain positions during peak periods, it is important that the District analyze the cost effectiveness of overtime worked throughout the year considering the fiscal impact of overtime payments as well as staffing and employee workload issues.

As part of our audit we also requested District payroll records supporting overtime payments totaling $29,300 made to 30 employees during the months of October 2014 and May 2015. Although we requested, District personnel did not provide documentation of overtime worked, such as time sheets or other records, to support 2 payments totaling $2,960, made to two employees. For the other 28 overtime payments, District records did not evidence proper supervisory review and approval of time sheets or other records supporting 4 payments, ranging from $359 to $2,321 and totaling $4,693, for four employees.

As similarly noted in Finding 2 related to District payroll processing deficiencies, documentation to support the overtime worked, including supervisory review and approval of time worked, would provide assurance that employees' services were consistent with Board expectations. In addition, documented supervisory review and approval of overtime worked would reduce the risk of incorrect employee compensation, inaccurate employee leave records, and overtime payments that exceed those anticipated in the budget. Similar findings were also noted in our report Nos. 2010-183 and 2013-160.

Recommendation: The District should enhance procedures to ensure overtime payments are properly documented and approved. Also, given the amount of overtime expenditures incurred, the District should enhance management controls to require overtime and staffing analyses to ensure the most cost-effective management of human resources. In addition, the District should document the basis for the payments totaling $2,960 made to two employees or recover the appropriate amounts from the respective employees.

Finding 4: Health Insurance – Premiums and Participant Eligibility

For the 2014-15 fiscal year, Board-adopted collective bargaining agreements required the District to provide a comprehensive group health and hospitalization insurance policy for each full-time employee and, pursuant to State law,[8] each eligible retiree. The District provides health insurance through a self-insurance program and, as permitted by State law,[9] contracts with a third-party administrator (TPA) to pay claims and administer its health insurance plan. The TPA requires monthly participation changes, such as employment separations or new hires, be submitted to the TPA so that adjustments to future billings can be made. In addition to paying the TPA for actual claims, the District made monthly health insurance plan premium contributions ranging from $550 to $609 to cover claims and also paid a monthly administrative fee ranging from $27 to $108 for each participant. District personnel were responsible for deducting employee contributions for insurance premium costs from employee pay, directly receiving insurance premium collections from retirees, and submitting payments to the TPA.

For the 2014-15 fiscal year, the District contributed $179 million toward the District's health insurance plan. The health insurance plan provided benefits to 24,369 employees and 941 retirees. In addition to employees and retirees, 5,056 dependents and 87 former employees participated in the plan. However, based on discussions with District personnel, the District had not established procedures to compare a TPA listing of health insurance participants and related premiums to District records supporting participant eligibility, such as payroll records and insurance premium billings.

In response to our request, District personnel provided a March 2015 list of employees generated from the District's payroll system and listings of March 2015 health insurance plan participants per TPA records. We compared these records and identified 34 individuals included in the TPA records who were not eligible to participate in the District's health insurance plan. As of March 2015, each of these 34 individuals had participated in the District's health insurance plan from 11 to 802 days after their last date of eligibility. Six of the 34 individuals were deceased in April 2013, January 2015, or February 2015. Although we requested, the District did not provide the total premium and claims amounts the District paid for these 34 individuals after they were no longer eligible to participate in the plan.

Without adequate procedures for verifying health insurance participant eligibility and reconciling monthly health insurance premiums to payroll records and related billings, the District may overpay the required current premiums and administrative fees and there is an increased risk that the District's self-insurance plan may incur unnecessary claim payments, resulting in increases to future Board contributions for health insurance premiums.

Recommendation: The District should enhance procedures to ensure that the eligibility of health insurance plan participants is routinely verified. Such procedures could include monthly reconciliations of TPA listings of health insurance participants and related premiums to payroll records and insurance premium billings.

Finding 5: Audits – School Internal Funds

School internal funds provide an accounting for various school club and class activities. State Board of Education (SBE) rules[10] require an annual audit of the school internal funds by a certified public accountant (CPA) or qualified internal auditing staff employed by the Board. The rule also provides that

[8] Section 112.0801, Florida Statutes.

[9] Section 1011.18(6)(b), Florida Statutes.

[10] SBE Rule 6A-1.087, Florida Administrative Code.

the "auditor shall submit a signed, written report to the school board covering internal funds which shall include any notations of any failure to comply with requirements of Florida Statutes, state board of education rules, and policies of the school board, and commentary as to financial management and irregularities." State law[11] requires the District to provide for an audit of its financial statements to be completed within 9 months after fiscal year-end. As school internal funds are an integral part of the District's financial reporting entity, it is important that the school internal funds audits are available for consideration during the audit of the District's financial statements.

The District employs internal auditing staff to audit its school internal funds and the Board established an Audit Committee to receive and evaluate the District's school internal funds audits. The Audit Committee consists of 12 members, each appointed by one of the 9 Board members, the Superintendent, the District Advisory Committee, or the Broward County Council of Parent Teacher Association. At June 30, 2015, the District reported school internal funds assets and liabilities of $15.3 million for the District's 233 schools. However, based on discussions with District personnel, the Board has not established a date for completion and submission of the school internal funds audit reports to the Board.

Our review of school internal funds audit reports for the 2013-14 fiscal year, disclosed, as shown in Table 1, that 96 of the 233 school internal fund audit reports were submitted to the Board 13 to 19 months after fiscal year-end and 2 school internal fund audit reports had not been completed as of February 29, 2016.

