

**District School Board  
Of Pinellas County**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**June 30, 2015**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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## **INDEPENDENT AUDITORS' REPORT**

To the District School Board of Pinellas County  
and Dr. Michael Grego, Superintendent of Schools  
Largo, Florida

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### **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 District School Board of Pinellas County (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit all but one of the financial statements of the aggregate discretely presented component units, as described in Note 1 to the financial statements, which represent 96 percent, 79 percent, and 96 percent of the assets, net position, and revenues of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the aggregate discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the District School Board of Pinellas County, as of June 30, 2015, 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.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

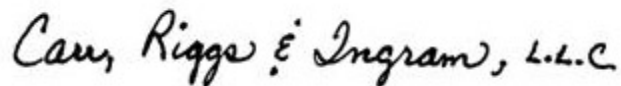
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 the United States 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. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CARR, RIGGS & INGRAM, LLC**

Miramar Beach, Florida  
March 9, 2016



## **Management's Discussion and Analysis**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Management of the District School Board of Pinellas County (the District) has prepared the following discussion and analysis 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) report is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the District's financial statements contained in this document.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2014-15 fiscal year are as follows:

- In total, net position decreased \$3.7 million during the current fiscal year from operations. Unrestricted net position decreased \$355.3 million primarily due to a restatement of beginning net position.
- General revenues total \$954.1 million or 92.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$73.2 million or 7.1 percent of all revenues.
- Governmental activities expenses total \$1 billion, which is a decrease of \$8.2 million from the prior year.
- Net capital assets increased by \$7.7 million from the prior year. This increase was mostly attributed to building additions and improvements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- Government-wide financial statements ("District-wide")
- Fund financial statements
- Notes to the financial statements

In addition, this report presents certain required supplementary information, which includes this MD&A.



## District School Board of Pinellas County Management’s Discussion and Analysis

The major features of the District’s financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

### MAJOR FEATURES OF THE DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

	District Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary.	Activities the District provides to other funds. The District's self insurance program is the only proprietary operation.	Assets held by the District in a trustee or grant capacity such as the internal accounts of the schools.
Required financial statements	Statement of net position, and statement of activities.	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net position, and statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position, and statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

### DISTRICT-WIDE FINANCIAL STATEMENTS

The District-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 and business-type activities of the Primary Government presented on the accrual basis of accounting. The statement of net position provides information about the government’s financial position--and its assets and liabilities--using an economic resources measurement focus. The difference between the assets and liabilities, 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.

## District School Board of Pinellas County Management's Discussion and Analysis

The District-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.
- **Component Units** – The District presents 22 separate legal entities in this report. Although legally separate organizations, the component units are included in this report because the units meet the criteria for inclusion provided by generally accepted accounting principles.

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.

All of the District's funds may be classified within one of three broad categories:

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus, rather than the economic resources measurement focus found in the District-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. Consequently, 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 District-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

## District School Board of Pinellas County Management's Discussion and Analysis

The governmental fund financial statements provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Federal Programs Fund, and the Capital Projects – Local Capital Improvement Fund. Data for the other governmental funds are combined into a single, aggregated presentation in the fund financial statements.

### **Proprietary Fund**

Proprietary funds may be used to account for activities in which a fee is charged for services to support the operations of the fund. The internal service fund, a type of proprietary fund, is used to account for the District's self-insurance programs including workers' compensation, general liability, and automobile liability coverage.

### **Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties. The District uses agency funds to account for resources held for student activities and groups. Fiduciary funds are not reflected in the District-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.

### **DISTRICT-WIDE FINANCIAL ANALYSIS**

**Net position** – Below is a summary of the District's net position as of June 30, 2015, as compared to June 30, 2014.

	<b>2015</b>	<b>2014</b>
Current Assets	\$ 280,487,891	\$ 311,712,951
Net Capital Assets	1,828,988,911	1,821,240,783
Total Assets	2,109,476,802	2,132,953,734
Deferred Outflows of Resources	69,355,023	38,332,811
Other Liabilities	73,874,747	70,985,648
Long-term Liabilities	401,607,188	547,294,481
Total Liabilities	475,481,935	618,280,129
Deferred Inflows of Resources	154,039,703	-
Net Position:		
Net Investment in Capital Assets	1,810,302,802	1,796,670,997
Restricted	165,990,303	195,184,146
Unrestricted (Deficit)	(426,982,918)	(71,633,501)
Total Net Position, As Restated	\$ 1,549,310,187	\$ 1,553,006,416

## District School Board of Pinellas County Management's Discussion and Analysis

The largest portion of the District's net position is investment in capital assets (e.g. land, buildings, equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the capital assets are reported net of related debt, the resources used to repay the debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities. The District's investment in capital assets increased by \$13.6 million from the prior year as a result of several building improvement projects during the year. The calculation of investment in capital assets uses the historical cost of school buildings that may not accurately reflect the true value. The District's schools and support buildings are in excellent condition as a result of sufficient annual funds appropriated for maintenance and repair.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The District's restricted net position decreased by \$29.2 million from the prior year, primarily from the use of previously restricted funds for capital projects during the year.

The unrestricted portion of the District's net position may be used to meet the District's ongoing obligation to students, employees, and creditors. The unrestricted net position decreased by \$355.4 million from the prior year primarily as a result of the restatement required as part of the District's implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Additional information on the District's proportionate share of the Florida Retirement System's net pension liability can be found in Note 14 of the notes to the financial statements.

Changes in Net position – Expenses exceeded revenues by \$3.7 million for the current year. The significant causes for this change are described below.

District-wide revenues increased by \$23.6 million from prior year. The majority of this increase was from property taxes - \$13.4 million from property taxes levied for general purposes, and \$6.2 million from property taxes levied for capital projects. Property taxes account for 48 percent of the total revenues of the District. The second largest component of revenues is unrestricted grants and contributions that account for 43.6 percent of the total revenues. These revenues are mostly received from the State of Florida through the Florida Education Finance Program (FEFP) funding formula. The FEFP utilized student enrollment data and is designed to maintain equity in funding across all Florida districts, taking into consideration the District's funding ability based on the local property tax base.

District-wide expenses decreased by \$8.2 million from the prior year. Within the Instruction function, expenses decreased by \$22.3 million, mostly as a result of recording pension adjustments of \$12.9 million in accordance with new accounting treatment for pensions. In total, these pension adjustments resulted in a decrease of \$19.7 million in District-wide expenses in the current year.

