

Board Meeting Agenda Item Executive Summary

Supt.'s Office Use Only

Board Meeting 2-3-15

Agenda Consent

Item No. H. 9.

Board Meeting Date:	February 3, 2015
Submitted By:	Sonja Barnes
Item Description:	Financial and Federal Single Audit of the Alachua County District School Board

Purpose and Explanation:

A Financial and Federal Single Audit report has been prepared by Purvis, Gray & Company, LLP, for the fiscal year ending June 30, 2014, for School Board approval. We are requesting the report be included on the consent agenda to document its acceptance into our Board records.

BUDGETARY IMPACT

Funding Source (Description):

Amount:

Staff Attorney Review & Approval (For Contracts Only)	Date: Initial:	ADDITIONAL INFORMATION Yes: _____ No: _____
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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**ALACHUA COUNTY DISTRICT
SCHOOL BOARD
GAINESVILLE, FLORIDA**

JUNE 30, 2014

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
GAINESVILLE, FLORIDA**

JUNE 30, 2014

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
GAINESVILLE, FLORIDA**

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

Alachua County District School Board
and Superintendent
Gainesville, Florida

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 Alachua County District School Board (the District), as of and for the year ended June 30, 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Charter Schools, which comprise the discretely presented component units of the District. The discretely presented component units' financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the District's 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of 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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, based on our audit and the reports of the 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 District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 9 and 55 through 63 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.

Other 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alachua County District School Board
and Superintendent
Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, December 18, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 the 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.

Purvis, Gray and Company, LLP

December 18, 2014
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALACHUA COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Alachua County District School Board has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014 fiscal year are as follows:

- The District's total net assets decreased by \$20 million, or 27.8 percent.
- General revenues total \$242 million, or 93 percent of all revenues in the 2014 fiscal year, as compared to \$232 million, or 93 percent for the 2013 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$18 million, or 7 percent as compared to \$17 million, or 7 percent in the prior year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$15 million at June 30, 2014, or 7 percent of General Fund expenditures as compared to \$16 million, or 8 percent at June 30, 2013.
- During the current year, General Fund expenditures exceeded revenues by \$11 million. This may be compared to last year's results in which General Fund revenues exceeded expenditures by \$10.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the state's education finance program provide most of the resources that support these activities.

ALACHUA COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

(Continued)

Government-Wide Financial Statements *(Concluded)*

- Component units – The District presents 14 separate legal entities as discretely presented component units, including 14 charter schools. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units are reported separately from the financial information presented for the primary government. Separately issued financial statements of the charter schools are available at the District's administrative office.
- The Alachua County School Board Leasing Corporation, (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the Board and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds use a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Concluded)

Fund Financial Statements (Concluded)

Proprietary Funds. Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains one proprietary fund, an internal service fund, to account for its self-insurance program. Since this service predominantly benefits government-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses private-purpose trust funds to account for the District's early retirement program, the J. Dale Haynie Trust, and for a career service award program. The district uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2014:

Net Assets, End of Year

	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	\$ 71,203,851.53	\$ 71,432,782.00
Capital Assets	100,577,255.69	117,490,505.00
Total Assets	171,781,107.22	188,923,287.00
Deferred Charges	955,464.84	1,019,162.00
Total Deferred Outflows	955,464.84	1,019,162.00
Long-Term Liabilities	106,349,475.17	106,742,188.00
Other Liabilities	14,543,897.40	11,361,912.00
Total Liabilities	120,893,372.57	118,104,100.00
Net Position:		
Net Investment in Capital		
Assets	24,186,826.79	37,797,337.00
Restricted	28,888,781.10	31,267,722.00
Unrestricted (Deficit)	(1,232,408.40)	2,773,290.00
Total Net Position	\$ 51,843,199.49	\$ 71,838,349.00

ALACHUA COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

(Continued)

A significant portion of the District's net position (47 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net position (56 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 6,819,882.02	\$ 6,795,373.44
Operating Grants and Contributions	9,571,756.48	9,197,685.71
Capital Grants and Contributions	1,721,099.25	1,623,279.83
General Revenues:		
Property Taxes, Levied for Operational Purposes	82,296,722.14	83,031,947.41
Property Taxes, Levied for Debt Service	3,829.13	23,369.15
Property Taxes, Levied for Capital Projects	17,883,499.75	17,696,527.19
Grants and Contributions Not Restricted to Specific Programs	138,016,453.74	127,479,784.03
Unrestricted Investment Earnings	591,774.06	529,509.42
Miscellaneous	3,052,516.05	3,486,449.86
Total Revenues	259,957,532.62	249,863,926.04
Functions/Program Expenses:		
Instruction	136,824,775.71	124,381,862.45
Pupil Personnel Services	14,704,357.26	13,257,845.76
Instructional Media Services	4,643,310.36	4,316,831.81
Instruction and Curriculum Development Services	11,575,158.26	10,345,376.04
Instructional Staff Training	2,712,898.27	3,536,439.47
Instruction Related Technology	3,388,592.79	3,202,980.47
Board of Education	897,658.89	744,009.15
General Administration	1,644,051.70	1,884,489.80
School Administration	13,266,463.34	12,211,159.12
Facilities Acquisition and Construction	3,970,206.39	4,712,977.80
Fiscal Services	1,503,347.41	1,432,038.44
Food Services	12,683,104.42	11,882,873.59
Central Services	3,461,922.82	3,245,381.63
Pupil Transportation Services	13,205,112.31	11,930,941.57
Operation of Plant	22,307,382.78	21,292,783.42
Maintenance of Plant	4,798,470.85	4,150,482.99
Administrative Technology Services	1,627,364.52	1,455,903.75
Community Services	3,698,880.53	3,494,586.97
Interest on Long-Term Debt	2,561,502.32	3,040,560.52
Unallocated Depreciation Expenses	20,478,121.05	21,484,929.27
Total Functions/Program Expenses	279,952,681.98	262,004,454.02
Increase (Decrease) in Net Position	(19,995,149.36)	(12,140,527.98)
Net Position-July 1, 2013	71,838,348.85	83,978,876.83
Net Position-June 30, 2014	<u>\$ 51,843,199.49</u>	<u>\$ 71,838,348.85</u>

ALACHUA COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

(Concluded)

State revenues increased by \$10 million, or 10 percent, primarily due to an increase in the Florida Education Finance Program (FEFP). Local tax revenue decreased \$0.5 million or 0.50 percent. The largest revenue source is local tax revenue (39 percent).

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

Instructional expenses represent 63 percent of total governmental expenses in the 2013-14 fiscal year. Instructional expenses increased by \$8.8 million, or 5.6 percent, from the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$15 million, while the total fund balance is \$26.4 million. The unassigned fund balance decreased by \$0.5 million, while the total fund balance decreased by \$3.8 million during the fiscal year. Key factors in this reduction are as follows:

- Total Revenue increased by \$9 million due mainly to increases in the FEFP funding.
- Total Expenditures increased by \$9.3 million, due mainly to increase in classroom salary expense.
- Total Expenditures exceeded Revenue by \$3.8 million.

Special Revenue - Other Federal Programs – Other Federal Programs accounts for the financial resources of certain Federal grant programs.

Special Revenue - Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the *American Recovery and Reinvestment Act of 2009* and the Race To the Top Grant.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$8.6 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of renovations of various facilities and the purchases of buses.

The Other Debt Service Fund has a total fund balance of \$8.3 million, all of which is restricted for interest and principal payments of the District's debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget and brings amendments to the Board when needed. These amendments are needed to adjust to actual revenues received and direct resources where needed. The Board approves the final amendment to the budget after year-end.

OTHER MATTERS OF SIGNIFICANCE

The Alachua county voters approved an additional millage levy for operating purposes during the November 2008 election. The District budgeted \$11.8 million in local tax revenue from the additional millage for the 2013-14 fiscal year. The proceeds from the additional millage levy are to be used to restore and continue specific programs per the voter referendum.

The District will continue with current plans to reduce expenses and build reserves to offset future reductions.

ALACHUA COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$100 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and computer software.

Major capital asset events during the current fiscal year included the following:

- Construction in progress at June 30, 2014, includes various capitalized renovation and remodeling projects.

Additional information on the District's capital assets can be found in the Notes to Financial Statements section.

Long-Term Debt

At June 30, 2014, the District has total long-term debt outstanding of \$77.6 million. This amount is comprised of \$2.1 million of bonds payable and \$75.5 million of certificates of participations payable.

Additional information on the District's long-term debt can be found in the Notes to the Financial Statements section.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Alachua County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sonja Barnes, Chief Financial Officer, Alachua County Public Schools, 620 East University Avenue, Gainesville, Florida 32601.

FINANCIAL STATEMENTS

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental	Component Units
	Activities	Charter Schools
ASSETS		
Cash and Cash Equivalents	\$ 46,480,360.75	\$ 2,423,223.00
Investments	13,756,154.19	156,405.00
Accounts Receivable, Net	0.00	70,813.00
Deposits Receivable	0.00	29,190.00
Due from Other Agencies	2,821,196.39	97,763.00
Inventory	1,870,819.66	0.00
Prepaid Items	0.00	70,601.00
Restricted Assets:		
Investments	6,275,320.54	86,520.00
Capital Assets:	0.00	0.00
Land	5,663,696.69	871,758.00
Construction in Progress	401,551.97	27,891.00
Depreciable Capital Assets, Net of Accumulated Depreciation	94,512,007.03	4,268,919.00
Total Assets	171,781,107.22	8,103,083.00
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	955,464.84	0.00
Total Deferred Outflows of Resources	955,464.84	0.00
LIABILITIES		
Accrued Salaries and Benefits	824,624.85	195,463.00
Payroll Deductions and Withholdings	2,862,332.60	26,994.00
Accounts Payable	7,615,273.55	201,624.00
Construction Contracts Retainage Payable	22,410.02	0.00
Sales Tax Payable	1,032.40	88.00
Deposits Payable	372.00	2,651.00
Due to Other Agencies	516,803.77	38,873.00
Unearned Revenue	120,948.04	0.00
Estimated Unpaid Claims - Self-Insurance Program	2,580,100.17	0.00
Noncurrent Liabilities:		
Due Within One Year	8,163,952.17	1,290,599.00
Due in More than One Year	98,185,523.00	925,279.00
Total Liabilities	120,893,372.57	2,681,571.00
NET POSITION		
Net Investment in Capital Assets	24,186,826.79	3,290,130.00
Restricted For:		
State Required Carryover Programs	2,070,133.61	0.00
Local Sales Tax and Other Tax Levy		
Food Service	2,690,296.21	0.00
Debt Service	9,032,392.01	64,676.00
Capital Projects	9,568,938.11	81,092.00
Other Purposes	5,527,021.16	0.00
Unrestricted	(1,232,408.40)	1,985,614.00
Total Net Position	\$ 51,843,199.49	\$ 5,421,512.00