Table 1
School Internal Funds Audit Reports
For the Fiscal Year Ended June 30, 2014,
Presented to the Board More
Than 1 Year after June 30, 2014

Number of Audit Reports	Date Presented
48	7/28/15
26	10/6/15
18	11/3/15
4	2/9/16
2	Not Submitted as of 2/29/16

Timely completion of school internal funds audits and timely submission of the audit reports to the Board would enhance the relevance and usefulness of such reports for evaluating the adequacy of internal controls over school internal funds and the extent to which school internal funds were being administered in accordance with applicable laws, rules, and Board policies. The timely completion of the school internal funds audits would also allow for the school internal funds audits to be considered during the audit of the District's financial statements.

Recommendation: The Board should establish a date for the completion and submission of school internal funds audit reports to the Board. In doing so, the Board should consider the

[11] Section 218.39, Florida Statutes.

benefits of completing the school internal funds audits within a timeframe that enhances the relevance and usefulness of the audits in the evaluation of internal controls over school internal funds and allows for consideration of the audits during the District's financial statements audit.

Finding 6: Charter School Termination

State law[12] provides that when a charter school terminates operations property purchased with public funds must revert to the District. State law[13] also provides that:

- Upon initial notification of nonrenewal, closure, or termination of its charter, a charter school may not expend more than $10,000 per expenditure without prior written approval from the sponsor unless such expenditure was included within the annual budget submitted to the sponsor pursuant to the charter contract, is for reasonable attorney fees and costs during the pendency of any appeal, or is for reasonable fees and costs to conduct an independent audit.
- An independent audit is to be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets.
- A charter school may not enter into a contract with an employee that exceeds the term of the school's charter with its sponsor.

Upon notification of nonrenewal or termination of a charter agreement, District personnel contact the charter school to arrange a closure meeting. The processes, procedures, and timeliness for closure are outlined at the meeting and a closure checklist form is to be prepared. The checklist is to identify the date District personnel will collect the property, textbooks, and other materials from the charter school location; the District personnel who will collect the items; and the items that will be collected. District personnel responsible for collecting the items are to sign the checklist form to establish responsibility for the items that will be collected.

We reviewed District records and noted that a total of 22 charter schools closed during the 2012-13, 2013-14, and 2014-15 fiscal years. Our review and discussions with District personnel disclosed that:

- District personnel did not complete charter school closure checklist forms for 5 of the 22 charter schools that closed.
- For 11 of the 17 schools with completed closure checklist forms, District records did not evidence receipt of items (such as computers, textbooks, furniture, and fixtures), listed on the checklist forms. In addition, District personnel did not sign 5 of the 17 checklist forms to establish responsibility for collecting the items from the charter school location.
- Although an independent audit was performed within 30 days of the charter school closure for 1 of the 22 charter schools, as of February 25, 2016, District records did not evidence that the required audits for the remaining 21 charter schools had been performed.
- District records did not evidence any efforts to monitor the 22 charter schools to ensure that prior District approval was obtained for expenditures over $10,000 or that the charter school did not contract with employees for terms that exceeded the charter school's contract with the District.

In response to our inquiry, District personnel indicated that, due to the varying nature of charter school closures, procedures may change depending on the circumstances of the school that is being terminated or non-renewed. Further, District personnel indicated that, if a charter school does not provide for the

[12] Section 1002.33(8)(e), Florida Statutes.

[13] Section 1002.33(9)(o), Florida Statutes.

required independent audit, the District does not have the power to require the charter school to obtain an audit. Notwithstanding this response, absent effective monitoring of charter school closures, there is an increased risk that the District may not reclaim assets that should rightfully be returned to the District and charter school transaction errors or misappropriations that may occur will not be timely detected.

Recommendation: The District should ensure that charter school closures are appropriately monitored and that District records document the monitoring efforts. At a minimum, such records should evidence that:

- **Property and unencumbered funds were appropriately returned to the District.**
- **Charter school expenditures over $10,000 were subject to prior District approval.**
- **Independent audits were completed within 30 days after charter school closures.**
- **Charter school employee contract timeframes did not exceed the term of the District charter school contracts.**

Follow-Up to Management's Response

The District indicates in the written response that the District documents all charter school closures with photographs and a schedule of assets recovered. The District also indicates that it is not under the District's control if a charter school fails to hire an external CPA firm to complete the school's independent financial audit. Notwithstanding this response, we requested that the District provide documentation of the assets recovered from selected closed charter schools; however, District personnel did not provide the requested documentation for 11 of the 17 schools with completed closure checklist forms. Further, we believe it is within the District's control to establish appropriate charter school monitoring procedures, such as a process to annually review and approve charter school audit contracts, to ensure charter schools obtain required financial audits. Consequently, the finding and related recommendation stand as presented.

Finding 7: Annual Facility Inspections

State law[14] requires the District to provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the SBE rules. In addition, fire safety inspections are required to be performed annually by persons certified by the Division of State Fire Marshal as being eligible to conduct fire-safety inspections in public and ancillary plants.

From July 2014 through February 2015, the District obtained fire-safety inspection reports for its 233 schools (211 schools and 22 centers). Our review of the inspection reports selected for 18 schools and 2 centers disclosed 2,187 total deficiencies included on 15 inspection reports (related to 14 schools and 1 center). The inspectors cited 1 to 46 deficiencies per report that remained uncorrected from 3 to 11 years. The deficiencies included, but were not limited to, lack of fire sprinklers, missing or broken smoke detectors, and failure to remove fire hazards such as drapes.