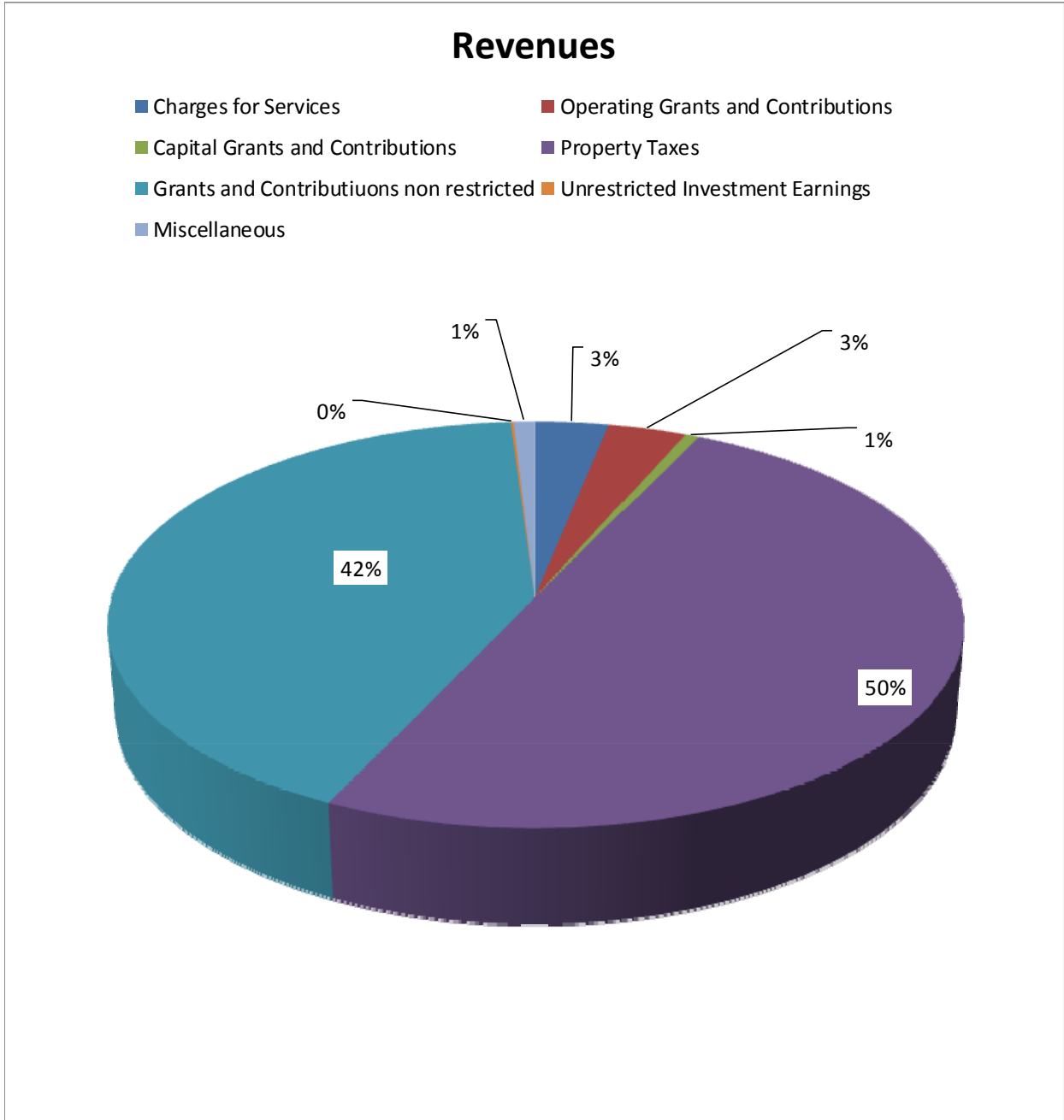
## District School Board of Pinellas County Management's Discussion and Analysis

The table below shows the changes in net position for 2014 and 2015.

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 24,394,802	\$ 22,289,560
Operating Grants and contributions	40,123,436	36,096,291
Capital Grants and contributions	8,688,695	6,939,736
General Revenues		
Property taxes	494,075,074	474,409,366
Grants and contributions not restricted to specific programs	448,176,215	448,284,201
Unrestricted investment earnings (loss)	3,944,410	(1,211,202)
Miscellaneous	7,926,683	18,476,078
<b>Total Revenues</b>	<u>1,027,329,315</u>	<u>1,005,284,030</u>
<b>Expenses</b>		
Instruction	570,832,174	593,181,629
Pupil personnel services	40,079,925	40,996,083
Instructional media services	6,259,055	7,965,836
Instruction and curriculum development	19,061,663	19,647,538
Instructional staff training	21,105,869	16,285,130
Instruction related technology	9,609,853	5,229,306
School Board	8,687,142	7,306,885
General administration	5,492,609	5,002,128
School administration	53,908,821	53,367,331
Facilities acquisition and construction	26,094,134	16,547,273
Fiscal services	4,369,327	4,288,301
Food services	54,935,024	55,271,314
Central services	13,212,679	13,259,941
Pupil transportation services	33,445,681	33,996,245
Operation of plant	76,162,862	75,122,718
Maintenance of plant	21,535,794	22,292,640
Administrative technology services	4,898,836	5,509,524
Community services	4,324,051	5,686,144
Interest on long-term debt	1,591,409	1,835,837
Unallocated depreciation	48,568,304	54,286,450
Loss on disposal of capital assets	6,850,332	3,722,614
<b>Total Expenses</b>	<u>1,031,025,544</u>	<u>1,040,800,867</u>
Change in Net Position	(3,696,229)	(35,516,837)
Net Position Beginning, As Restated	1,553,006,416	1,955,738,479
Prior period adjustment - pension	-	(367,215,226)
<b>Net Position Ending</b>	<u>\$ 1,549,310,187</u>	<u>\$ 1,553,006,416</u>