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FUNCTIONS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 136,824,775.71	\$ 27,824.00	\$ 0.00
Student Personnel Services	14,704,357.26	0.00	0.00
Instructional Media Services	4,643,310.36	0.00	0.00
Instruction and Curriculum Development Services	11,575,158.26	0.00	0.00
Instructional Staff Training Services	2,712,898.27	0.00	0.00
Instruction Related Technology	3,388,592.79	0.00	0.00
School Board	897,658.89	0.00	0.00
General Administration	1,644,051.70	0.00	0.00
School Administration	13,266,463.34	0.00	0.00
Facilities Acquisition and Construction	3,970,206.39	0.00	0.00
Fiscal Services	1,503,347.41	0.00	0.00
Food Services	12,683,104.42	3,097,014.99	9,571,756.48
Central Services	3,461,922.82	0.00	0.00
Student Transportation	13,205,112.31	433,022.84	0.00
Operation of Plant	22,307,382.78	0.00	0.00
Maintenance of Plant	4,798,470.85	0.00	0.00
Administrative Technology Services	1,627,364.52	0.00	0.00
Community Services	3,698,880.53	3,262,020.19	0.00
Interest on Long-term Debt	2,561,502.32	0.00	0.00
Unallocated Depreciation/Amortization Expense*	20,478,121.05	0.00	0.00
Total Governmental Activities	\$ 279,952,681.98	\$ 6,819,882.02	\$ 9,571,756.48
Component Units:			
Charter Schools	12,289,733.00	776,625.00	167,787.00
Total Component Units	\$ 12,289,733.00	\$ 776,625.00	\$ 167,787.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - July 1, 2013

Net Position - June 30, 2014

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

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

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$ 0.00	\$ (136,796,951.71)	\$ 0.00
0.00	(14,704,357.26)	0.00
0.00	(4,643,310.36)	0.00
0.00	(11,575,158.26)	0.00
0.00	(2,712,898.27)	0.00
0.00	(3,388,592.79)	0.00
0.00	(897,658.89)	0.00
0.00	(1,644,051.70)	0.00
0.00	(13,266,463.34)	0.00
830,581.97	(3,139,624.42)	0.00
0.00	(1,503,347.41)	0.00
0.00	(14,332.95)	0.00
0.00	(3,461,922.82)	0.00
0.00	(12,772,089.47)	0.00
0.00	(22,307,382.78)	0.00
0.00	(4,798,470.85)	0.00
0.00	(1,627,364.52)	0.00
0.00	(436,860.34)	0.00
890,517.28	(1,670,985.04)	0.00
0.00	(20,478,121.05)	0.00
<u>\$ 1,721,099.25</u>	<u>\$ (261,839,944.23)</u>	<u>\$ 0.00</u>
669,503.00	0.00	(10,675,818.00)
<u>\$ 669,503.00</u>	<u>\$ 0.00</u>	<u>\$ (10,675,818.00)</u>
	82,296,722.14	0.00
	3,829.13	0.00
	17,883,499.75	0.00
	138,016,453.74	10,343,735.00
	591,774.06	5,660.00
	3,052,516.05	(8,404.00)
	<u>241,844,794.87</u>	<u>10,340,991.00</u>
	(19,995,149.36)	(334,827.00)
	71,838,348.85	5,756,339.00
	<u>\$ 51,843,199.49</u>	<u>\$ 5,421,512.00</u>

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Other Federal Programs	Federal Economic Stimulus Programs
ASSETS			
Cash and Cash Equivalents	\$ 19,678,772.00	\$ 307,487.44	\$ 33,441.52
Investments	10,178,189.34	0.00	0.00
Due from Other Funds:			
Budgetary Funds	73,120.11	0.00	0.00
Internal Funds	129,266.97	9,629.75	0.00
Due from Other Agencies	1,455,164.86	845,420.36	18,385.71
Restricted Investments	0.00	0.00	0.00
Inventory	1,364,777.50	0.00	0.00
Total Assets	<u>32,879,290.78</u>	<u>1,162,537.55</u>	<u>51,827.23</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued Salaries and Benefits	820,059.17	3,906.70	0.00
Payroll Deductions and Withholdings	2,459,275.29	323,821.85	7,775.12
Accounts Payable	2,980,633.05	748,740.24	44,050.56
Construction Contracts Retainage Payable	0.00	0.00	0.00
Sales Tax Payable	1,032.40	0.00	0.00
Deposits Payable	372.00	0.00	0.00
Due to Other Agencies	253,385.63	86,068.76	1.55
Due to Other Funds:			
Budgetary Funds	0.00	0.00	0.00
Unearned Revenue	0.00	0.00	0.00
Total Liabilities	<u>6,514,757.54</u>	<u>1,162,537.55</u>	<u>51,827.23</u>
FUND BALANCES			
Nonspendable:			
Inventory	1,364,777.50	0.00	0.00
Total Nonspendable Fund Balance	<u>1,364,777.50</u>	<u>0.00</u>	<u>0.00</u>
Restricted for:			
State Required Carryover Programs	2,070,133.61	0.00	0.00
Local Sales Tax and Other Tax Levy	1,622,246.00	0.00	0.00
Debt Service	0.00	0.00	0.00
Capital Projects	0.00	0.00	0.00
Restricted for Food Service	0.00	0.00	0.00
Restricted for Other	3,904,775.16	0.00	0.00
Total Restricted Fund Balance	<u>7,597,154.77</u>	<u>0.00</u>	<u>0.00</u>
Assigned to:			
Other Budgetary Items	2,305,271.46	0.00	0.00
Total Assigned Fund Balance	<u>2,305,271.46</u>	<u>0.00</u>	<u>0.00</u>
Unassigned Fund Balance	15,097,329.51	0.00	0.00
Total Fund Balances	<u>26,364,533.24</u>	<u>0.00</u>	<u>0.00</u>
Total Liabilities and Fund Balances	<u>\$ 32,879,290.78</u>	<u>\$ 1,162,537.55</u>	<u>\$ 51,827.23</u>

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

Other Debt Service	Nonvoted Capital Improvement § 1011.71(2), F.S.	Other Governmental Funds	Total Governmental Funds
\$ 0.00	\$ 7,594,070.46	\$ 3,857,972.96	\$ 31,471,744.38
2,047,440.18	1,243,097.28	287,427.39	13,756,154.19
0.00	0.00	0.00	73,120.11
0.00	0.00	0.00	138,896.72
0.00	11,489.04	351,839.70	2,682,299.67
6,275,320.54	0.00	0.00	6,275,320.54
0.00	0.00	506,042.16	1,870,819.66
8,322,760.72	8,848,656.78	5,003,282.21	56,268,355.27
0.00	0.00	658.98	824,624.85
0.00	0.00	71,460.34	2,862,332.60
0.00	280,832.93	84,310.98	4,138,567.76
0.00	8,388.00	14,022.02	22,410.02
0.00	0.00	0.00	1,032.40
0.00	0.00	0.00	372.00
0.00	0.00	9.33	339,465.27
0.00	0.00	73,120.11	73,120.11
0.00	0.00	120,948.04	120,948.04
0.00	289,220.93	364,529.80	8,382,873.05
0.00	0.00	506,042.16	1,870,819.66
0.00	0.00	506,042.16	1,870,819.66
0.00	0.00	0.00	2,070,133.61
0.00	0.00	0.00	1,622,246.00
8,322,760.72	0.00	709,631.29	9,032,392.01
0.00	8,559,435.85	1,238,824.91	9,798,260.76
0.00	0.00	2,184,254.05	2,184,254.05
0.00	0.00	0.00	3,904,775.16
8,322,760.72	8,559,435.85	4,132,710.25	28,612,061.59
0.00	0.00	0.00	2,305,271.46
0.00	0.00	0.00	2,305,271.46
0.00	0.00	0.00	15,097,329.51
8,322,760.72	8,559,435.85	4,638,752.41	47,885,482.22
\$ 8,322,760.72	\$ 8,848,656.78	\$ 5,003,282.21	\$ 56,268,355.27

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

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Total Fund Balances - Governmental Funds	\$	47,885,482.22
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**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:

Capital Assets	\$ 453,364,967.97	
(Accumulated Depreciation)	<u>(352,787,712.28)</u>	100,577,255.69

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

8,774,471.91

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.
Long-term liabilities at year-end consist of:

Bonds Payable	(2,120,000.00)	
Certificates of Participation Payable	(75,455,216.39)	
Compensated Absences Payable	(23,164,949.78)	
Other Postemployment Benefits Payable	<u>(5,609,309.00)</u>	(106,349,475.17)

Refunding losses reported for governmental activities are not financial resources and, therefore, not reported in the governmental funds.