Subsequent to our inquiries, District personnel indicated that re-inspections for the 15 inspection reports were completed prior to June 30, 2015. However, our review of the 15 re-inspection reports, completed

[14] Section 1013.12, Florida Statutes.

from 161 to 246 days after the initial inspections, noted that the reports continued to cite the same deficiencies previously mentioned and that no corrective actions had been taken. Failure to timely correct deficiencies increases risks to the occupants' health and safety and could result in additional costs in the future. Similar findings were noted in our report Nos. 2010-183 and 2013-160.

Recommendation: The District should enhance procedures to ensure that deficiencies noted in fire-safety inspection reports are timely corrected.

Finding 8: Tangible Personal Property

State law[15] and Department of Financial Services (DFS) rules[16] require the District to maintain adequate records of tangible personal property (TPP)[17] in its custody and that the property be inventoried annually, compared to the property records, and all discrepancies be reconciled. At June 30, 2015, the District reported, net of accumulated depreciation, $2.5 billion in depreciable capital assets, of which $61 million was TPP. The recorded value of the District's TPP before depreciation was approximately $476 million.

The District's Office of the Chief Auditor (OCA) is responsible for performing physical inventories, reconciling physical counts to property records, and permanently marking property items. Property custodians are responsible for reporting TPP theft or vandalism to the Special Investigative Unit and appropriate law enforcement authorities.

Our review of District TPP property records and tests of TPP physical inventory counts, disclosed that the OCA performed physical inventory counts during the 2014-15 fiscal year at 203 of its 233 schools and 48 of its 95 departments, representing $377 million or 79 percent of the District's TPP. However, physical inventory counts were not performed during the 2014-15 fiscal year for 30 schools and 47 departments with TPP totaling $99 million or 21 percent of the District's TPP.

In response to our inquiry, OCA personnel indicated that they did not have enough personnel to comply with the annual TPP inventory requirements. However, given the District's significant investment in TPP, it is important that the District effectively safeguard TPP by conducting at all locations annual physical counts of TPP in accordance with State law and DFS rules. Absent annual physical counts of TPP, the risk is increased that any loss or theft of District property will not be timely detected, reported to the appropriate parties, and reflected in District accounting records. Similar findings were noted in our report Nos. 2010-183 and 2013-160.

Recommendation: To improve accountability and safeguarding of District assets, the District should strengthen procedures to provide for complete annual physical inventories of TPP. Such procedures should ensure that, for all District locations, an annual physical inventory of TPP be performed, the results of the inventory be reconciled to the TPP subsidiary records, and any differences be thoroughly investigated and resolved. After thorough investigation, District personnel should timely report any items not located to the Board for appropriate disposition and, as applicable, to the appropriate law enforcement agency.

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[15] Chapter 274, Florida Statutes.

[16] DFS Rule 69I-73, Florida Administrative Code.

[17] TPP includes furniture, fixtures, and equipment; assets under capital lease; audio visual equipment; and motor vehicles.

Finding 9: Virtual Instruction Program – Written Policies and Procedures

State law[18] provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law[19] establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 286 full-time and no part-time VIP students (250 students were enrolled with the Broward Virtual School and 36 were enrolled with an FDOE-approved VIP provider). The District had written procedures addressing various VIP requirements including compliance with statutory requirements, student eligibility, student progression, attendance, and mandated testing. While the written procedures provide a basis for administering the District's VIP, the procedures could be further enhanced to include consistent guidance for staff use during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations.

In response to our inquiry, District personnel indicated that their departmental policies and procedures were sufficient without making the above-described enhancements. Notwithstanding this response, the absence of more comprehensive VIP policies and procedures may have contributed to the instances of District noncompliance and control deficiencies discussed in Findings 10 and 11. A similar finding was noted in our report No. 2013-094.

Recommendation: To enhance the effectiveness of VIP operations and related activities, the District should make the District's written VIP policies and procedures more comprehensive.

Finding 10: Virtual Instruction Program – Provider Contract

State law[20] requires that each contract with an FDOE-approved VIP provider contain certain provisions. For example, State law[21] requires FDOE-approved VIP providers to publish student-teacher ratios and other instructional information in all negotiated contracts. In addition, to ensure appropriate controls over data quality and provider contract compliance, VIP provider contracts need to contain other necessary provisions to establish the District's expectations for these providers. District records also need to evidence the basis upon which District personnel determined the reasonableness of student-teacher ratios established in the VIP provider contracts.

Our review of the District's contract with an FDOE-approved VIP provider disclosed that:

[18] Section 1001.41(3), Florida Statutes.

[19] Section 1002.45, Florida Statutes.

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

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

- The contract established student-teacher ratios that ranged from 65:1 (for kindergarten through grade 8) to 250:1 (for grades 9 through 12 elective courses). However, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios. Without records documenting the reasonableness of established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.
- The contract did not include data quality requirements. The provider is to maintain significant amounts of education data used to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.[22] Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The contract did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contract contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,[23] without specified minimum required security controls, there is an increased risk that provider information security and other information technology (IT) controls may not be sufficient to protect the education data.
- The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that District records document the reasonableness of the student-teacher ratios established in FDOE-approved VIP provider contracts. In addition, FDOE-approved VIP provider contracts should include a provision for monitoring provider compliance as well as provisions specifying the minimum required security controls and promoting education data quality.