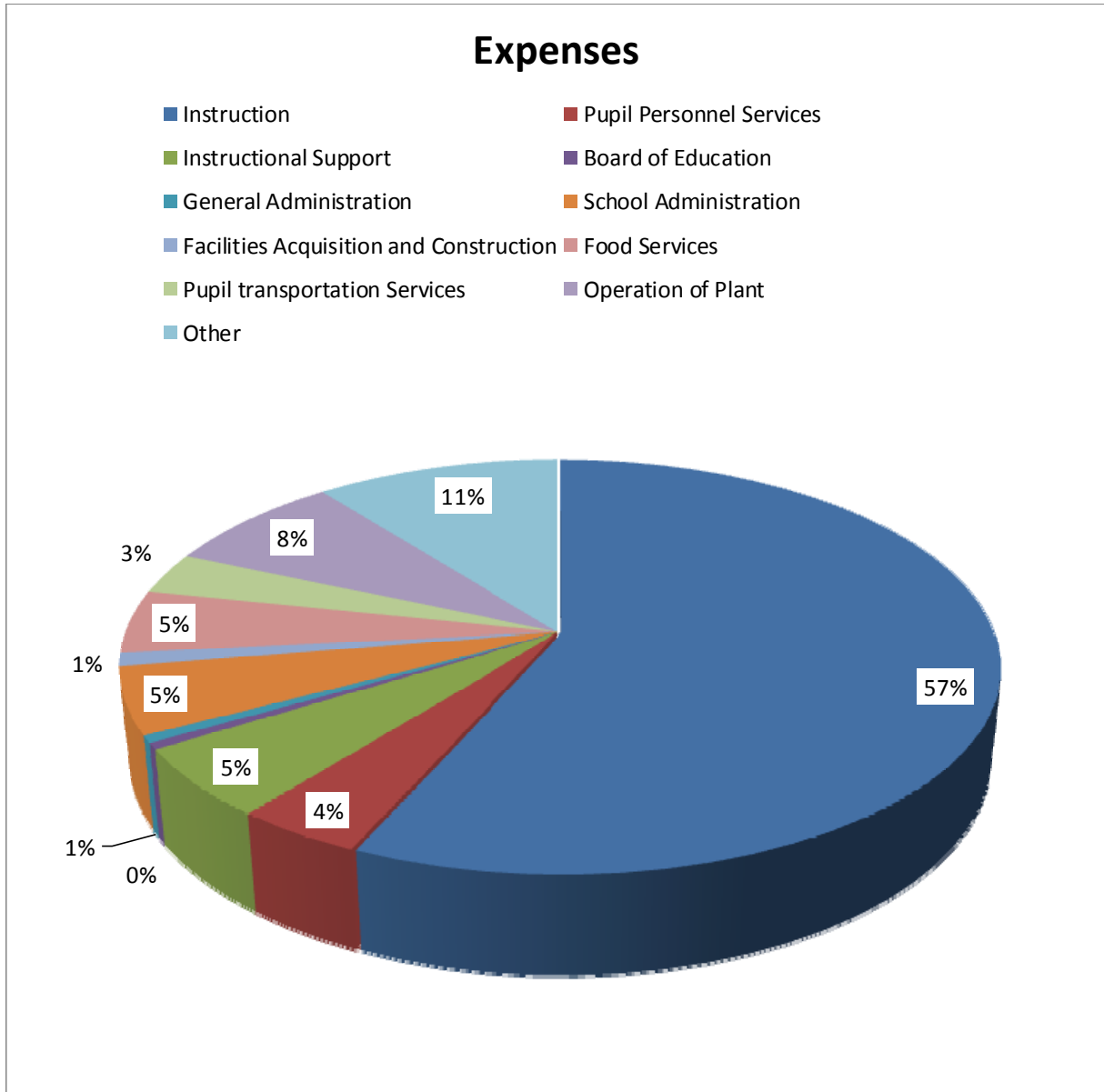
District School Board of Pinellas County  
Management's Discussion and Analysis

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES  
PERIOD ENDED JUNE 30, 2015



District School Board of Pinellas County  
Management's Discussion and Analysis

EXPENSES BY SOURCE – GOVERNMENTAL ACTIVITIES  
PERIOD ENDED JUNE 30, 2015



## District School Board of Pinellas County Management's Discussion and Analysis

### FUND FINANCIAL STATEMENT ANALYSIS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is a useful measure of net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The District completed the 2015 fiscal year with total governmental fund balances of nearly \$196.6 million, a decrease of \$30.5 million from 2014 total fund balances of \$227.1 million. Of this total, \$1.5 million is unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable (\$6.5 million), restricted (\$165.7 million), and assigned (\$22.9 million). Restricted fund balance decreased by \$28.7 million as capital project funds were used in the current year.

### FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the General Fund unassigned fund balance is \$7.2 million, an increase of \$1.3 million from the prior year. Total fund balance is \$61.3 million, an increase of \$3.9 million from the prior year. The majority of this increase resulted from additional property tax revenues. As a measure of the General Fund's liquidity, it may be useful to compare the total unassigned fund balance to total expenditures. Unassigned fund balance represents .9% of total expenditures, while unassigned fund balance represents .7% of total expenditures in the prior year.

The Special Revenue – Other Federal Programs Fund had no residual fund balance as their reported revenues and expenditures offset equally every year. Total revenues increased by \$4.8 million from the prior year, with the same increase for total expenditures for federally-funded student programs.

The Capital Project – Local Capital Improvement Fund has a total fund balance of \$135.9 million, a decrease of \$30.2 million from the prior year. The total fund balance is restricted for acquisition, construction, and maintenance of capital assets. The fund balance decreased due to expenditures for new construction and renovations at school sites in the current fiscal year using previously accumulated restricted resources.

### GENERAL FUND BUDGET HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted expenditures of \$2.8 million or .3%. Budget revisions occurred primarily from changes in estimated State funding levels. Expenditure budgets for facilities maintenance and student instruction were increased minimally.



## District School Board of Pinellas County Management's Discussion and Analysis

Actual revenues were in line with final budgeted revenues; however, actual expenditures were less than final budgeted expenditures by \$6.6 million. The positive variance in expenditures was primarily due to continued cost containment measures implemented by the District, with student instruction under budget by \$2.9 million and facilities maintenance under budget by \$1.1 million.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

By the end of fiscal year 2015, the District had invested slightly more than \$1.8 billion (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase of \$7.7 million from 2014. Total capital assets increased by \$64.0 million, mostly in buildings (\$37.4 million). Accumulated depreciation increased by \$56.3 million, which is the current year's total of depreciation expense. More detailed information concerning capital assets can be found in Note 5 of the notes to the financial statements. The following table summarizes the changes in capital assets:

	2015	2014
Land	\$ 97,335,477	\$ 97,356,174
Land Improvement-Non Depreciable	22,717,599	22,717,599
Construction in Progress	62,629,864	40,529,125
Buildings and Fixed Equipment	2,307,833,229	2,270,430,469
Relocatables	16,544,418	16,180,980
Improvements other than Building	10,774,938	8,557,966
Furniture, Fixtures and Equipment	128,711,313	127,945,658
Motor Vehicles	55,401,987	56,402,206
Audio Visual and Computer Software	10,023,666	9,480,330
Property Under Capital Lease	46,429,006	44,770,897
<b>Total Capital Assets</b>	<b>2,758,401,497</b>	<b>2,694,371,404</b>
<b>Accumulated Depreciation</b>	<b>(929,412,586)</b>	<b>(873,130,621)</b>
<b>Total Net Capital Assets</b>	<b>\$ 1,828,988,911</b>	<b>\$ 1,821,240,783</b>

#### Long-Term Debt

At June 30, 2015, the District had \$18.7 million in outstanding long-term debt from bonds payable and capital leases obligations. The total outstanding long-term debt decreased by \$5.9 million due to payment of current principal and a State debt refunding of the bonds payable. More detailed information about the District's long-term debt (including the details of the State bond refunding) is presented in Notes 7-9 of the notes to the financial statements.