955,464.84

Total Net Position - Governmental Activities	\$	<u><u>51,843,199.49</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Other Federal Programs	Federal Economic Stimulus Programs
REVENUES			
Federal Direct	\$ 203,866.01	\$ 4,785,628.23	\$ 0.00
Federal Through State and Local	1,009,071.07	19,786,870.65	1,182,844.64
State Sources	111,048,173.14	0.00	0.00
Local Sources:			
Property Taxes Levied for Operational Purposes	82,296,722.14	0.00	0.00
Property Taxes Levied for Debt Service	0.00	0.00	0.00
Property Taxes Levied for Capital Projects	0.00	0.00	0.00
Charges for Service - Food Service	0.00	0.00	0.00
Other Local Revenue	6,778,561.34	0.00	0.00
Total Local Sources	89,075,283.48	0.00	0.00
Total Revenues	201,336,393.70	24,572,498.88	1,182,844.64
EXPENDITURES			
Current:			
Instruction	119,770,863.89	14,552,536.54	812,619.10
Student Personnel Services	12,198,639.31	2,303,633.91	0.00
Instructional Media Services	4,577,254.05	0.00	0.00
Instruction and Curriculum Development Services	6,968,400.29	4,275,137.95	156,836.55
Instructional Staff Training Services	913,109.98	1,650,997.55	114,114.94
Instruction Related Technology	3,262,694.14	80,725.85	0.00
School Board	893,994.74	0.00	0.00
General Administration	805,969.53	797,144.59	28,830.64
School Administration	13,050,294.92	15,523.96	0.00
Facilities Acquisition and Construction	235,646.90	45,137.88	0.00
Fiscal Services	1,479,993.57	0.00	0.00
Food Services	0.00	0.00	0.00
Central Services	3,196,266.78	198,567.62	25,223.41
Student Transportation Services	11,883,149.66	197,848.96	0.00
Operation of Plant	21,851,288.17	339,461.65	0.00
Maintenance of Plant	4,740,999.23	0.00	0.00
Administrative Technology Services	1,606,768.35	0.00	0.00
Community Services	3,647,217.42	176.24	0.00
Debt Service:			
Retirement of Principal	0.00	0.00	0.00
Interest	0.00	0.00	0.00
Dues, Fees and Issuance Costs	0.00	0.00	0.00
Capital Outlay:			
Facilities Acquisition and Construction	78,218.66	10,216.46	0.00
Other Capital Outlay	1,174,417.64	105,389.72	45,220.00
Total Expenditures	212,335,187.23	24,572,498.88	1,182,844.64
Excess (Deficiency) of Revenues Over (Under)			
Expenditures	(10,998,793.53)	0.00	0.00
OTHER FINANCING SOURCES (USES)			
Loss Recoveries	43,122.87	0.00	0.00
Face Value of Refunding Bonds	0.00	0.00	0.00
Premium on Refunding Bonds	0.00	0.00	0.00
Payments to Refunding Escrow Agent	0.00	0.00	0.00
Transfers in	7,218,182.84	0.00	0.00
Transfers (out)	(38,363.73)	0.00	0.00
Total Other Financing Sources (Uses)	7,222,941.98	0.00	0.00
Net Change in Fund Balances	(3,775,851.55)	0.00	0.00
Fund Balances, July 1, 2013	30,140,384.79	0.00	0.00
Fund Balances, June 30, 2014	\$ 26,364,533.24	\$ 0.00	\$ 0.00

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

Other Debt Service	Nonvoted Capital Improvement § 1011.71(2), F.S.	Other Governmental Funds	Total Governmental Funds
\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,989,494.24
0.00	0.00	9,407,427.48	31,386,213.84
0.00	0.00	1,885,428.25	112,933,601.39
0.00	0.00	0.00	82,296,722.14
0.00	0.00	3,829.13	3,829.13
0.00	17,883,499.75	0.00	17,883,499.75
0.00	0.00	3,097,014.99	3,097,014.99
308,836.18	76,320.77	89,301.22	7,253,019.51
308,836.18	17,959,820.52	3,190,145.34	110,534,085.52
308,836.18	17,959,820.52	14,483,001.07	259,843,394.99
0.00	0.00	0.00	135,136,019.53
0.00	0.00	0.00	14,502,273.22
0.00	0.00	0.00	4,577,254.05
0.00	0.00	0.00	11,400,374.79
0.00	0.00	0.00	2,678,222.47
0.00	0.00	0.00	3,343,419.99
0.00	0.00	0.00	893,994.74
0.00	0.00	0.00	1,631,944.76
0.00	0.00	0.00	13,065,818.88
0.00	0.00	0.00	280,784.78
0.00	0.00	0.00	1,479,993.57
0.00	0.00	12,598,099.32	12,598,099.32
0.00	0.00	0.00	3,420,057.81
0.00	0.00	0.00	12,080,998.62
0.00	0.00	0.00	22,190,749.82
0.00	0.00	0.00	4,740,999.23
0.00	0.00	0.00	1,606,768.35
0.00	0.00	0.00	3,647,393.66
0.00	3,140,075.00	1,556,700.00	4,696,775.00
0.00	1,752,012.14	695,248.99	2,447,261.13
0.00	39,697.56	10,845.97	50,543.53
0.00	6,135,476.62	698,813.19	6,922,724.93
0.00	0.00	3,361.99	1,328,389.35
0.00	11,067,261.32	15,563,069.46	264,720,861.53
308,836.18	6,892,559.20	(1,080,068.39)	(4,877,466.54)
0.00	0.00	0.00	43,122.87
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
659,529.24	41,346.31	538,363.73	8,457,422.12
(22,403.68)	(7,208,654.08)	(1,188,000.63)	(8,457,422.12)
637,125.56	(7,167,307.77)	(649,636.90)	43,122.87
945,961.74	(274,748.57)	(1,729,705.29)	(4,834,343.67)
7,376,798.98	8,834,184.42	6,368,457.70	52,719,825.89
\$ 8,322,760.72	\$ 8,559,435.85	\$ 4,638,752.41	\$ 47,885,482.22

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

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Governmental Funds \$ (4,834,343.67)

**Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period:

Capital Outlay Expenditures	\$ 4,561,692.67	
Depreciation Expense	<u>(21,474,942.04)</u>	(16,913,249.37)

Internal Service Funds are used by management to charge the cost of certain activities such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	1,423,428.37
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Refunding gains and losses result from a difference between the reacquisition cost of the refunded bonds and the net carrying amount. Refunding gains or losses are amortized over the life of the related debt in the statement of activities.	(63,697.66)
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following details the amount of long-term debt principal and amortization in the current period:

Certificates of Participation	3,931,775.00	
Bonds Payable	765,000.00	
Amortization of Premiums	<u>71,014.76</u>	4,767,789.76

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of vacation and sick leave used in excess of the amount earned in the current period.	(3,038,767.79)
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Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefit payable for the current year.	<u>(1,336,309.00)</u>
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Change in Net Position of Governmental Activities	<u>\$ (19,995,149.36)</u>
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The accompanying notes to financial statements are an integral part of this statement.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Internal Service Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 15,008,616.37
Total Assets	<u>15,008,616.37</u>
 LIABILITIES	
Accounts Payable	3,476,705.79
Due to Other Agencies	177,338.50
Estimated Unpaid Claims - Self-Insurance Program	<u>2,580,100.17</u>
Total Liabilities	<u>6,234,144.46</u>
 NET POSITION	
Unrestricted	<u>8,774,471.91</u>
Total Net Position	<u>\$ 8,774,471.91</u>

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

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>
OPERATING REVENUES	
Risk Management Premium Revenue	\$ 27,049,428.40
Total Operating Revenues	<u>27,049,428.40</u>
OPERATING EXPENSES	
Purchased Services	3,396,477.29
Claims Paid	22,264,133.34
(Total Operating Expenses)	<u>25,660,610.63</u>
Excess of Revenues Over Expenditures	<u>1,388,817.77</u>
NONOPERATING REVENUES	
Investment Income	34,610.60
Total Nonoperating Revenues	<u>34,610.60</u>
Income Before Transfers	1,423,428.37
Change in Net Position	1,423,428.37
Fund Balances, July 1, 2013	<u>7,351,043.54</u>
Fund Balances, June 30, 2014	<u><u>\$ 8,774,471.91</u></u>

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 27,049,428.40
Cash Payments to Suppliers for Goods and Services	(23,516,458.60)
Net Cash Provided by Operating Activities	<u>3,532,969.80</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends Received	34,610.60
Net Cash Provided by Investing Activities	<u>34,610.60</u>
Net Increase in Cash and Cash Equivalents	3,567,580.40
Cash and Cash Equivalents, July 1, 2013	<u>11,441,035.97</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 15,008,616.37</u>
<u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided by Operating Activities</u>	
Operating Income	\$ 1,388,817.77
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Increase in Accounts Payable	345,615.33
Increase in Due to Other Agencies	177,338.50
Increase in Estimated Claims	1,621,198.20
Total Adjustments	<u>2,144,152.03</u>
Net Cash Provided by Operating Activities	<u>\$ 3,532,969.80</u>

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Total Private-Purpose Trust Funds	Total Pension Trust Funds	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 422,882.63	\$ 329,490.01	\$ 3,235,789.00
Investments	0.00	3,137,968.10	0.00
Accounts Receivable, Net	0.00	0.00	128,784.00
Inventory	0.00	0.00	39,004.00
Total Assets	<u>422,882.63</u>	<u>3,467,458.11</u>	<u>3,403,577.00</u>
LIABILITIES			
Accounts Payable	0.00	0.00	\$ 36,978.28
Due to Other Funds-Budgetary	0.00	0.00	138,896.72
Internal Accounts Payable	0.00	0.00	3,227,702.00
Total Liabilities	<u>0.00</u>	<u>0.00</u>	<u>\$ 3,403,577.00</u>
NET POSITION			
Restricted for Pension Benefits	0.00	3,467,458.11	
Restricted for Scholarships and Other Purposes	422,882.63	0.00	
Total Net Position	<u>\$ 422,882.63</u>	<u>\$ 3,467,458.11</u>	

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Total Private-Purpose Trust Funds	Total Pension Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 0.00	\$ 208,514.12
Investment Earnings:		
Interest	1,570.76	35,588.62
Gain on Sale of Investments	0.00	144,517.59
Net Increase (Decrease) in the Fair Value of Investments	0.00	213,190.79
Total Investment Earnings	1,570.76	393,297.00
Total Additions	1,570.76	601,811.12
DEDUCTIONS		
Salaries	4,843.15	0.00
Employee Benefits	1,487.26	704,971.58
Purchased Services	0.00	9,593.00
Total Deductions	6,330.41	714,564.58
Change In Net Position	(4,759.65)	(112,753.46)
Net Position - July 1, 2013	427,642.28	3,580,211.57
Net Position - June 30, 2014	\$ 422,882.63	\$ 3,467,458.11

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

- **Blended Component Unit.** Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Alachua County School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the Alachua County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District. The component unit columns in the basic financial statements, include the financial data of 14 charter schools: Alachua Learning Elementary, Inc.; Alachua Learning Middle, Inc.; Caring and Sharing Learning School, Inc.; Einstein Montessori School, Inc.; Expressions Learning Arts Academy, Inc.; Florida School for Integrated Academics and Technology, Inc; Genesis Preparatory School, Inc.; Healthy Learning Academy, Inc.; Hoggetowne Middle School, Inc.; Micanopy Area Charter Schools, Inc.; Micanopy Middle School, Inc.; Mycroschool Gainesville; One Room School House Elementary, Inc.; and One Room Schoolhouse Middle, Inc.

The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the *Florida Not for Profit Corporation Act*, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Alachua County District School Board. The charter schools are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for their support.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

➤ **Reporting Entity (Concluded)**

- **Discretely Presented Component Units.** (Concluded) The financial data reported on the accompanying financial statements was derived from the Annual Financial Reports of the charter schools, which are available at the District's administrative office for the fiscal year ended June 30, 2014.

➤ **Basis of Presentation**

- **Government-wide Financial Statements.** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charges to external customers for support. Likewise, the primary government is reported separately from certain legally separated component units for which the primary government is financial accountable.