Finding 11: Virtual Instruction Program – Written Parental Notifications

State law[24] requires each school district to provide information to parents and students about a student's right and choice to participate in a VIP. In addition, State law[25] requires the District to provide parents with timely, written notifications of open enrollment periods for its VIP.

For the 2014-15 school year, District personnel indicated there were several communication methods used to provide information about the District's VIP to parents and students. According to District personnel, one such method included a written notification to parents that was sent home with students. While these methods demonstrate District efforts to communicate with parents and students about the

[22] Section 1008.31, Florida Statutes.

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

[24] Section 1002.45(10), Florida Statutes.

[25] Section 1002.45(1)(b), Florida Statutes.

VIP, District records did not evidence that the District provided written notifications directly to all parents of students regarding the VIP and the VIP open enrollment periods.

District personnel indicated that mailing the information was too cost-prohibitive; however, given the low VIP enrollment, parents may be unaware of the availability of the VIP. Without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that parents are timely and directly notified in writing about student opportunities to participate in the District's VIP and open enrollment periods.

Finding 12: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. Our audit procedures disclosed certain security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were noted in our report Nos. 2010-183 and 2013-160.

Recommendation: The District should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding 2015-001:

Federal Agency:	**United States Department of Education**
Pass-Through Entity:	**Florida Department of Education (FDOE)**
CFDA Number:	**84.010**
Program:	**Title I Grants to Local Educational Agencies**
Compliance Requirement:	**Eligibility – Title I Allocations**
Finding Type:	**Material Noncompliance and Material Weakness**
Questioned Costs:	**$22,993,453**

Federal regulations[26] require the District to allocate Title I Schoolwide Program funds to schools identified as eligible and selected to participate, in rank order, on the basis of the total number of children from low-income families in each school. The District is not required to allocate the same per-pupil amount (PPA) to each participating school attendance area or school provided that it allocates higher PPAs to areas or schools with higher concentrations of poverty than to areas or schools with lower concentrations of poverty. Additionally, Federal law[27] requires the District to serve those schools above the 75 percent

[26] Title 34, Section 200.78, Code of Federal Regulations (CFR).

[27] Title 20, Section 6313(a), United States Code.

poverty level without regard to grade span before it serves any with a poverty percentage below 75 percent.

The District annually applies for Title I Program funding and the application includes a budget and an eligibility survey to document the amounts budgeted per school. As part of our procedures, we requested the District to provide documentation evidencing the District's allocation of budget amounts to the respective schools. The District provided copies of the final budget allocations recorded in the District's accounting records; however, the allocations did not correlate to the budget allocation amounts on the eligibility survey. Additionally, the ranking of the Title I schools based on final budget PPA did not agree with the ranking based on the percent of low-income students.

We reviewed District records supporting the District's allocations and determined that 176 schools received Title I Schoolwide Program PPAs for the 2014-15 fiscal year that were not consistent with their respective poverty level ranking. For example, of those schools, 157 schools with poverty rankings of 59.5 to 98.9 percent received less per pupil funding than a school with a 58.9 percent poverty level. The amounts underallocated to these 157 schools ranged from $6,199 to $413,193 per school. Following guidance provided by the FDOE, the questioned costs related to the incorrect allocations total $22,993,453.

In response to our inquiry, District personnel indicated that the calculations in the eligibility survey were based on a date certain of November 1, 2013, and that most schools, especially those with higher poverty levels, experience high rates of transition (i.e., students moving from school to school within one school year); therefore, the number of students at the school could vary greatly from the time the application was submitted. Notwithstanding this response, the District had not established procedures to allocate amounts to the District's schools in rank order based upon the number of children from low-income families.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (modifications) should be made in the auditor's report. As the District did not comply with the Eligibility – Title I Allocation requirement applicable to the Title I Program, our report on the District's compliance with that requirement includes a modification to that effect.

Recommendation: The District should enhance its procedures to ensure that Title I schoolwide program resources are properly allocated to schools. In addition, the District should provide documentation to the grantor (FDOE) supporting the allowability of the questioned costs totaling $22,993,453 or restore this amount to the Title I Program.

District Contact Persons:

Mark S. Modas, Accountant V, Acting Director of Accounting and Financial Reporting
Luwando Wright-Hines, Director of Title I, Migrant and Special Programs

Federal Awards Finding 2015-002:

Federal Agency:	**United States Department of Education**
CFDA No.:	**84.063**
Program:	**Federal Pell Grant Program**
Award Numbers and Year:	**P063P14352, P063P14453, and P063P14325; 2014-15 Award Year**
Compliance Requirements:	**Special Tests and Provisions – Enrollment Reporting**
Finding Type:	**Noncompliance**
Questioned Costs:	**Not Applicable**

During the 2014-15 fiscal year, the District administered the Federal Pell Grant (Pell) Program at Atlantic Technical College, William T. McFatter Technical College, and Sheridan Technical College and Pell Program disbursements totaled approximately $5.6 million. Federal regulations[28] provide disbursement guidelines and define a disbursement date as the date the District makes a Program disbursement to a student's account at the District or pays the student directly.

To determine whether Program disbursements were properly recorded in the Common Origination and Disbursement (COD) System, we requested supporting documentation for 74 Pell Program disbursements to 40 selected students. We found that the dates of all 74 disbursements recorded in the COD System were before the actual dates the funds were credited to the students' accounts or paid directly to the students. Specifically, the dates recorded in the COD System were 11 to 129 days before the actual disbursement dates. According to District personnel, the errors occurred, in part, because several departments and various District personnel issue the disbursements and when the respective colleges deliver Pell Program authorizations to the District at the same time the authorizations can only be processed for one college at a time.