**District School Board of Pinellas County  
Management's Discussion and Analysis**

The following summarizes the changes in long-term debt:

	<b>2015</b>		<b>2014</b>
General obligation debt	\$ 16,056,399	\$	19,075,000
Capital leases	2,629,710		5,494,786
	<b>\$ 18,686,109</b>	<b>\$</b>	<b>24,569,786</b>

**SIGNIFICANT ECONOMIC FACTORS**

The District continues to face funding challenges. A voter approved one-half millage referendum for operating expenditures was approved in November 2012 for a four-year period that will continue to assist in funding costs to provide quality instruction and service to the County's growing population.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Accounting, Pinellas County District School Board, Post Office Box 2942, Largo, FL 33779-2942.



## **Basic Financial Statements**

## District School Board of Pinellas County Statement of Net Position

June 30,

2015

	<u>Primary Government</u>	
	<u>Governmental</u>	
	Activities	Component Units
<b>Assets</b>		
Cash and cash equivalents	\$ 9,189,071	\$ 4,805,473
Investments	241,464,298	-
Accounts receivable	14,353,564	631,107
Interest receivable	443,507	-
Due from other agencies	8,713,767	641,898
Inventories	4,843,857	-
Prepaid items	1,479,827	463,975
Capital assets, net	1,828,988,911	11,992,893
Total assets	2,109,476,802	18,535,346
<b>Deferred outflows of resources</b>		
Pension	69,355,023	-
Deferred charges	-	156,729
Total deferred outflows of resources	69,355,023	156,729
Total assets and deferred outflows of resources	\$ 2,178,831,825	\$ 18,692,075
<b>Liabilities, deferred inflows of resources, and net position</b>		
Salaries and wages payable	\$ 10,021,487	\$ 412,519
Payroll deductions and withholdings	40,561,808	967
Accounts payable and accrued expenses	5,804,636	2,318,384
Accrued interest payable	420,110	-
Construction contracts payable	4,942,546	-
Construction contracts retainage payable	3,418,472	-
Due to other governmental agencies	7,379,314	103,138
Unearned revenues	1,326,374	175,195
Long-term liabilities:		
Portion due within one year	19,872,714	1,447,685
Portion due after one year	381,734,474	10,756,911
Total liabilities	475,481,935	15,214,799
<b>Deferred inflows of resources</b>		
Pension	154,039,703	-
Total deferred inflows of resources	154,039,703	-
<b>Net position</b>		
Net investment in capital assets	1,810,302,802	2,064,035
Restricted for:		
Categorical carryover programs	1,516,449	-
Capital projects	425,005	19,424
Debt service	139,580,339	-
Other purposes	24,468,510	837,017
Unrestricted	(426,982,918)	556,800
Total net position	1,549,310,187	3,477,276
Total liabilities, deferred inflows of resources and net position	\$ 2,178,831,825	\$ 18,692,075

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County  
Statement of Activities**

Year ended June 30,

2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
<b>Primary government</b>						
Governmental Activities						
Instruction	\$ 570,832,174	\$ 3,869,888	\$ -	\$ -	\$ (566,962,286)	\$ -
Pupil personnel services	40,079,925	-	-	-	(40,079,925)	-
Instructional media services	6,259,055	-	-	-	(6,259,055)	-
Instruction and curriculum development	19,061,663	-	-	-	(19,061,663)	-
Instructional staff training	21,105,869	-	-	-	(21,105,869)	-
Instruction related technology	9,609,853	-	-	-	(9,609,853)	-
School Board	8,687,142	4,444,903	-	-	(4,242,239)	-
General administration	5,492,609	-	-	-	(5,492,609)	-
School administration	53,908,821	-	-	-	(53,908,821)	-
Facilities acquisition and construction	26,094,134	-	-	8,688,695	(17,405,439)	-
Fiscal services	4,369,327	-	-	-	(4,369,327)	-
Food services	54,935,024	7,096,510	40,123,436	-	(7,715,078)	-
Central services	13,212,679	-	-	-	(13,212,679)	-
Pupil transportation services	33,445,681	8,983,501	-	-	(24,462,180)	-
Operation of plant	76,162,862	-	-	-	(76,162,862)	-
Maintenance of plant	21,535,794	-	-	-	(21,535,794)	-
Administrative technology services	4,898,836	-	-	-	(4,898,836)	-
Community services	4,324,051	-	-	-	(4,324,051)	-
Interest on long-term debt	1,591,409	-	-	-	(1,591,409)	-
Unallocated depreciation/amortization	48,568,304	-	-	-	(48,568,304)	-
Loss on disposal of capital assets	6,850,332	-	-	-	(6,850,332)	-
<b>Total governmental activities</b>	<b>\$ 1,031,025,544</b>	<b>\$ 24,394,802</b>	<b>\$ 40,123,436</b>	<b>\$ 8,688,695</b>	<b>(957,818,611)</b>	<b>-</b>

(continued)

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County  
Statement of Activities (Continued)**

Year ended June 30,

2015

Functions/Programs						Net (Expense) Revenue and Changes in Net Position	
	Program Revenue					Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Component Units
<b>Component Units</b>							
Charter schools/foundations	\$ 44,791,678	\$ 1,319,511	\$ 349,832	\$ 1,782,505	-	(41,339,830)	
Total component units	\$ 44,791,678	\$ 1,319,511	\$ 349,832	\$ 1,782,505	-	(41,339,830)	

**General revenues:**

Taxes:

Property taxes, levied for general purposes	399,564,169	-
Property taxes, levied for capital projects	94,510,905	-
Local sales tax	-	38,260,265
Grants and contributions not restricted to specific programs	448,176,215	852,244
Investment earnings/(loss)	3,944,410	152
Miscellaneous	7,926,683	1,507,742
Total general revenues	954,122,382	40,620,403

Change in net position	(3,696,229)	(719,427)
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Net position - beginning, restated	1,553,006,416	4,196,703
Net position - ending	\$ 1,549,310,187	\$ 3,477,276