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

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

- **Fund Financial Statements.** Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Special Revenue – Other Federal Programs Fund** – to account for certain Federal grant program resources.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

➤ **Basis of Presentation** *(Concluded)*

■ **Fund Financial Statements.** *(Concluded)*

- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the *American Recovery and Reinvestment Act of 2009* and the Race To The Top Grant.
- Other Debt Service Fund – to account for resources accumulated and payments made for the principal and interest on long-term debt of governmental funds.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including: construction, remodeling and addition projects; District-wide maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment purchases; payments for educational facilities and sites due under lease-purchase agreements (COPS); payments for renting and leasing education facilities and sites; payments of loans approved pursuant to Sections 1011.14 and 1011.15, Florida Statutes; and payment of the cost of leasing relocatable educational facilities.

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

- Internal Service Fund – to account for the District's individual self-insurance program.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Private-Purpose Trust Fund – to account for resources of the J. Dale Haynie Trust Fund, the Diamond Sports Park and the career services award program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary, pension benefit trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

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

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

➤ **Deposits and Investments (Concluded)**

Investments consist of amounts placed in the SBA Debt Service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and the Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Section 218.405 and 218.417, Florida Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are affected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally, including investments held for the pension fund, consist of money market funds, mutual funds, and United States Government Securities and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. The central stores, transportation, maintenance and the food service nonfood inventories are valued at cost on the moving-average basis. The purchased food inventories are valued at final year-end contract price, which approximates cost on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000 with a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

➤ **Capital Assets (Concluded)**

Capital assets are depreciated using the composite method, except for assets under capital lease, which are depreciated under the straight-line method over the shorter of the lease term or the asset's useful life.

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	9 - 37 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 12 years
Assets Under Capital Lease	10 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	4 - 5 years

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

➤ **Long-term Liabilities**

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **Deferred Outflows**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

➤ **Net Position Flow Assumption**

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

➤ **Fund Balance Flow Assumptions**

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

➤ **Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The School Board is the highest level of decision-making authority for the government that can, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitations imposed by the School Board remain in place until a similar action is to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School Board has adopted Policy 6100 which authorizes the finance director to assign fund balance. The School Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

➤ **Program Revenues**

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

➤ **State Revenue Sources**

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

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

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

➤ **District Property Taxes**

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

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Alachua County Property Appraiser, and property taxes are collected by the Alachua County Tax Collector.

The School Board adopted the 2013 tax levy on September 3, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

➤ **District Property Taxes (Concluded)**

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Alachua County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

➤ **Federal Revenue Sources**

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

➤ **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

➤ **Accounting Changes**

GASB Statement No. 67. The District adopted new accounting guidance GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of GASB Statement Nos. 25 and 50, related to pension plan reporting and disclosure. GASB No. 67 primarily provides for enhanced note disclosures and schedules of required supplementary information to be presented for the pension plan. The disclosures resulting from the application of this standard is primarily found in Note 14 to the financial statements and the schedules of required supplementary information.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY *(Concluded)*

- 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 State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School 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.

3. INVESTMENTS

As of June 30, 2014, the District has the following investments and maturities:

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

3. INVESTMENTS (Continued)

Investment	Maturities	Fair Value
<u>Governmental Funds</u>		
Reported As Cash Equivalents		
SBA-Florida PRIME Pool A	40 days	\$ 34,366,679.25
Reported As Investments:		
SBA:		
Florida PRIME Pool A (1)	40 days	16,230.39
Fund B	2.86 yrs. (WAL)	60,036.61
Debt Service Accounts	40 Days	56,941.32
Florida Fixed Income Trust 1 Year	361 Day Average	35,429.60
Florida Fixed Income Trust 180 Day	311 Day Average	10,106,590.02
First American Government Oblig. Cl. Y (1)	41 Day Average	2,847,120.90
FHLMC (3)	12/5/2014	1,446,488.35
BOA Repurchase Agreement (2)	10/25/2015	4,821,936.76
US Treasury Bond	8/15/2027	640,700.78
Total Governmental Funds Investments		20,031,474.73
<u>Fiduciary Funds:</u>		
Reported As Cash Equivalent		
SBA-Florida PRIME	40 Days	752,372.64
Reported As Investments		
STIFEL NICOLAUS - Money Market		81,334.55
STIFEL NICOLAUS - Equities		1,608,076.27
STIFEL NICOLAUS - Mutual Fund	11.39 years	144,446.00
STIFEL NICOLAUS - Corporate Bond	11.84 years	599,877.80
STIFEL NICOLAUS - Lazard LTD Shares		8,146.48
STIFEL NICOLAUS - US Govern Securities 3-7 Treasury Bonds	4.74 years	696,087.00
Total Fiduciary Funds Investments		3,137,968.10
Total Cash Equivalent and Investments		\$ 58,288,494.72

- Note: (1) These funds are held under a trust agreement in connection with the Certificates of Participation, Series 2001-QZAB, 2004, 2005, 2005-QZAB, 2009A, 2010A, 2010B, 2010C, 2011 and 2013 financing arrangements. (See Note 5.) Money market funds include amounts invested in securities that are issued or guaranteed as to payment of principal and interest by the United States Government.
- (2) These funds are held under a master repurchase agreement in connection with the Certificates of Participation, 2001-QZAB. (See Note 5.)
- (3) These funds are held under a security delivery agreement in connection with the Certificates of Participation, 2005-QZAB. (See Note 5.)

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

3. INVESTMENTS (Continued)

Interest Rate Risk (Concluded)

- Florida PRIME had a weighted average days to maturity (WAM) of 40.2 days at June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2014, based on expected future cash flows, the WAL of Fund B is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental pool authorized pursuant to the *Florida Interlocal Cooperation Act* as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2014, the District's investment in Florida PRIME Pool A is AAAM rated.
- As of June 30, 2014, the District's investment in the Local Government Surplus Funds Investment Pool B is not rated by any nationally recognized statistical rating agency.

Custodial Credit Risk

- Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

3. INVESTMENTS (Concluded)

Custodial Credit Risk (Concluded)

- United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- In conjunction with the issuance of its \$5,147,000 Taxable Certificates of Participation, Series 2001-QZAB, U.S. Bank, as successor Trustee, entered into a Master Repurchase Agreement with Bank of America, N.A. The monies are invested at a rate of 5% and will accrue to a total value of \$5,147,000 on October 25, 2015, the repurchase date of the agreement. Under the terms of the agreement, Bank of America must post collateral in an amount equal to 103% of the investment value. Eligible collateral is limited to direct obligations of the United States Treasury of the United States Government and certain obligations of Federal agencies which represent the full faith and credit of the United States of America. All collateral must be marked to market at least monthly.
- In conjunction with the issuance of its \$1,794,000 Taxable Certificates of Participation, Series 2005-QZAB, The School Board of Alachua County, U.S. Bank, as successor Trustee, and Wells Fargo Bank, National Association formerly known as Wachovia Bank, N.A. as provider, entered into a Security Delivery Agreement dated December 22, 2005. The deposits total \$1,176,198.25 and will accrue to a total value of \$1,794,000 on December 22, 2020 at the guaranteed rate of 3.57%. At the time of each deposit by the Board, the Trustee purchases and holds on behalf of the Board eligible securities from the provider. Eligible securities include direct obligations of the United States Treasury of the United States Government and certain obligations of Federal agencies, which represent the full faith and credit of the United States of America, and other securities as outlined in the Security Delivery Agreement.

Concentration of Credit Risk

- Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Section 218.415(8), Florida Statutes, requires the District to diversify investments to the extent practicable to control risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.
- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.
- See Note 14 for concentrations of investments in the District's early retirement program, reported in the Pension Trust Fund.

Foreign Currency Risk

- The District does not have a formal policy that limits its investment in foreign currency.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	<u>Balance 7-1-13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-14</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 5,663,696.69	\$ 0.00	\$ 0.00	\$ 5,663,696.69
Construction in Progress	<u>888,584.04</u>	<u>1,480,757.83</u>	<u>1,967,789.90</u>	<u>401,551.97</u>
Total Capital Assets Not Being Depreciated	<u>6,552,280.73</u>	<u>1,480,757.83</u>	<u>1,967,789.90</u>	<u>6,065,248.66</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	36,768,248.64	478,558.18	0.00	37,246,806.82
Buildings and Fixed Equipment	355,873,435.79	1,489,231.72	0.00	357,362,667.51
Furniture, Fixtures, and Equipment	26,078,477.89	1,360,485.30	2,699,212.08	24,739,751.11
Motor Vehicles	19,720,644.06	1,663,835.00	191,695.00	21,192,784.06
Property Under Capital Lease	3,580,564.00	0.00	0.00	3,580,564.00
Audio Visual Materials and Computer Software	<u>3,535,731.54</u>	<u>56,614.54</u>	<u>415,200.27</u>	<u>3,177,145.81</u>
Total Capital Assets Being Depreciated	<u>445,557,101.92</u>	<u>5,048,724.74</u>	<u>3,306,107.35</u>	<u>447,299,719.31</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	24,965,233.14	1,989,162.25	0.00	26,954,395.39
Buildings and Fixed Equipment	260,138,527.45	16,085,479.30	0.00	276,224,006.75
Furniture, Fixtures, and Equipment	23,906,237.19	2,172,240.70	2,699,212.08	23,379,265.81
Motor Vehicles	18,536,420.31	1,184,223.75	191,695.00	19,528,949.06
Property Under Capital Lease	3,580,564.00	0.00	0.00	3,580,564.00
Audio Visual Materials and Computer Software	<u>3,491,895.50</u>	<u>43,836.04</u>	<u>415,200.27</u>	<u>3,120,531.27</u>
Total Accumulated Depreciation	<u>334,618,877.59</u>	<u>21,474,942.04</u>	<u>3,306,107.35</u>	<u>352,787,712.28</u>
Total Capital Assets Being Depreciated, Net	<u>110,938,224.33</u>	<u>(16,426,217.30)</u>	<u>0.00</u>	<u>94,512,007.03</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 117,490,505.06</u></u>	<u><u>\$ (14,945,459.47)</u></u>	<u><u>\$ 1,967,789.90</u></u>	<u><u>\$ 100,577,255.69</u></u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 996,820.99
Unallocated	<u>20,478,121.05</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 21,474,942.04</u></u>

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

5. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2014, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2001-QZAB	\$ 5,147,000	(1)	2016	\$ 5,147,000
Series 2005	12,625,000	3.5-5.0	2018	22,815,000
Series 2005-QZAB	1,794,000	(1)	2021	1,794,000
Series 2010A	11,211,997	4.98	2027	11,211,997
Series 2010B	6,142,698	4.490	2027	7,163,003
Series 2010C	8,683,900	2.89	2021	9,872,500
Series 2011	8,500,400	2.94	2021	9,629,900
Series 2013	20,285,000	3.05	2029	20,285,000
Total Certificates of Participation	<u>\$ 74,389,995</u>			

Note: (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB's. The rate of return to the holders was established by the United States Government at the time of sale.