Because several regulatory requirements and factors are based on the recorded disbursement date, including when the student becomes a Federal student aid (FSA) recipient and has the rights and responsibilities of an FSA recipient, it is important that the disbursement date be properly recorded in the COD System. Also, incorrect disbursement dates recorded in the COD System increase the risk that students may not receive additional Federal program funding to which they are entitled.

Recommendation: The District should establish procedures to ensure Pell Program disbursement dates are properly entered in the COD System.

District Contact Persons:

Soraya Aleman, Financial Aid Director, Atlantic Technical College
Judith Kane, Financial Aid Director, William T. McFatter Technical College
Angela Corey, Financial Aid Director, Sheridan Technical College

[28] Title 34, Section 668.164, CFR.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as shown in Findings 2, 3, 7, 8, 9, 10, 11, and 12 and shown in Table 2.

Table 2
Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year CPA Firm Financial Audit Report, Finding	2012-13 Fiscal Year CPA Firm Financial Audit Report, Finding	2011-12 Fiscal Year Audit Report No. 2013-160, Finding	2008-09 Fiscal Year Audit Report No. 2010-183, Finding	VIP Operational Audit Report No. 2013-094, Finding
2	Not Applicable	Not Applicable	4	7	Not Applicable
3	Not Applicable	Not Applicable	5	6	Not Applicable
7	Not Applicable	Not Applicable	9	11	Not Applicable
8	Not Applicable	Not Applicable	8	10	Not Applicable
9	Not Applicable	Not Applicable	Not Applicable	Not Applicable	3
10	Not Applicable	Not Applicable	Not Applicable	Not Applicable	4
11	Not Applicable	Not Applicable	Not Applicable	Not Applicable	6
12	Not Applicable	Not Applicable	14	15	Not Applicable

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
McGladrey LLP		There were no prior Federal audit findings.		

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

600 SOUTHEAST THIRD AVENUE• FORT LAUDERDALE, FLORIDA 33301-3125 • TEL 754-321-2600• FAX 754-321-2701

ROBERT W. RUNCIE
Superintendent of Schools

March 28, 2016

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

Dear Ms. Norman:

Please find our responses below to the preliminary and tentative findings and recommendations from the following Financial, Operational and Federal Single audit of the:

Broward County District School Board
For the Fiscal Year Ended June 30, 2015

Finding No. 1: Payments to the Foundation

Management Response from the Office of Strategy and Continuous Improvement – We are reviewing the Audit findings on 'Payments to the Foundation,' for the Foundation accounting consulting services, lease payments, and salary of the Foundation's Chief Executive Officer/President. Effective July 1, 2016, the District will no longer make lease payments on behalf of the Broward Education Foundation. We are in consultation within our School Board and with the Executive Board of the Broward Education Foundation to address the items relating to accounting consulting services and salaries. We will determine the best way forward and take necessary action in the next ninety (90) days.

Finding No. 2: Payroll Processing – Overpayments and Time Records

Management Response from the Treasurer's Office - Agree. The District has made great strides in addressing overpayments since the initial finding was published. As a result of training and implementation of accountability measures, the occurrence of overpayments has been reduced significantly. After further analysis, and looking at this issue from a holistic standpoint, the District has been handling this issue in the following manner:

- **iForms**: Timely processing of iForms is critical to ensuring overpayments are prevented (i.e., terminations, employee leaves, change in payroll area and/or calendar, etc.). Periodic meetings are held with Departments (i.e., Office of Human Resources, Benefits/Leaves Department, Talent Acquisition and Operations, Compensation and HRIS, Payroll Department, etc.) to mitigate future overpayments.

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- **Training and Awareness**: Meetings have been held with all Principals to bring awareness of overpayments to their attention. Meetings will also be held with Cadre Directors, as well as, Department Directors. In addition, a reintroduction of Business Practice Bulletin PR-100 (Payroll and Time Entry) and School Board Policy 4300.1 (Overtime Pay and Compensatory Time) are planned district-wide.

- **Reporting:** A monthly report listing the Schools and Departments, each with the ten (10) highest overpayment amounts, will be produced. Staff will then meet (monthly) with the Schools and Departments listed and provide individual assistance/support to adequately address these overpayments.

With regard to the statements indicating reports requested were not provided, said reports could not be generated, as desired, due to system limitations. The SAP system is not currently configured to track overpayments by fiscal periods; overpayments are reported by current balance/remaining balance by employee. The District will determine the financial impact and feasibility of engaging a consultant to reconfigure or modify the current reporting format in the SAP system.

The Payroll Department will continue to diligently reiterate the District's payroll procedures, policies and requirements with all District Administrators, by way of meetings, with the goal of enhancing compliance and accountability in the payroll process.

The District expects to continue to reinforcing these practices through the 2016-2017 Fiscal Year and beyond, if necessary.

Management Response from the Student Transportation and Fleet Services – We agree with the findings. Due to the large number of employees located at each transportation terminal some sites have to review reports in excess of 90 pages. We will review the current process and timeline in which our internal management team signs the payroll printouts, to evaluate how best to reduce the turn-around time of report review and approval.

Preliminary Plan of Action by March 28, 2016:

Scan and email all reports to supervisory staff for approval to reduce turn-around time of review and approval of reports.