*The accompanying footnotes are an integral part of these financial statements.*

## District School Board of Pinellas County Balance Sheet - Governmental Funds

June 30,

2015

	2015				Total Governmental Funds
	General Fund	Local Capital Improvement Tax Fund	Other Federal Programs	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 9,089,773	\$ -	\$ 19,673	\$ 4,609	\$ 9,114,055
Investments	83,062,436	144,754,050	254,014	3,679,046	231,749,546
Accounts receivable, net	998,812	-	11,007,265	1,876,245	13,882,322
Interest receivable	191,993	230,245	-	3,805	426,043
Due from other funds	17,475,293	104,274	1,648,809	474,440	19,702,816
Due from other agencies	6,266,083	-	50,000	2,397,684	8,713,767
Inventory	3,915,530	-	-	928,327	4,843,857
Prepaid items	1,462,756	-	17,071	-	1,479,827
<b>Total assets</b>	<b>\$ 122,462,676</b>	<b>\$ 145,088,569</b>	<b>\$ 12,996,832</b>	<b>\$ 9,364,156</b>	<b>\$ 289,912,233</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>					
Liabilities:					
Salaries, benefits and payroll taxes payable	\$ 10,021,487	\$ -	\$ -	\$ -	\$ 10,021,487
Payroll deductions and withholdings	37,017,012	-	3,200,275	344,521	40,561,808
Accounts payable	2,441,189	1,482,351	1,365,906	610,232	5,899,678
Construction contracts payable	-	4,689,903	-	252,643	4,942,546
Construction contracts payable - retained percentage	806	2,930,083	-	487,583	3,418,472
Sales tax payable	8,785	-	-	-	8,785
Accrued interest payable	883	-	-	-	883
Due to other agencies	6,660,918	-	602,654	115,742	7,379,314
Due to other funds	5,040,624	60,268	6,863,706	7,634,391	19,598,989
Unearned revenue	-	-	964,291	362,083	1,326,374
<b>Total liabilities</b>	<b>61,191,704</b>	<b>9,162,605</b>	<b>12,996,832</b>	<b>9,807,195</b>	<b>93,158,336</b>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	129,544	129,544
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129,544</b>	<b>129,544</b>
Fund balances:					
Nonspendable:					
Inventory	3,915,530	-	-	928,327	4,843,857
Prepaid amounts	1,462,756	-	-	-	1,462,756
Permanent funds	-	-	-	150,412	150,412
Restricted for:					
State required carryover	1,516,449	-	-	-	1,516,449
Tax levy	1,326,953	-	-	-	1,326,953
Workforce development	22,991,145	-	-	-	22,991,145
Debt service	-	-	-	425,005	425,005
Capital projects	-	135,925,964	-	3,524,832	139,450,796
Assigned to:					
General fund	22,827,700	-	-	-	22,827,700
Capital projects	-	-	-	93,577	93,577
Unassigned	7,230,439	-	-	(5,694,736)	1,535,703
<b>Total fund balances</b>	<b>61,270,972</b>	<b>135,925,964</b>	<b>-</b>	<b>(572,583)</b>	<b>196,624,353</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 122,462,676</b>	<b>\$ 145,088,569</b>	<b>\$ 12,996,832</b>	<b>\$ 9,364,156</b>	<b>\$ 289,912,233</b>

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**

<i>June 30,</i>	<b>2015</b>
Total fund balances, governmental funds	\$ 196,624,353
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds; the cost of assets is \$2,758,401,497, and the related accumulated depreciation is \$929,412,586.	1,828,988,911
Internal service funds are used by management to charge the costs of risk management services to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(3,601,575)
Long term liabilities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities -- both current and long-term -- are reported in the statement of net position.	
Accrued interest payable	(419,227)
Compensated absences payable	(88,925,214)
Bonds payable	(16,056,399)
Net pension liability	(262,858,684)
Postemployment healthcare benefits payable	(17,257,132)
Obligations under capital leases	(2,629,710)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources - pensions	69,355,023
Deferred inflows of resources - pensions	(154,039,703)
Deferred inflows of resources from federal and state agencies recognized as revenue in the current period.	129,544
Total net position, governmental activities	\$ 1,549,310,187

*The accompanying footnotes are an integral part of these financial statements.*



**District School Board of Pinellas County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**

Year ended June 30,

2015

	General Fund	Local Capital Improvement Tax Fund	Other Federal Programs	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Intergovernmental:					
Federal direct	\$ 372,059	\$ -	\$ 6,306,304	\$ -	\$ 6,678,363
Federal through state	5,041,872	-	74,623,631	43,179,445	122,844,948
State sources	358,255,614	-	-	9,079,875	367,335,489
Local sources	421,328,163	97,118,092	-	8,420,194	526,866,449
<b>Total revenues</b>	<b>784,997,708</b>	<b>97,118,092</b>	<b>80,929,935</b>	<b>60,679,514</b>	<b>1,023,725,249</b>
<b>Expenditures</b>					
Current:					
Instruction	538,593,138	-	38,843,323	1,414,496	578,850,957
Pupil personnel services	30,603,204	-	10,394,922	-	40,998,126
Instructional media services	6,325,977	-	867	-	6,326,844
Instructional and curriculum development	10,875,855	-	8,540,576	16,398	19,432,829
Instructional staff training	6,271,912	-	13,682,801	1,454,297	21,409,010
Instruction related technology	5,634,812	-	478,907	520,341	6,634,060
School Board	1,958,788	-	-	-	1,958,788
General administration	2,509,791	-	2,824,374	206,781	5,540,946
School administration	55,108,649	-	39,450	7,411	55,155,510
Facilities acquisition and construction	706,713	10,800	-	30,494	748,007
Fiscal services	4,378,182	-	46,714	22,087	4,446,983
Food services	281,084	-	-	54,183,941	54,465,025
Central services	12,055,784	-	1,174,528	-	13,230,312
Pupil transportation services	33,395,842	-	56,517	994	33,453,353
Operation of plant	76,683,608	-	146,744	-	76,830,352
Maintenance of plant	21,681,771	-	-	-	21,681,771
Administrative technology	4,736,091	-	219,258	-	4,955,349
Community services	778,892	-	3,551,239	-	4,330,131
Fixed capital outlay:					
Facilities acquisition and construction	385,021	89,246,915	444,699	2,981,566	93,058,201
Other capital outlay	3,174,819	-	485,016	1,819,558	5,479,393
Debt Service:					
Retirement of principal	-	4,523,758	-	3,035,000	7,558,758
Interest and fiscal charges	66,725	197,683	-	554,850	819,258
Dues, fees, and issuance costs	-	-	-	29,620	29,620
<b>Total expenditures</b>	<b>816,206,658</b>	<b>93,979,156</b>	<b>80,929,935</b>	<b>66,277,834</b>	<b>1,057,393,583</b>
Excess (deficiency) of revenues over expenditures	(31,208,950)	3,138,936	-	(5,598,320)	(33,668,334)