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Alachua School Board Leasing Corporation whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of certificates of participation by the Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Alachua School Board Leasing Corporation, with rental fees of \$1 per year, except for the 2001-QZAB (Qualified Zone Academy Bonds) and the 2005-QZAB, which are secured by computer equipment. The initial terms of the leases end on the earlier of the maturity date, or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms of five years. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangements. The lease payments, which are used to make debt service payments on the certificates, are payable from funds appropriated annually by the District for such purpose from the local capital outlay tax levy or other funds legally available. The District properties included in the ground leases under these arrangements include land on which the projects have been constructed.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

5. CERTIFICATES OF PARTICIPATION *(Continued)*

The projects related to the ground leases are as follows:

Series 2005 Refunding

Certificates of Participation, Series 1997, maturing in the years 2008 to 2018, and the underlying projects.
 Certificates of Participation, Series 1998, maturing in the years 2009 to 2018, and the underlying projects.

Series 2010-A Qualified School Construction Bonds

Santa Fe High School Classroom Addition
 New Elementary School "H"

Series 2010-B Build America Bonds

New Elementary School "H"

Series 2010-C Refunding

Certain Certificates of Participation, Series 2001, maturing in the years 2011 to 2021, and the underlying projects.

Series 2011 Refunding

Certain Certificates of Participation, Series 2001, maturing in the years 2011 to 2021, and the underlying projects.

Series 2013 Refunding

Certain Certificates of Participation, Series 2013, maturing in the years 2013 to 2029, and the underlying projects.

The lease under the Series 2001-QZAB and the Series 2005-QZAB issues includes computer equipment purchased throughout the District.

Lease payments, with the exception of the Series 2001-QZAB and the Series 2005-QZAB issues, are payable by the District, semiannually, on July 1 and January 1.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 6,216,497.14	\$ 4,142,143.00	\$ 2,074,354.14
2016	11,365,934.83	9,473,418.00	1,892,516.83
2017	6,216,304.32	4,514,010.00	1,702,294.32
2018	6,224,342.01	4,720,827.00	1,503,515.01
2019	6,275,330.81	4,972,779.00	1,302,551.81
2020-2024	24,597,190.36	20,111,922.00	4,485,268.36
2025-2029	28,041,080.69	26,454,896.00	1,586,184.69
Total Minimum Lease Payments	<u>\$ 88,936,680.16</u>	<u>\$ 74,389,995.00</u>	<u>\$ 14,546,685.16</u>

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

5. CERTIFICATES OF PARTICIPATION (Concluded)

The Series 2001-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of October 25, 2001, will mature on October 25, 2015, for the original \$5,147,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$596,350 for five consecutive years beginning on October 25, 2002, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the Certificates at maturity. The Series 2005-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of December 22, 2005, will mature on December 22, 2020, for the original \$1,794,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$235,240 for five consecutive years beginning on December 22, 2006, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the Certificates at maturity.

6. BONDS PAYABLE

Bonds payable at June 30, 2014, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2005A	\$ 1,425,000	4.75-5.00	2016
Series 2005B, Refunding	545,000	5.00-5.25	2018
Series 2009A, Refunding	<u>150,000</u>	4.00-5.00	2019
Total Bonds Payable	<u><u>\$ 2,120,000</u></u>		

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

➤ **State School Bonds**

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

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

6. BONDS PAYABLE (Concluded)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	\$ 921,000.00	\$ 815,000.00	\$ 106,000.00
2016	940,250.00	875,000.00	65,250.00
2017	216,500.00	195,000.00	21,500.00
2018	216,750.00	205,000.00	11,750.00
2019	<u>31,500.00</u>	<u>30,000.00</u>	<u>1,500.00</u>
Total	<u><u>\$ 2,326,000.00</u></u>	<u><u>\$ 2,120,000.00</u></u>	<u><u>\$ 206,000.00</u></u>

7. PRIOR YEAR DEFEASED DEBT

In 2013 the District defeased \$20,150,000 of the District's Certificates of Participation, Series 2004, by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2014, \$20,150,000 of defeased bonds are still outstanding.

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-13	Additions	Deductions	Balance 6-30-14	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 2,885,000.00	\$ 0.00	\$ 765,000.00	\$ 2,120,000.00	\$ 815,000.00
Certificates of Participation Payable	78,321,770.00	0.00	3,931,775.00	74,389,995.00	4,142,143.00
Premium on Certificates of Participation	1,136,236.15	0.00	71,014.76	1,065,221.39	-
Compensated Absences Payable	20,126,181.99	5,824,909.16	2,786,141.37	23,164,949.78	3,206,809.17
Other Post-employment Benefit	<u>4,273,000.00</u>	<u>1,591,231.00</u>	<u>254,922.00</u>	<u>5,609,309.00</u>	<u>0.00</u>
Total Governmental Activities	<u><u>\$ 106,742,188.14</u></u>	<u><u>\$ 7,416,140.16</u></u>	<u><u>\$ 7,808,853.13</u></u>	<u><u>\$ 106,349,475.17</u></u>	<u><u>\$ 8,163,952.17</u></u>

For the governmental activities, compensated absences are generally liquidated with resources of the General Fund.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

9. FUND BALANCE REPORTING

The District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2012. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. The District reports its governmental fund balances in the following categories:

Non-spendable - The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as non-spendable.

Restricted - The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

Committed - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the district school board). These amounts cannot be used for any other purpose unless the district school board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2014.

Assigned - The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as non-spendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and Chief Financial Officer and not included in other categories.

Unassigned - The portion of fund balance that is the residual classification for the general fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

The following is a schedule of fund balances by category at June 30, 2014:

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

9. FUND BALANCE REPORTING (Concluded)

	Major Funds			Non-Major Funds	Total
	General	Other Debt Service Funds	Local Capital Improvement		
Non-Spendible					
Inventory	\$ 1,364,777.50	\$ 0.00	\$ 0.00	\$ 506,042.16	\$ 1,870,819.66
Total Non-Spendible	1,364,777.50	0.00	0.00	506,042.16	1,870,819.66
Spendible					
Restricted					
Categorical	2,070,133.61	0.00	0.00	0.00	2,070,133.61
Voter Approved					
Millage	1,622,246.00	0.00	0.00	0.00	1,622,246.00
Adult Education					
Program	3,560,536.01	0.00	0.00	0.00	3,560,536.01
Food Service	0.00	0.00	0.00	2,184,254.05	2,184,254.05
Debt Service	0.00	8,322,760.72	0.00	709,631.29	9,032,392.01
Capital Outlay	0.00	0.00	8,559,435.85	1,238,824.91	9,798,260.76
Other	344,239.15	0.00	0.00	0.00	344,239.15
Total Restricted	7,597,154.77	8,322,760.72	8,559,435.85	4,132,710.25	28,612,061.59
Assigned					
Terminal Pay	353,943.62	0.00	0.00	0.00	353,943.62
Encumbrances	1,063,998.25	0.00	0.00	0.00	1,063,998.25
Extended Day					
Enrichment	38,964.68	0.00	0.00	0.00	38,964.68
Other State and					
Local Grants	848,364.91	0.00	0.00	0.00	848,364.91
Total Assigned	2,305,271.46	0.00	0.00	0.00	2,305,271.46
Unassigned	15,097,329.51	0.00	0.00	0.00	15,097,329.51
Total Spendible	24,999,755.74	8,322,760.72	8,559,435.85	4,132,710.25	46,014,662.56
Total Fund Balance	\$ 26,364,533.24	\$ 8,322,760.72	\$ 8,559,435.85	\$ 4,638,752.41	\$ 47,885,482.22

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 202,387.08	\$ 0.00
Special Revenue:		
Other Federal Programs	9,629.75	0.00
Federal Economic Stimulus	0.00	0.00
Capital Projects:		
Local Capital Improvement	0.00	0.00
Other	0.00	0.00
Nonmajor Governmental Funds	0.00	73,120.11
Fiduciary Funds:		
Pension Trust	0.00	0.00
Agency	0.00	138,896.72
Total	\$ 212,016.83	\$ 212,016.83

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concluded)

Interfund balances generally arise due to expenditures being adjusted between funds to cover negative cash balances, departmental costs and utilities. All balances are expected to be repaid in less than one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 7,218,182.84	\$ 38,363.73
Capital Projects:		
Local Capital Improvement	41,346.31	7,208,654.08
Debt Service	659,529.24	22,403.68
Nonmajor Governmental Funds	538,363.73	1,188,000.63
Total	\$ 8,457,422.12	\$ 8,457,422.12

The principal purpose of the interfund transfers were to provide for expenditures originally paid out of other funds (e.g., portable rentals and maintenance were paid out of the General Fund but with Capital Projects Funds moneys).

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program:	\$ 72,776,303.00
Transportation	4,061,594.00
Instruction Materials	2,077,167.00
Categorical Educational Programs:	
Class Size Reduction Operating Funds	29,313,262.00
Other	1,993,422.01
Workforce Development Program	540,232.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,067,945.31
Food Service Supplement	164,329.00
Mobile Home License Tax	77,595.73
Miscellaneous	861,751.34
Total	\$ 112,933,601.39

Accounting policies relating to certain State revenue sources are described in Note 1.

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

12. PROPERTY TAXES (Concluded)

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.154	\$ 64,003,188.95
Basic Discretionary Local Effort	0.748	9,288,782.56
Critical Needs Operating		0.00
Voted School Tax:		
Additional Operating One Mill	1.000	12,418,158.51
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	18,627,237.76
 Total	 8.402	 \$ 104,337,367.78

13. FLORIDA RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan). 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 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 FRS.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of credible service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of credible service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any other age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of credible service. Members of both Plans may include up to 4 years of credit for military service toward credible service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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 the 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.

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 this program. Employer and employee contributions are

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

13. FLORIDA RETIREMENT PROGRAM (Concluded)

Defined Benefit Plan (Concluded) defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2013-14 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Elected County Officers	3.00	33.03
Florida Retirement System, Senior Management Service	3.00	18.31
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$8,768,743.55, \$9,322,553.57, and \$10,925,058.13 respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The District's contributions, including employee contributions, to the Investment Plan for the fiscal year ending June 30, 2014, totaled \$1,148,098.59.