Management Response from Atlantic Technical College and Technical High School - We agree with the finding regarding one employee's overtime not being approved on May 27, 2015 (Wednesday prior to the pay date). The overtime was approved on June 13th which was 10 days past the due date.

In order to ensure that this oversight doesn't occur in the future, our Senior Payroll Processor will more closely monitor the data to ensure compliance with district procedures.

There was no over payment or under payment made to the employee.

Management Response from Physical Plant Operations – Central Area Carpentry - We agree. From the overtime requests, it is clear that overtime for Thursday, October 23rd; Friday, October 24th; and Saturday, October 25th were approved as "planned overtime" on October 17th. The additional time for Sunday, October 26th was not anticipated, nor pre-approved, and was approved after the time was incurred. This occurs when the scope of work or the time required for execution exceeds the planned time and the work must be completed for the school to re-open as usual on Monday. Henceforth, we will pre-approve the additional day (where appropriate) so that the approval does not follow the event.

Management Response from Dillard High School (Dillard 6-12) - I agree with the findings. In the future, we will comply with Business Practice Bulletin PR-100 Payroll & Time Entry to ensure that the BI Overtime Report is printed and reviewed by the Payroll Contact and Principal after each payroll is processed.

Finding No. 3: Payroll Processing – Overtime Payments

Management Response from Atlantic Technical College and Technical High School - We agree with the findings regarding the estimated date approval, which was inadvertently not completed for two employees. This oversight was for the BB pay period #22 (10/13/14-10/26/14).

We also agree with the findings regarding the late date the overtime authorization form was signed for one employee. This oversight was for the BB pay period #11 (5/11/15-5/24/15). The authorization form was signed on 5/22/15 rather than 5/10/15.

In order to ensure that this oversight does not occur in the future, our Senior Payroll Processor will more closely monitor the due dates to ensure compliance with district payroll procedures and Board policy.

There were no overpayments or underpayments made to any of the employees.

Management Response from Sheridan Technical College and Technical High School - After careful review, we agree with the audit finding that the timecard for one employee and the Overtime/Compensatory Time Authorization Form #4707 on October 24, 2014 did not match. There was 1.5 hours of additional overtime work that was not approved in advance or recorded on the Form #4707. Also, 9 hours were approved for October 25, 2014; however only 8 hours were worked per the time card, so the net error is .5 hours. This was an error and we will strive to ensure that the timecards reconcile with the overtime reports in the future.

Management Response from Physical Plant Operations – Central Area Carpentry - We agree. From the overtime requests, it is clear that overtime for Thursday, October 23rd; Friday, October 24th; and Saturday, October 25th were approved as "planned overtime" on October 17th. The additional time for Sunday, October 26th was not anticipated, nor pre-approved, and was approved after the time was incurred. This occurs when the scope of work or the time required for execution exceeds the planned time and the work must be completed for the school to re-open as usual on Monday. Henceforth, we will pre-approve the additional day (where appropriate) so that the approval does not follow the event.

Management Response from the Treasurer's Office - Agree. The requirements for record keeping, authorization and approval of all payroll-related documents including, but not limited to, proper approval and documentation of overtime hours is extensively outlined in Business Practice Bulletin PR-100 (Payroll and Time Entry) and School Board Policy 4300.1 (Overtime Pay and Compensatory Time).

The District will periodically review and revise, as necessary, the process for approval and documentation of overtime payments. The Payroll Department provides, and will continue to provide, Cabinet Members with a quarterly overtime report to monitor and effectively manage overtime dollars. During the monitoring process, Cabinet Members should determine if overtime dollars are reasonable and appropriate.

The Department Head/Principal is responsible to performing the cost effectiveness analysis. Any administrators whose department or school incurs overtime, should analyze staffing/workload issues and whether hiring additional employee(s) vs. paying overtime would be beneficial.

As similarly outlined in Finding #2 – Training and Awareness, the District will continue to diligently reiterate requirements to Department Heads/Principals by way of meetings to ensure responsibility, accountability and compliance.

Management Response from Dillard High School - I agree with the findings. In the future, we will comply with Business Practice Bulletin PR-100 Payroll & Time Entry to ensure that the Overtime/Compensatory Form 4707 contains pre-approval for each date that overtime work is requested.

Finding No. 4: Health Insurance – Premiums and Participant Eligibility

Management Response from Benefits & Employment Services - We concur with the Preliminary and Tentative Audit Findings recommendation.

The District continues to enhance its verification and reconciliation procedures, as they relate to its Self-Insurance program. As of January, 2016, the District completed the verification of all employees, retirees, and COBRA participants with the TPA's listing of health insurance participants.

In accordance with the Auditor's recommendation, the District will ensure that a monthly eligibility reconciliation of TPA listings of health insurance participants is conducted. Benefits Department staff has held planning meetings with both the ERP and Accounting staff and will begin to expand the reconciliation process, as it pertains to related premiums to payroll records and insurance premium billings, effective April 1, 2016.

During the next Open Enrollment period of October 2016 the Benefits Department will expand the verification of eligibility documentation to include all enrolled dependents on the District's Health Plan. If proper documentation is not provided, it will result in the removal of the dependent(s) from the plan, effective January 1, 2017.