(continued)

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds (Continued)**

<i>Year ended June 30,</i>	<b>2015</b>				
	<b>General Fund</b>	<b>Local Capital Improvement Tax Fund</b>	<b>Other Federal Programs</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Other financing sources (uses)</b>					
Refunding bonds issued	-	-	-	14,794,001	14,794,001
Premium on refunding bonds issued	-	-	-	1,406,879	1,406,879
Payment to refunded bond escrow agent	-	-	-	(16,507,783)	(16,507,783)
Proceeds from sale of capital assets	-	-	-	1,561,670	1,561,670
Loss recoveries	327,054	-	-	-	327,054
Obligations under capital leases	-	1,658,109	-	-	1,658,109
Transfers in	35,967,373	1,164,325	-	1,939,655	39,071,353
Transfers out	(1,164,325)	(36,122,113)	-	(1,784,915)	(39,071,353)
Total other financing sources and (uses)	35,130,102	(33,299,679)	-	1,409,507	3,239,930
<b>Net change in fund balances</b>	3,921,152	(30,160,743)	-	(4,188,813)	(30,428,404)
<b>Fund balances, July 1, 2014</b>	57,349,820	166,086,707	-	3,616,230	227,052,757
<b>Fund balances, June 30, 2015</b>	\$ 61,270,972	\$ 135,925,964	\$ -	\$ (572,583)	\$ 196,624,353

*The accompanying footnotes are an integral part of these financial statements.*

## District School Board of Pinellas County

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended June 30,</i>	<b>2015</b>
Net change in fund balances - total governmental funds:	\$ (30,428,404)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital purchases (\$104,569,668) and transfers of construction in progress (\$24,881,490) exceeds depreciation (\$63,528,048).</p>	16,160,130
<p>In the statement of activities, only the loss on the sale/disposal of capital assets is reported. The changes in the net position differs from the change in fund balance by the cost of the capital assets sold/disposed or adjusted in value.</p>	(8,412,002)
<p>The issuance of bonds and similar long-term debt provides current financial resources to the governmental funds and this contributes to the change in fund balance. In the statement of activities; however, issuing debt increases long-term liabilities but does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:</p>	
Principal payments:	7,558,758
Issuance of debt:	
Proceeds of bond refunding	(14,794,001)
Premium on bond refunding	(1,406,879)
Amortization of bond premium	(323,876)
Payments to bond refunding agent	16,507,783
Proceeds of capital lease	(1,658,109)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities; however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:</p>	
Compensated absences	544,982
Other post-employment benefits	(3,151,188)
Changes in accrued interest on long-term debt	(419,227)
<p>Under the modified accrual basis of accounting, revenues are recognized when both the measurable and available criteria have been met. Some revenues earned in the current year were not recognized since the availability criteria was not met. Under full accrual accounting, all revenues would be recognized.</p>	129,544
<p>Government funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>	
District pension contributions	41,323,028
Cost of benefits earned net of employee contributions	(21,651,165)
<p>Internal service funds are used by management to charge the cost of risk management services to other funds. The net expense of internal service funds is reported with the governmental activities.</p>	(3,675,603)
Change in net position of governmental activities	\$ (3,696,229)

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County  
Statement of Net Position – Proprietary Fund**

<i>June 30,</i>	<b>2015</b>
	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 75,016
Accounts receivable	471,242
Interest receivable	17,464
Investments	9,714,752
<hr/>	
Total assets	\$ 10,278,474
<hr/>	
<b>Liabilities</b>	
Current liabilities:	
Insurance claims payable	\$ 3,925,125
Noncurrent liabilities:	
Insurance claims payable	9,954,924
<hr/>	
Total liabilities	13,880,049
<hr/>	
Net position:	
Unrestricted	(3,601,575)
<hr/>	
Total liabilities and net position	\$ 10,278,474
<hr/>	

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position –**  
**Proprietary Fund**

<i>Year ended June 30,</i>	<b>2015</b>
	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating Revenues</b>	
Premium revenues	\$ 2,969,803
<b>Operating Expenses</b>	
Insurance claims	6,823,070
Operating income	(3,853,267)
<b>Nonoperating revenues</b>	
Interest income	177,664
Change in net position	(3,675,603)
Net position - beginning	74,028
Net position - ending	\$ (3,601,575)

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County  
Statement of Cash Flows – Proprietary Fund**

<i>Year ended June 30,</i>	<b>2015</b>
	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from General and other funds	\$ 6,420,084
Cash payments for insurance claims and fees	(6,479,002)
Payments to other funds for services received	(2,200,562)
<b>Net cash used by operating activities</b>	<b>(2,259,480)</b>
<b>Cash flows from investing activities</b>	
Proceeds from sales and maturities of investments	3,907,478
Purchase of investments	(1,825,670)
Interest and dividends received	177,664
<b>Net cash provided by investing activities</b>	<b>2,259,472</b>
Net decrease in cash and cash equivalents	(8)
Cash and cash equivalents, beginning of year	75,024
Cash and cash equivalents, end of year	\$ 75,016
<b>Reconciliation of operating income to net cash used by operating activities</b>	
Operating income	\$ (3,853,267)
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable	(167,855)
Interest receivable	6,596
Due from other funds	3,611,540
Due from other agencies	64,538
Increase (decrease) in:	
Due to other funds	(2,200,562)
Insurance claims payable	279,530
<b>Net cash provided by operating activities</b>	<b>\$ (2,259,480)</b>

*The accompanying footnotes are an integral part of these financial statements.*

**District School Board of Pinellas County  
Statement of Fiduciary Assets and Liabilities**

<i>June 30,</i>	<b>2015</b>
	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,403,038
Other receivables	774,562
Due from other funds	191,992
Investments	152,945
<hr/>	
Total assets	\$ 9,522,537
<hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 61,484
Due to other funds	319,760
Internal accounts payable	9,141,293
<hr/>	
Total liabilities	\$ 9,522,537
<hr/>	

*The accompanying footnotes are an integral part of these financial statements.*

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

The District School Board of Pinellas County, Florida (the District) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida System of Public Education. The governing body of the District is the Pinellas District School Board (the School Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. The general operating authority of the School Board and Superintendent is contained in Chapters 1000 through 1013 of the Florida Statutes. Geographic boundaries of the District correspond with those of Pinellas 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 provide for identification of any entities for which the District 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 the application of these criteria, the following component units are included within the District's reporting entity.