Pension Reporting. The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

14. EARLY RETIREMENT PROGRAM

Plan Description. As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (Plan) effective January 1, 1984. The Plan is a single-employer defined benefit pension plan. The purpose of the Plan is to provide District employees, who elect to retire under the early retirement provisions of the Florida Retirement System, described in Note 13, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement age. The Board administers Plan assets in a Pension Trust Fund and is responsible for their investment. The Board acts as the administrative agent for the Plan.

As of June 30, 2014, employee membership data related to the Plan were as follows:

Retirees and Beneficiaries Currently Receiving Benefits	<u>165</u>
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A summary of eligibility and benefits follows:

- **Eligibility** - A member of the Plan is eligible upon attainment of age 55 to 61, completion of 25 or more years of creditable service, and having applied for retirement under the Florida Retirement System.

Provided, however, for those retiring during the period from July 1, 2008 (August 1, 2008 for Teachers), through June 30, 2009, at least 20 years of creditable service must represent employment by the School Board of Alachua County and the employee must have at least 20 years experience in the Florida Retirement System.

For those retiring during the period from July 1, 2009, through June 30, 2013, the 15 years immediately preceding retirement must be as an employee of the School Board of Alachua County.

The Early Retirement Plan is closed to new enrollees on or after July 1, 2013.

- **Benefits** - Amount of the reduction in monthly benefits from the Florida Retirement System as a consequence of early retirement.

Summary of Significant Accounting Policies. Significant accounting policies related to basis of accounting and the method of asset valuation are disclosed in Note 1. Investment disclosures related to the pension trust fund are in Note 3. There are no interfund loans outstanding between the Pension Trust Fund and other funds.

Contributions and Reserves. The District's Early Retirement program was established by the Board and became effective on January 1, 1984, and may be subsequently amended by the Board. Pursuant to the Plan agreement, no contribution shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual pension cost of the Plan.

Periodic employer contributions to the Plan are determined on an actuarial basis using the "Aggregate Actuarial Cost Method." Annual pension cost is funded on a current basis. Significant actuarial assumptions used to compute annual required contributions are the same as those used to determine the actuarial accrued liability.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

14. EARLY RETIREMENT PROGRAM *(Continued)*

Required contributions to the Plan in 2014 totaled \$614,307, which the District contributed \$208,514 and used a prepaid contribution in the amount of \$405,793 to satisfy the 2014 contribution requirement.

The computation of the annual required contributions for 2014 was based on the same: (a) actuarial assumptions; (b) benefit provisions; (c) actuarial funding method; and (d) other significant factors as used to determine annual required contributions in the previous year.

All of the assets in the District's Pension Trust Fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose.

Costs of administering the plan are financed through the Plan's resources (employer contributions and investment earnings).

Annual Pension Costs and Net Pension Obligation. The District's annual pension cost and net pension obligation for the most recent actuarial report is as follows:

Annual Required Contribution (ARC)	\$ 614,307
Interest on Net Pension Obligation (Asset)	0
Adjustment to ARC	0
Annual Pension Cost (APC): (A+B-C)	614,307
Contributions Made	(208,514)
Increase in Net Pension Obligation (Asset):	405,793
Net Pension Obligation (Asset) at Beginning of Year	(405,793)
Net Pension Obligation (Asset) at End of Year	<u>\$ 0</u>

Net Pension Liability The components of the net pension liability at June 30, 2014, were as follows:

Total Pension Liability	\$ 7,302,445
Plan Fiduciary Net Position	(3,467,458)
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,834,987</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.48%

Significant Assumptions used to Measure the Net Pension Liability The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Not applicable: there are no active participants.
Investment Rate of Return	7.5% per year compounded annually, net of investment expenses.
Mortality	RP2000 Table (Combined Healthy) - Sex Distinct, projected to valuation date using Scale AA.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

14. EARLY RETIREMENT PROGRAM (Continued)

Significant Assumptions used to Measure the Net Pension Liability (Concluded) A single discount rate of 7.50% was used to measure the total pension liability as of July 1, 2013 and June 30, 2014. This single discount rate was based solely on the long-term expected rate of return on pension plan investments of 7.50%, without any requirement to incorporate municipal bond yields. The District complies with the State Statutes by making contributions to the trust in the amounts at least equal to the Actuarially Determined Contribution. Based on the current contribution policy, the plan is expected to be fully funded over a period of 10 years and, consequently, the pension plan's fiduciary net position together with the future contributions are expected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2014. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

**Sensitivity of the Net Pension Liability to the Single
Discount Rate Assumption**

1% Decrease	Current Single Rate	1% Increase
<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
\$4,402,344	\$3,834,987	\$3,336,357

The Total Pension Liability used in calculating the Net Pension Liability presented above is based on the actuarial valuation performed as of July 1, 2013. Actuarial update procedures were used to roll forward the Total Pension Liability to June 30, 2014, plan's fiscal year end.

Investment Policy The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are to be managed in a moderately conservative manner with the objective of preserving the purchasing power of the participant's assets, with a secondary objective of the growth of capital. The policy allows for equity investments (not to exceed 50% of Plan assets), fixed income investments, which should be well diversified to avoid undue exposure to any single economic sector of individual issuer, with no limitations placed on investments in U.S. Government guaranteed obligations.

Concentrations The Plans investments at June 30, 2014, consist of the following:

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

14. EARLY RETIREMENT PROGRAM *(Continued)*

Concentrations *(Concluded)*

	Balance June 30, 2014	Percent of Plan Net Assets
Florida Prime - Surplus Trust Funds Investment Pool A	\$ 323,753.27	9.35
STIFEL NICOLAUS-Money Market	81,334.55	2.35
STIFEL NICOLAUS-Equities	1,608,076.27	46.45
STIFEL NICOLAUS-Mutual Fund	144,446.00	4.17
STIFEL NICOLAUS-Corporate Bond	599,877.80	17.33
STIFEL NICOLAUS-US Govt Securities 3-7 Treasury Bond	696,087.00	20.11
STIFEL NICOLAUS-Other Investments	8,146.48	0.24
Total	<u>\$ 3,461,721.37</u>	<u>100.00</u>

Rate of Return For the year ended June 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 13.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Funded Status and Funding Progress The required schedule of funding progress, immediately following the notes to the financial statements, presents multiyear trend information about whether the actual value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Information about the funding status of the Plan as of the most recent actuarial valuation date is as follows:

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
7/1/13	\$ 3,174,419.00	\$ 7,473,352.00	\$ 4,298,933.00	42.48%	\$ 0	N/A

Isolated analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial liability can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the funding on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker; generally, the greater this percentage, the stronger the Plan.

Trends in the unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation, and aids analysis of the progress made in accumulating assets to pay benefits when due; generally, the smaller this percentage, the stronger the Plan.

The District uses the aggregate actuarial cost method, and therefore, the information on the funded status and the funding progress of the plan have been prepared using the entry age normal cost method and is intended to serve as a surrogate for the funded status and the funding progress of the plan.

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

14. EARLY RETIREMENT PROGRAM (Concluded)

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 495,614	163%
2013	467,497	120%
2014	614,307	34%

15. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Funding Policy. For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended by action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation. For the 2013-14 fiscal year, 508 retirees received postemployment health care benefits. The District provided required contributions of \$254,922 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$3,283,806.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation for Postemployment Health Care Benefits:

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

15. POSTEMPLOYMENT HEALTH CARE BENEFITS *(Continued)*

Annual OPEB Cost and Net OPEB Obligation *(Concluded)*

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 1,572,918.00
Amortization of Unfunded Actuarial	
Accrued Liability	0.00
Interest on Normal Cost and Amortization	0.00
	<hr/>
Annual Required Contribution	1,572,918.00
Interest on Net OPEB Obligation	170,920.00
Adjustment to Annual Required Contribution	(152,607.00)
	<hr/>
Annual OPEB Cost (Expense)	1,591,231.00
Contribution Toward the OPEB Cost	(254,922.00)
	<hr/>
Increase in Net OPEB Obligation	1,336,309.00
Net OPEB Obligation, Beginning of Year	<hr/> 4,273,000.00
Net OPEB Obligation, End of Year	<hr/> <hr/> \$ 5,609,309

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014, was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011-12	\$ 2,079,000	59.8%	\$ 3,489,000
2012-13	2,156,000	63.6%	4,273,000
2013-14	1,591,231	86.2%	5,609,309

Funded Status and Funding Progress. As of January 1, 2014, the actuarial accrued liability for benefits was \$18,191,500 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$18,191,500 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$114,884,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.83 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions. 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. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

15. POSTEMPLOYMENT HEALTH CARE BENEFITS (Concluded)

Actuarial Methods and Assumptions (Concluded) compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of January 1, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the frozen entry age normal cost actuarial method to estimate the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, general inflation rate of 3.0 percent, and an annual healthcare cost trend rate of 9 percent initially beginning for the 2013-14 fiscal year, reduced by 1.0 percent for 2015 then 0.5 percent per year, to an ultimate rate of 5 percent after ten years.. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

16. CONSTRUCTION CONTRACT COMMITMENTS

The following is a summary of construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Committed
Various Projects	\$735,635.00	\$296,481.39	\$439,153.61

17. ENCUMBRANCES

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

The following is a schedule of encumbrances at June 30, 2014:

<u>Major Funds</u>					
General	Special Revenue - Other Federal Programs	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,156,462.00	\$ 514,550.00	\$ 0.00	\$2,737,999.00	\$ 547,932.00	\$ 5,956,943.00

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Concluded)

18. RISK MANAGEMENT PROGRAMS

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

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

The District's health and hospitalization insurance program is administered by an insurance carrier under an agreement wherein the total premium is divided and the District retains on deposit a portion of the premium in a minimum premium account. The insurance carrier draws on this account to pay claims submitted by District employees and dependents.

A liability in the amount of \$2,580,100.17 was determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2014.

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

Fiscal Year	Beginning-of-Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	\$ 958,901.97	\$ 22,261,999.55	\$ (20,640,801.35)	\$ 2,580,100.17

19. LITIGATION AND CONTINGENCIES

The District is involved in several pending and threatened legal actions. In the opinion of District management, the range of potential loss from all such claims and actions should not materially affect the financial condition of the District.