Finding No. 5: Audits – School Internal Funds

Management Response from the Office of the Chief Auditor - We agree. In accordance with Florida Administrative Code 6A-1.087, the Office of the Chief Auditor is responsible to submit a signed written report to the School Board covering internal funds which includes any notations of any failure to comply with requirements of Florida Statutes, State Board of Education Regulations and School Board policies, and commentary as to financial management and irregularities. The audits are presented to the School Board's Audit Committee and the School Board. All internal fund audits pertaining to the 2013-14 fiscal year have been completed. Two of the schools that are currently under investigation will be presented at the next Audit Committee meeting on April 28, 2016. In addition to the Internal Fund audits, our auditors perform payroll reviews, as well as other audit functions during the audits that assist the schools in complying with School Board policies and procedures. As schools' internal funds are an integral part of the District's financial reporting entity, we will make every effort to ensure that all internal fund audits are completed in a timely manner.

Finding No. 6: Charter School Termination

Management Response from the Office of the Chief Auditor - Florida Statute 1002.33 outlines the provisions and required procedures for the Charter schools' Governing Boards and the District (sponsor) for operating a Charter school. The Governing Board is responsible for complying with Florida Statute 1002.33; specifically, dealing with non-renewal, closure or termination of its Charter school. The recommendation states that the District should ensure that Charter school closures are appropriately monitored and that the District's records document the monitoring efforts. At a minimum, such records should evidence that:

- **Property and unencumbered funds were appropriately returned to the District.**

We disagree. Of the 22 Charter schools that were terminated for financial or academic reasons or abandonment, we were able to recover funds that were disbursed in 8 of the 22 cases. For many of the other 14 schools, the District was unable to recover the funds that were owed back to the District. During the termination process, funds were spent on final payroll for staff and payments to vendors. In several instances, staff and vendors were not paid at all. Regarding property and inventory items, we have been successful in obtaining assets in many cases. In addition, we perform a preliminary review and document items with photographs taken during the physical inventory. Most Charter schools were allowed to remain open until the end of the school year or winter break for the benefit of the students; consequently, many items that had been identified in our preliminary inventory were removed or the schools claimed that a theft had occurred. All Charter school closures are documented with photographs and a schedule of assets that were recovered by the District.

- **Charter school expenditures over $10,000 were subject to prior District approval.**

  We disagree. Regarding the $10,000 per expenditure after a Charter school is in the termination process, per F.S. Section 1002.33(9)(o), this would be the responsibility of the Charter school's Governing Board, who has control of the Charter school's finances. The District has no control or no way of monitoring the check writing processes of a Charter school; the District does not have check signing authority on Charter schools' checking accounts. As stated in the Florida Statute 1002.33 (9)(o), "a Charter school may not expend more than $10,000 per expenditure without prior written approval from the sponsor, unless such expenditure was included within the annual budget submitted to the sponsor pursuant to the charter contract . . ." Going forward, when a Charter school is in the process of termination, the District will notify the Charter school in its close-out checklist advising the Charter school of Florida Statute 1002.33(9)(o)1, regarding the restrictions of expending more than $10,000 per occurrence without written approval of the sponsor.

- **Independent audits were completed within 30 days after charter school closures.**

  We disagree. Independent Audits for Charter schools are performed by external CPA firms hired by the Governing Boards of the Charter schools. Per Florida Statute 1002.33(9)(o)2, "an independent audit shall be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets." It is not under the District's control if a Charter school fails to hire an external CPA firm to complete their independent financial audit. In our experience with terminations, in most cases, the Charter school does not have the funds to hire a CPA firm and furthermore, if they did have the funds, there would be no incentive to spend funds on an audit when they are terminating. This is evident in your observation that states that only one of the 22 Charter schools had an independent audit performed after closure. The District has now incorporated this requirement into the Charter Schools Management/Support's checklist, notifying the Charter school of Florida Statute 1002.33(9)(o)2, regarding the requirement that an independent audit be completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets.

- **Charter school employee contract timeframes did not exceed the term of the District charter school contracts.**

  We disagree. The Charter schools' Governing Boards, not the District, approves all Charter school contracts. Per Florida Statute 1002.33(9)(o)4, "a Charter School may not enter into a contract with an employee that exceeds the term of the school's charter contract with its sponsor". In an effort to prevent the Governing Board from issuing contracts with Charter school employees that exceed the term of the District Charter school contracts during the termination process, we will add this to the checklist. Going forward, when a Charter school is in the process of termination, the District will notify the Charter school in its close-out checklist regarding the restriction that a Charter school

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may not enter into a contract with an employee that exceeds the term of the school's Charter contract with its sponsor.

Finding No. 7: Annual Facility Inspections

Management Response from Physical Plant Operations (PPO) – Physical Plant Operations agrees that deficiencies noted in fire-safety reports should be corrected as soon as possible. The District's successful execution of work identified in Broward Schools' SMART (Safety, Music and Arts, Athletics, Renovation, and Technology) initiative will correct many of the long-standing deficiencies noted on the safety report records, particularly those too large or expensive to be corrected by the District's own workforce, such as Fire Suppression Systems.

Additionally, thousands more of the deficiencies continue to be noted and corrected annually by the District's own Maintenance staff. We are now able to fund these repairs for the first time in several years and are requesting additional staff to be able to accomplish this work more quickly. We intend to return to a mode where the number of fire-safety deficiencies is minimized.