#### ***Discretely Presented Component Units***

The component unit columns in the basic financial statements include the financial data of the District's component units. A separate column is used to emphasize they are legally separate from the District. These component units consist of the following charter schools: The Academie Da Vinci Charter School, Inc., Alfred Adler, The Athenian Academy, Discovery Academy of Science, Enterprise High Charter School, Florida Virtual Academy at Pinellas County, MYcroSchool, Newpoint Prep, Newpoint Pinellas Academy, Pinellas Academy of Math & Science, Pinellas Preparatory Academy, Inc., Pinellas Primary, Plato Academy Charter School (Clearwater), Plato Academy of Tarpon Springs, Plato Academy (Seminole), Plato North Academy (Palm Harbor), Plato Academy South (Largo), Plato Academy (St. Petersburg), Plato Academy (East St. Petersburg), University Preparatory Academy, Windsor Preparatory Academy, and East Windsor Middle Academy.

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 Pinellas County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.



## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Discretely Presented Component Units (continued)*

The financial data reported on the government-wide statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2015. Audits of the financial statements for the Charter Schools were conducted by independent certified public accountants and are filed in the District's administrative offices.

#### *Government-Wide Financial Statements*

Government-wide financial statements, i.e. the statement of net position and the statement of activities, present information about the District as a whole. Government-wide financial statements are prepared using the economic resources measurement focus. 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 expenses, which can be associated with a specific program or activity, are allocated to the related function. The remaining depreciation expense is reported as unallocated. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. 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.

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. Non-major 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.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Fund Financial Statements (continued)***

*Other Federal Programs Fund* – to account for funds received from the Federal Government directly or indirectly through the state. The Federal awards are for the enhancement of various programs.

*Capital Projects – Local Capital Improvement Tax Fund* (internally described as Capital Improvement Section 1011.71(2) Fund) – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

Additionally, the District reports the following fund types:

*Proprietary Fund* - to account for the District's individual self-insurance programs.

*Fiduciary Fund* - to account for resources of the school internal funds, which are used to administer moneys, collected at several schools in connection with school, student, athletic, class, and club activities. In addition, to account for resources held by the District as custodian for others.

#### ***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 fund and fiduciary fund 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 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 21 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. The principal exceptions to this general rule are: (1) prepaid items are generally not accrued; (2) interest on long-term debt is recognized as expenditures when due; and (3) expenditures related to liabilities reported as long-term debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Basis of Accounting (continued)***

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. The principal operating revenues of the District's internal service fund are charges for workers' compensation, general liability, and auto liability self-insurance and claims. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds are used to account for assets held in trustee or agency capacity for others and therefore cannot be used to support the District's basic programs. The District utilizes agency funds to account for individual schools' internal funds, which are used to administer moneys collected at the schools in connection with school, student athletic, class, and club activities.

When both restricted and unrestricted/unassigned resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted/unassigned resources as they are needed.

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

#### ***New Pronouncements***

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27*. The Statement improves accounting and financial reporting by State and Local governments for pensions and provides additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. The District adopted this Statement for fiscal year 2015. The effects from adoption of GASB 68 include a restatement, see Note 22, of net position and revised note disclosures and required supplementary information (RSI). These items can be found in Note 14, Note 21, and the RSI section of these statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68 as they related to pension contributions made subsequent to the measurement date of the beginning net pension liability. The District adopted this Statement for fiscal year 2015. The implementation of this Standard resulted in the recognition of deferred outflows of resources for pension contributions made subsequent to June 30, 2014.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Deposits and Investments***

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts.

Cash balances from all funds are combined and invested to the extent available. Earnings are allocated monthly to each fund based on average daily balances.

Investments also include amounts in the State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool (Florida Prime), and those made locally.

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

Investments made locally consist of obligations of United States Government Agencies and Instrumentalities, domestic bonds and notes, commercial paper, bond mutual funds, and money market mutual funds. All are reported at fair value.

#### ***Accounts Receivable***

The District believes that all receivable balances are fully collectible.

#### ***Inventories and Prepaid Items***

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving average basis, except the 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 Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Interest costs incurred during construction of capital assets are not considered significant and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and fixed equipment	20 – 50 years
Improvements other than buildings	15 years
Furniture, fixtures and equipment	4 – 20 years
Relocatables	10 years
Motor vehicles	5 – 15 years
Audio visual materials and computer software	4 – 10 years
Property under capital leases	3 – 12 years

***Long Term Liabilities***

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

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

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 portion of compensated absences expected to be paid using expendable available resources.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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 Board 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's and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent 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 these programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. 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 for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (PECO) money, to the District on an annual basis. The District also received an allocation under the lottery-funded Public School Capital Outlay Program (commonly called Classrooms for Kids). The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

#### ***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 Pinellas County Property Appraiser and are collected by the Pinellas County Tax Collector.

The School Board adopted the tax levy, for the 2014-2015 fiscal year on September 9, 2014. Taxes become an enforceable lien on property as of January 1. 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.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *District Property Taxes (continued)*

Taxes become 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 School Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when the District receives taxes, except that revenue is accrued for taxes collected by the Pinellas 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 significant, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

#### *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.

#### *Use of Estimates*

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2: BUDGETARY COMPLIANCE AND ACCOUNTABILITY

#### *Budgetary Information*

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

Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 2: BUDGETARY COMPLIANCE AND ACCOUNTABILITY (Continued)

#### *Budgetary Information (continued)*

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. Encumbrances are reported as restricted and assigned fund balance, and a detail of outstanding encumbrances at June 30, 2015, are listed in Note 11.

Appropriations are controlled at the major 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. However certain state categorical funds and other designated projects carry forward.