During the year, the Florida Auditor General's office conducted an FTE audit of the District's transportation funding for the period July 1, 2012 through June 30, 2013. While the District's FTE/FEFP adjustments with the Department of Education have not been finalized, the preliminary results indicated several findings that may result in an audit adjustment, and therefore a reduction in future FEFP transportation funding, ranging up to \$4,060,000. The District has discussed this issue with the Auditor General's office and with the Department of Education, however assessments will not be known until all statewide transportation audits are concluded. At that time, the District plans to appeal the proposed adjustment and based on previous appeal experience, anticipates a lower settlement amount than the full amount proposed in the audit.

REQUIRED SUPPLEMENTARY INFORMATION

ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Federal Direct	\$ 135,000.00	\$ 135,000.00	\$ 203,866.01	\$ 68,866.01
Federal Through State	800,000.00	800,000.00	1,009,071.07	209,071.07
State Sources	115,879,944.00	112,518,310.16	111,048,173.14	(1,470,137.02)
Local Sources:				
Property Taxes Levied for Operational Purposes	82,381,727.00	82,381,727.00	82,296,722.14	(85,004.86)
Other Local Revenue	6,233,870.59	7,210,738.80	6,778,561.34	(432,177.46)
Total Local Sources	88,615,597.59	89,592,465.80	89,075,283.48	(517,182.32)
Total Revenues	205,430,541.59	203,045,775.96	201,336,393.70	(1,709,382.26)
EXPENDITURES				
Current:				
Instruction	119,267,475.54	126,816,005.75	119,770,863.89	7,045,141.86
Student Personnel Services	11,523,573.60	12,370,138.39	12,198,639.31	171,499.08
Instructional Media Services	4,526,048.40	4,724,194.40	4,577,254.05	146,940.35
Instruction and Curriculum Development Services	6,612,777.08	7,058,339.85	6,968,400.29	89,939.56
Instructional Staff Training Services	1,030,795.47	1,949,616.32	913,109.98	1,036,506.34
Instruction Related Technology	3,135,900.81	3,400,016.52	3,262,694.14	137,322.38
School Board	1,278,323.86	1,313,454.88	893,994.74	419,460.14
General Administration	802,581.52	841,080.14	805,969.53	35,110.61
School Administration	12,663,062.77	13,199,354.33	13,050,294.92	149,059.41
Facilities Acquisition and Construction	733,030.00	1,029,790.53	235,646.90	794,143.63
Fiscal Services	1,571,949.99	1,614,819.49	1,479,993.57	134,825.92
Central Services	3,684,796.19	3,815,895.25	3,196,266.78	619,628.47
Student Transportation	12,411,549.13	13,230,900.00	11,883,149.66	1,347,750.34
Operation of Plant	23,254,898.52	23,887,568.79	21,851,288.17	2,036,280.62
Maintenance of Plant	5,389,576.00	5,820,293.09	4,740,999.23	1,079,293.86
Administrative Technology Services	1,341,536.89	1,807,569.91	1,606,768.35	200,801.56
Community Services	4,136,756.43	4,354,576.94	3,647,217.42	707,359.52
Capital Outlay:				
Facilities Acquisition and Construction	0.00	78,218.66	78,218.66	0.00
Other Capital Outlay	0.00	1,174,417.64	1,174,417.64	0.00
Total Expenditures	213,364,632.20	228,486,250.88	212,335,187.23	16,151,063.65
(Deficiency) of Revenues (Under) Expenditures	(7,934,090.61)	(25,440,474.92)	(10,998,793.53)	14,441,681.39
OTHER FINANCING SOURCES (USES)				
Loss Recoveries	0.00	0.00	43,122.87	43,122.87
Transfers in	6,050,000.00	6,178,785.00	7,218,182.84	1,039,397.84
Transfers (out)	0.00	(38,363.73)	(38,363.73)	0.00
Total Other Financing Sources (Uses)	6,050,000.00	6,140,421.27	7,222,941.98	1,082,520.71
Net Change in Fund Balance	(1,884,090.61)	(19,300,053.65)	(3,775,851.55)	15,524,202.10
Fund Balances, July 1, 2013	30,140,384.79	30,140,384.79	30,140,384.79	0.00
Fund Balances, June 30, 2014	\$ 28,256,294.18	\$ 10,840,331.14	\$ 26,364,533.24	\$ 15,524,202.10

ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE - OTHER FEDERAL PROGRAMS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Federal Direct	\$ 0.00	\$ 5,088,049.52	\$ 4,785,628.23	\$ (302,421.29)
Federal Through State	13,166,392.35	27,357,646.62	19,786,870.65	(7,570,775.97)
Total Revenues	<u>13,166,392.35</u>	<u>32,445,696.14</u>	<u>24,572,498.88</u>	<u>(7,873,197.26)</u>
EXPENDITURES				
Current:				
Instruction	8,692,852.19	19,042,650.24	14,552,536.54	4,490,113.70
Student Personnel Services	450,628.00	2,776,378.10	2,303,633.91	472,744.19
Instruction and Curriculum Development Services	2,653,612.57	5,077,403.08	4,275,137.95	802,265.13
Instructional Staff Training Services	722,837.59	3,278,029.65	1,650,997.55	1,627,032.10
Instruction Related Technology	0.00	87,253.54	80,725.85	6,527.69
General Administration	537,491.00	1,113,950.01	797,144.59	316,805.42
School Administration	0.00	16,195.83	15,523.96	671.87
Facilities Acquisition and Construction	0.00	50,245.45	45,137.88	5,107.57
Central Services	6,000.00	309,987.12	198,567.62	111,419.50
Student Transportation	101,471.00	223,614.65	197,848.96	25,765.69
Operation of Plant	1,500.00	351,811.05	339,461.65	12,349.40
Community Services	0.00	2,571.24	176.24	2,395.00
Capital Outlay:				
Facilities Acquisition and Construction	0.00	10,216.46	10,216.46	0.00
Other Capital Outlay	0.00	105,389.72	105,389.72	0.00
(Total Expenditures)	<u>13,166,392.35</u>	<u>32,445,696.14</u>	<u>24,572,498.88</u>	<u>7,873,197.26</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balance	0.00	0.00	0.00	0.00
Fund Balances, July 1, 2013	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2014	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE - FEDERAL ECONOMIC STIMULUS PROGRAMS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Federal Through State	\$ 0.00	\$ 1,755,248.49	\$ 1,182,844.64	\$ (572,403.85)
Total Revenues	<u>0.00</u>	<u>1,755,248.49</u>	<u>1,182,844.64</u>	<u>(572,403.85)</u>
EXPENDITURES				
Current:				
Instruction	0.00	1,200,941.59	812,619.10	388,322.49
Student Personnel Services	0.00	7,724.78	0.00	7,724.78
Instruction and Curriculum Development Services	0.00	178,722.64	156,836.55	21,886.09
Instructional Staff Training Services	0.00	238,152.89	114,114.94	124,037.95
General Administration	0.00	55,741.57	28,830.64	26,910.93
Central Services	0.00	28,745.02	25,223.41	3,521.61
Capital Outlay:				
Other Capital Outlay	0.00	45,220.00	45,220.00	0.00
(Total Expenditures)	<u>0.00</u>	<u>1,755,248.49</u>	<u>1,182,844.64</u>	<u>572,403.85</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balance	0.00	0.00	0.00	0.00
Fund Balances, July 1, 2013	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2014	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
EARLY RETIREMENT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll* (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
7/1/2011	\$ 3,352,827.00	\$ 6,325,965.00	\$ 2,973,138.00	53.00%	\$ 130,414,767.00	2.28%
7/1/2012	3,230,195.00	5,967,283.00	2,737,088.00	54.13%	123,016,217.00	2.22%
7/1/2013	3,174,419.00	7,473,352.00	4,298,933.00	42.48%	0.00	n/a

* The Early Retirement Plan closed to new enrollees on or after July 1, 2013.

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION
LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS *
EARLY RETIREMENT PLAN**

Fiscal Year Ending June 30	2014
Total Pension Liability	
Service Cost	\$ 0
Interest on the Total Pension Liability	534,065
Changes in Benefit Terms	0
Difference Between Actual and Expected Experience	0
Change in Assumptions	0
Benefit Payments	(704,972)
Refunds	0
Net Change in Total Pension Liability	(170,907)
Total Pension Liability - Beginning	7,473,352
Total Pension Liability - Ending (a)	7,302,445
Plan Fiduciary Net Position	
Contributions - Employer/State	208,514
Contributions - Member	0
Net Investment Income	393,297
Benefit Payments	(704,972)
Refunds	0
Administrative Expense	(9,593)
Other	0
Net Change in Plan Fiduciary Net Position	(112,754)
Plan Fiduciary Net Position - Beginning	3,580,212
Plan Fiduciary Net Position - Ending (b)	3,467,458
Net Pension Liability - Ending (a) - (b)	\$ 3,834,987
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.48%
Covered Employee Payroll	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A
Notes to Schedule	N/A

* GASB No. 67 was adopted for the 2014 Fiscal Year and 10 year trend information will be developed from that date forward.

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EARLY RETIREMENT PLAN
LAST 10 FISCAL YEARS**

SC

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution **	Contribution Deficiency (Excess)	Covered Payroll *	Actual Contribution as a % of Covered Payroll
2005	\$ 551,412	\$ 551,412	\$ 0.00	\$ 127,850,369	0.43%
2006	579,561	579,561	0.00	131,487,257	0.44%
2007	527,925	527,925	0.00	133,694,225	0.39%
2008	518,104	518,104	0.00	134,352,096	0.39%
2009	741,494	741,856	(362)	129,623,633	0.57%
2010	789,193	789,193	0.00	126,794,672	0.62%
2011	732,610	732,610	0.00	130,414,767	0.56%
2012	495,614	806,287	(310,673)	123,016,217	0.66%
2013	467,497	562,617	(95,120)	N/A	N/A
2014	614,307	208,514	405,793	N/A	N/A

* The Early Retirement Plan closed to new enrollees on or after July 1, 2013.

** The District contributed \$208,514 during the year ending June 30, 2014, and used a prepaid contribution in the amount of \$405,793 to satisfy the 2014 contribution requirement.

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS *
EARLY RETIREMENT PLAN**

Fiscal year ending June 30	2014
<hr/>	
Annual Money-Weighted Rate of Return	
Net of Investment Expense	13.94%

* GASB No. 67 was adopted for the 2014 Fiscal Year and 10 year trend information will be developed from that date forward.