Finding No. 8: Tangible Personal Property

Management Response from the Office of the Chief Auditor – We agree. In addition to performing physical inventories, reconciling physical counts to property records, training staff and engraving/barcoding assets for over 238 locations, plus over 90 departments, the Office of the Chief Auditor has incurred additional duties, as follows:

In compliance with Chapter 274 - Florida Statutes, Rule 69I-73 - Florida Administrative Code and Business Practice Bulletin O-100 Procedures for Property and Inventory Control, the Office of the Chief Auditor has increased its audit scope by including the verification of assets less than $1,000, along with the addition of items purchased with the Bond Referendum funds (SMART equipment). As needed, we continue to assist the Charter Schools Management/Support Office in the removal and verification of equipment for Charter schools that have been terminated. The Office of the Chief Auditor has recently purchased new barcoding equipment and an upgraded software program to expedite the audit process and allow us to increase the number of audits we complete on an annual basis.

Finding No. 9: Virtual Instruction Program – Written Policies and Procedures

Management Response from the Broward Virtual School – We agree. While defined policies, procedures, and safeguards are in place at the school level (listed on website and in school handbooks), BCPS will amend current District VIP policies to comply with the Auditor General's recommendations to provide specific connections between staff duties as they relate to adherence to state statute (staff training and the establishment of a reliable standard to measure the effectiveness and efficiency of operations).

Timeline for Implementation: Prior to August 2016/BVS Principal

Finding No. 10: Virtual Instruction Program – Provider Contract

Management Response from the Broward Virtual School – We disagree. It's the virtual instruction provider's legal obligation to stipulate student/teacher ratios in contracts. The BCPS VIP provider contract contains specific language pertaining to student/teacher ratios. It must be noted that neither state legislation nor FDOE policy defines "reasonable" VIP student/teacher ratios. In absence of such guidelines, determining "reasonableness" would be entirely subjective and speculative. In the future, the BCPS will develop its own definition of reasonableness for VIP student/teacher ratios.

Language regarding data security controls and data quality will be included in future VIP contracts.

Timeline for Implementation: June 2016/VIP Provider

Finding #11: Virtual Instruction Program – Written Parental Notification

Management Response from the Broward Virtual School – We disagree. Written notification to parents regarding VIP availability and enrollment timelines is distributed by District schools annually. However, BCPS will enhance its notification methods to include electronic correspondence as recommended by the Auditor General.

Timeline for Implementation: Prior to May 2016/Office of Portfolio Services, OSPA, All Principals

Finding No. 12: Information Technology – Security Controls – User Authenticity

Response from the Information & Technology Department - The Information & Technology Department agrees with the findings, and is making forward progress, and is committed to addressing each of the outstanding items. The Information & Technology department has a plan in place and intends to correct the outstanding items by October, 2016.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding 2015-001:
Federal Agency: United States Department of Education
CFDA Number: 84.010
Program: Title I Grants to Local Educational Agencies
Compliance Requirement: Eligibility – Title 1 Allocation
Finding Type: Material Noncompliance and Material Weakness
Questioned Costs: $22,993,453

Management Response from the Title I Migrant and Special Programs Department - Under advisement of the grantor (FDOE), the District will ensure that schools will be served based on the grantor (FDOE) approved Public School Eligibility Survey (PSES). Furthermore, the District will ensure that all schools with high poverty will be ranked and served by poverty percentage, including the CEP calculation, to ensure schools are served in proper ranking order. Additionally, the Budget Office and the Title I, Migrant and Special Programs Department will generate and review quarterly expenditure reports to compare and make certain ranking order is maintained. The District is in the process of reviewing the Auditor General's calculated questionable costs for the 14-15 school year totaling $22,993,453, which includes salaries, fringe benefits and LEA wide activities identified in the approved Title I, Part A Application. The grantor (FDOE) will be provided this documentation, which will support the allowability of the questioned costs by June 30, 2016.

Federal Awards Finding 2015-002:
Federal Agency: United States Department of Education
CFDA Number: 84. 063
Program: Federal Pell Grant Program
Award Numbers and Year: P063P14352, P063P14453, and P063P14325; 2014-15 Award Year
Compliance Requirement: Special Test and Provisions – Enrollment Reporting
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Management Response from Atlantic, McFatter and Sheridan Technical Colleges - The Broward County School District agrees with the preliminary and tentative federal awards finding #2015-002, relating to the Federal Pell Grant Program from the Financial, Operational, and Federal Audit of the Broward School District for the period that ended June 30, 2015.

The Broward School District acknowledges that our internal process of awarding Federal Pell Grants needs to be revised, in order to maintain compliance with the Pell Grant disbursement requirements.

The following is our Corrective Action Plan and Implementation Timeline:

- Within 30 days, key district staff in the District Accounting and Financial Reporting Department will meet with the Directors of Broward Technical Colleges, (Atlantic Technical College, McFatter Technical College and Sheridan Technical College) and their respective Financial Aid Directors, to discuss the audit finding, our district's current operational processes related to the disbursement of Federal Pell Grant funds, and the steps that need to be taken to change processes to bring them in line with Pell requirements.

- By the start of the 2016-17 school year in August, an internal Business Practice Bulletin will be written that specifies a process for disbursing Federal Pell Grant funds that aligns with the Federal guidelines. The Office of the Chief Auditor will review the Business Practice Bulletin prior to formal adoption.

- The District staff member who will oversee the corrective action plan is Mr. Robert B. Crawford, Director, Atlantic Technical College and Technical High School.

If you have any questions or concerns regarding any of the findings, please contact Patrick Reilly, Chief Auditor, at (754) 321-2400.

Sincerely,

Robert W. Runcie
Superintendent of Schools

RWR/PR:pm