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
3/1/2010	\$ 0.00	\$ 19,138,000.00	\$ 19,138,000.00	0%	\$ 113,417,000.00	16.87%
3/1/2012	0.00	23,989,000.00	23,989,000.00	0%	111,591,000.00	21.50%
1/1/2014	0.00	18,191,500.00	18,191,500.00	0%	114,884,000.00	15.83%

ALACHUA COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

2. EARLY RETIREMENT PLAN – SCHEDULE OF CONTRIBUTIONS

Valuation Date: July 1, 2013

Actuarially determined contribution rates are calculated as of July 1, a beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	10 Years
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Salary Increases	Not applicable: there are no active participants.
Investment Rate of Return	7.5% per year compounded annually, net of investment expense
Retirement Age	Not applicable: there are no active participants.
Post Retirement COLA	3.00% (automatic)
Mortality	RP2000 Table (Combined Healthy) – Sex Distinct, projected to valuation date using Scale AA

3. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The January 1, 2014, unfunded actuarial liability of \$18,191,500 was lower than the March 1, 2012 liability of \$23,989,000 as a result of the following:

- The number of retirees receiving post-employment benefits decreased from 593 to 508.
- The average cost of coverage increased from the prior valuation slower than expected.
- Revisions were made in the assumed trend of Medical/Rx cost increases.

**ADDITIONAL ELEMENTS OF REPORTS PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT AND
BUDGET (OMB) CIRCULAR A-133; AND *RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA***

ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
U.S. Department of Agriculture				
Direct:				
Team Nutrition Grants	10.574	N/A	\$ 4,000.00	\$ 0.00
Farm to School Grant Program	10.575	N/A	21,643.65	0.00
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555 (2)	N/A	727,594.56	0.00
Florida Department of Education:				
Cash Assistance:				
National School Lunch Program	10.555	300, 350	6,481,642.00	0.00
Subtotal Expenditures - 10.555			7,209,236.56	0.00
School Breakfast Program	10.553	321	1,976,752.18	0.00
Summer Food Service Program for Children	10.559	323	152,497.87	0.00
Total Child Nutrition Cluster			9,338,486.61	0.00
Fresh Fruit and Vegetable Program	10.582	330	77,296.70	0.00
Total U.S. Department of Agriculture			9,441,426.96	0.00
U.S. Department of Defense				
Direct:				
Navy Junior Reserve Officers Training Corps	12.XXX	N/A	164,177.48	0.00
Air Force Junior Reserve Officers Training Corps	12.XXX	N/A	79,549.09	0.00
Total U.S. Department of Defense			243,726.57	0.00
National Science Foundation				
Indirect:				
University of Florida:				
Education and Human Resources	47.076	N/A	15,859.96	0.00
Total National Science Foundation			15,859.96	0.00
U.S. Department of Education				
Direct:				
Fund for the Improvement of Education	84.215	N/A	134,221.97	0.00
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Preschool Grants	84.173	267	209,453.00	0.00
Special Education - Grants to States	84.027	263	6,589,814.50	0.00
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	399,886.62	0.00
University of South Florida:				
Special Education - Grants to States	84.027	None	1,287.78	0.00
Subtotal Expenditures - 84.027			6,990,988.90	0.00
Total Special Education Cluster			7,200,441.90	0.00

ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014
(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
U.S. Department of Education (Concluded)				
Indirect: (Concluded)				
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	\$ 21,934.73	\$ 0.00
ARRA - School Improvement Grants, Recovery Act	84.388	126	38,817.97	0.00
Total School Improvement Grants Cluster			<u>60,752.70</u>	<u>0.00</u>
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	8,054,529.76	0.00
Migrant Education - State Grant Program	84.011	217	1,472,788.30	0.00
Career and Technical Education -				
Basic Grants to States	84.048	161	232,214.56	0.00
Education for Homeless Children and Youth	84.196	127	49,765.13	0.00
Charter Schools	84.282	298	257,308.04	257,308.04
Twenty-First Century Community Learning Centers	84.287	244	966,900.30	0.00
Education Technology State Grants	84.318	122	0.00	0.00
English Language Acquisition State Grants	84.365	102	65,650.53	0.00
Improving Teacher Quality State Grants	84.367	224	1,434,385.56	0.00
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Race-to-the-Top Incentive Grants, Recovery Act	84.395	RD2, RG3, RG4, RL1	1,144,026.67	0.00
University of Kansas:				
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	None	15,091.88	0.00
Total U.S. Department of Education			<u>21,088,077.30</u>	<u>257,308.04</u>
U.S. Department of Health and Human Services				
Direct:				
Head Start	93.600 (3)	N/A	4,589,902.05	0.00
Total U.S. Department of Health and Human Services			<u>4,589,902.05</u>	<u>0.00</u>
Total Expenditures of Federal Awards			<u>\$ 35,378,992.84</u>	<u>\$ 257,308.04</u>

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 - Represents the amount of donated food used during the fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) **Head Start:** Expenditures include \$281,262.89 for grant number/program year 4CH4194/40 and \$4,308,639.16 for grant number/program year 04CH4194/41.

**INDEPENDENT AUDITORS' 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***

Alachua County District School Board
and Superintendent
Gainesville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Alachua County District School Board (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated, December 18, 2014. Other auditors audited the financial statements of the Charter Schools, which comprise the discretely presented component units of the District, 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 the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting 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.

Certified Public Accountants

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Alachua County District School Board
and Superintendent
Gainesville, Florida

**INDEPENDENT AUDITORS' 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
(Concluded)**

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, 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*.

Purpose of this Report

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

Purvis, Gray and Company, LLP

December 18, 2014
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Alachua County District School Board
and Superintendent
Gainesville, Florida

Report on Compliance for Each Major Federal Program

We have audited Alachua County District School Board's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Certified Public Accountants

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Alachua County District School Board
and Superintendent
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Concluded)**

Report on Internal Control Over Compliance

Management of the District 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 our 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Purvis, Gray and Company, LLP

December 18, 2014
Gainesville, Florida

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of Auditors’ Report Issued on Compliance for Major Programs:	Unmodified for all major programs
Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section .510(a) of OMB Circular A-133?	No
Identification of Major Programs:	Title I Grants to Local Educational Agencies (CFDA No. 84.010) Special Education Cluster (CFDA Nos. 84.173, 84.027) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395-ARRA)
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$1,061,369
Auditee Qualified as Low-risk Auditee?	Yes

**ALACHUA COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Concluded)**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR AUDIT FINDINGS

No prior year findings were reported.

CORRECTIVE ACTION PLANNED FOR CURRENT YEAR AUDIT FINDINGS

There are no current year audit findings included in the current year schedule of findings and questioned costs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Alachua County District School Board
and Superintendent
Gainesville, Florida

Report on Compliance

We have examined Alachua County District School Board, Florida's (the District) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended June 30, 2014, as required by Section 10.806(2)(c), *Rules of the Auditor General*. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This letter does not include the results of the other auditors' and such information related to those audits is reported on separately by those auditors.

Management's Responsibility

Management is responsible for the District's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

Opinion

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2014.

Purpose of this Letter

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Superintendent, Board Members of the District, and management and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 18, 2014
Gainesville, Florida

Certified Public Accountants

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MANAGEMENT LETTER

Alachua County District School Board
and Superintendent
Gainesville, Florida

Report on the Financial Statements

We have audited the financial statements of the Alachua County District School Board, Florida (the District), as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated, December 18, 2014. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This letter does not include the results of the other auditors and such information related to those audits is reported on separately by those auditors.

Auditors' Responsibility

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*, independent auditors' report on compliance for each major program and on internal control over compliance in accordance with OMB Circular A-133, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated, December 18, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below:

Tabulation of Uncorrected Audit Findings

Current Year	2012-13 FY	2011-12 FY
<u>Finding #</u>	<u>Finding #</u>	<u>Finding #</u>
2014-1	2013-2	N/A

Financial Condition

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement to be included as to whether or not the District School Board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

MANAGEMENT LETTER
(Continued)

Financial Condition (Concluded)

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representation made by management and the review of financial information provided by same.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires the auditor to state whether or not the District School Board complied with transparency requirements (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District complied with transparency requirements.

Other Matters

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management.

■ **2014-01 Extended Day Enrichment Program**

The District maintains an extended day enrichment program (EDEP) through which various schools provide afterschool care for students. EDEP personnel follow the same policies and procedures as those established for the District's internal accounts, which require that all funds collected be deposited within five business-days of receipt and that a report of monies collected form be completed and signed by two individuals. During our testing, we identified six instances, out of 25 transactions tested, in which receipts were not deposited in the bank within five business days. Lack of timely deposits increases the risk of theft or loss. Additionally, in one instance the report of monies collected form was signed by only one individual. The secondary review of the collections is an essential control process to mitigate the risk caused by the segregation of incompatible functions in the EDEP program. We recommend that processes be monitored to ensure compliance with the District's policies and procedures.

■ **2014-02 Transportation FTE Audit**

During the year, the Florida Auditor General's office conducted an FTE audit of the District's transportation funds. While the District's audit and the related FTE/FEFP adjustments with the Department of Education have not been finalized, the preliminary results indicated several findings that may result in an audit adjustment, as a reduction of future FEFP transportation funding. Most significantly, audit findings were related to inaccurate bus ridership. The audit findings result in a proposed rejection of all students reported on 214 bus drivers' reports. When the District was made aware of the findings, they established procedures for cross-checking bus drivers' reports to student attendance records. Ultimately, the District plans to fully utilize a student ID card system to track real-time bus ridership data. We recommend the District continue the corrective measures established, as well as review other FTE control procedures to ensure accurate FTE reporting in all areas.

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Alachua County District School Board
and Superintendent
Gainesville, Florida

MANAGEMENT LETTER
(Concluded)

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Superintendent, Board Members of the District, and management and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 18, 2014
Gainesville, Florida

BOARD MEMBERS

April M. Griffin
Robert P. Hyatt
Leanetta McNealy, Ph.D.
Gunnar F. Paulson, Ed.D.
Elleen F. Roy

SUPERINTENDENT

Owen A. Roberts, Ph.D.



We are committed to the success of every student!

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January 23, 2015

Purvis Gray & Company
P O Box 23999
Gainesville, FL 32602

Re: Response to Preliminary and Tentative Audit Findings

Dear Sirs:

Following is our response to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2014:

Finding No. 1: Extended Day Enrichment Program

The District will monitor processes relating to deposits and monies collected to ensure compliance with the District's policies and procedures.

Finding No. 2: Transportation FTE Audit

The District will continue the corrective measures established, as well as review other FTE control procedures to ensure accurate FTE reporting in all areas.

We appreciate the opportunity to respond to these findings. After reviewing our response, please advise me if you need further clarification or action on our part.

Sincerely,

Owen A. Roberts, PhD
Superintendent