### NOTE 3: INVESTMENTS

As of June 30, 2015, the District had the following investments and maturities:

Investment	Fair Value	Six Months or Less	Greater Than Six Months to Two Years	Greater Than Two Years to Four Years	Greater Than Four Years to Six Years
Money Market Funds	\$ 6,594,056	\$ 6,594,056	\$ -	\$ -	\$ -
SBE/COBI Bonds	425,005	-	-	-	425,005
Core Fund (Other Pooled Investments)	32,153,071	32,153,071	-	-	-
Non US Government/GSE Investments:					
Corporate Asset Backed Securities	34,217,373	18,520,916	15,696,457	-	-
Corporate Asset Backed Floating Rate Securities	3,500,245	3,500,245	-	-	-
Corporate Mortgage Backed Securities	49,232,296	20,016,262	29,216,034	-	-
Corporate Mortgage Backed Floating Rate Securities	7,800,108	-	7,800,108	-	-
Obligations of United States Government					
Treasury Bonds	60,079,650	-	30,175,800	29,903,850	-
Agencies and Instrumentalities:					
Collateralized Mortgage Obligations Corporate Bonds	36,483,786	190,446	19,951,514	12,450,755	3,891,071
Collateralized Mortgage Obligations - Floating Rate	10,978,711	-	-	10,978,711	-
Total Investments Primary Government	241,464,301	80,974,996	102,839,913	53,333,316	4,316,076
Cash held in investment accounts	6,726,605	6,726,605	-	-	-
Total funds held in investment accounts	\$ 248,190,906	\$ 87,701,601	\$ 102,839,913	\$ 53,333,316	\$ 4,316,076



## District School Board of Pinellas County Notes to Financial Statements

### NOTE 3: INVESTMENTS (Continued)

#### *Interest Rate Risk*

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. District policies limit the length of investments as follows: (1) the weighted average duration of the investment portfolio shall not exceed five years and (2) the maximum duration of any security purchased shall not exceed eight years. The District uses modified duration to determine the maturity of its investments that are not money market investments, i.e. highly liquid investments.

The Florida Fixed Income Trust had weighted average days to maturity (WAM) of 824.73 days or 2.26 years at June 30, 2015. 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 of interest rate changes.

#### *Credit Risk*

The District's investments in obligations of the United States government, agencies and instrumentalities totaling \$107,695,091 are reported at fair value. An implied rating based on the sovereign rating of the US government issued debt is used. As of June 30, 2015, this rating is AAA.

Money market funds are selected with the highest credit quality rating from a nationally recognized rating agency. As of June 30, 2015, the District had investments of \$6,594,056 in the First American Government Obligations, Federated Money Market Prime Obligations, Western Asset Institutional Cash Reserve, Morgan Stanley Prime, Government and Government Securities, Goldman Sachs Financial Square and Bank of America Money Market Reserves funds. All funds are rated AAAm by Standard and Poor's and Aaa-mf by Moody's.

The District has investments with a fair value of \$32,114,690 in the Florida Fixed Income Trust Fund at June 30, 2015. This fund was rated AA-f/S1 by Standard and Poor's.

The District's non-governmental investments consisting of corporate asset backed securities, corporate asset backed floating rate securities and corporate mortgage backed securities are recorded at fair value of \$94,788,280. All funds have at least one AAA rating from Standard and Poor's, Moody's Investor Services or Dunn and Bradstreet.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 3: INVESTMENTS (Continued)

#### ***Custodial Credit Risk***

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

The District's investment policy addresses custodial credit risk in that all securities shall be properly designated as an asset of the Board and held in safe-keeping by a third party custodian. The District has \$215,804,032 in investment securities and money market funds that are held by the District's custodial agent in the name of the District.

#### ***Concentrations of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not limit the amount the District may invest in any one issuer. The District had investments that represent 5 percent or more of total investments (excluding obligations with the explicit guarantee of the U.S. government, investment pools, and money market funds) as of June 30, 2015, as follows:

Issuer	Fair Value	Percentage of Total Investments, Primary Government
<b>Non US Government/GSE Investments:</b>		
Wachovia Bank Comm Mortgage Tr	\$ 21,411,942	9%
JP Morgan Chase Commercial Mortgage	21,116,820	9%
Hyundai Auto Receivables Trust	15,696,457	7%
Santander Drive Auto Receivables Tr	13,981,962	6%
<b>Obligations of United States Instrumentalities:</b>		
Federal Home Loan Mortgage Corporation	23,140,892	10%
Federal National Mortgage Association	14,234,164	6%

#### ***Foreign Currency Risk***

The District has no investments exposed to foreign currency risk.

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 4: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 17,475,293	\$ 5,040,624
Capital Projects:		
Local Capital Improvement Section 1011.71(2)	104,274	60,268
Federal Funds	1,648,809	6,863,706
Nonmajor Governmental Funds:		
Capital Projects	-	688,915
Special Revenue	425,750	6,450,048
Federal funds (ARRA)	48,690	469,442
Permanent	-	2,045
Fiduciary funds	191,992	319,760
	<b>\$ 19,894,808</b>	<b>\$ 19,894,808</b>

Interfund balances are a result of: June charges for warehouse deliveries, central printing services and maintenance work orders; adjustment of self-insurance reserves; capital outlay transfers to the general fund; reclassifications of expenditures between capital project funds; and short-term cash flow borrowing. All balances are expected to be repaid within one year.

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

	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 35,967,373	\$ 1,164,325
Capital Projects	1,164,325	36,122,113
Nonmajor Governmental Funds:		
Special Revenue	1,939,655	-
Capital Projects	-	1,784,915
	<b>\$ 39,071,353</b>	<b>\$ 39,071,353</b>

The \$36,122,113 transfer made from the Capital Improvement Section 1011.71(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund and property liability insurance paid by the General Fund. The \$1,784,915 transfer made from the nonmajor Capital Project funds was to transfer for the sale of property and to cover capital outlay disbursements to the charter schools. The \$1,164,325 transfer made from the General Fund to the Capital Improvement Section 1101.71(2) Fund was to restore prior year costs.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 5: CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 97,356,174	\$ 12,968	\$ 33,665	\$ 97,335,477
Land Improvements - Non-depreciable	22,717,599	-	-	22,717,599
Construction in Progress	40,529,125	46,982,229	24,881,490	62,629,864
<b>Total Capital Assets Not Being Depreciated</b>	<b>160,602,898</b>	<b>46,995,197</b>	<b>24,915,155</b>	<b>182,682,940</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Fixed Equipment	2,270,430,469	38,198,638	795,878	2,307,833,229
Relocatables	16,180,980	363,438	-	16,544,418
Improvements other than Building	8,557,966	2,216,972	-	10,774,938
Furniture, Fixtures and Equipment	127,945,658	14,156,686	13,391,031	128,711,313
Motor Vehicles	56,402,206	242,721	1,242,940	55,401,987
Property Under Capital Lease	44,770,897	1,658,109	-	46,429,006
Audio Visual and Computer Software	9,480,330	737,907	194,571	10,023,666
<b>Total Capital Assets Being Depreciated</b>	<b>2,533,768,506</b>	<b>57,574,471</b>	<b>15,624,420</b>	<b>2,575,718,557</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Fixed Equipment	674,558,342	46,808,428	560,720	720,806,050
Relocatables	12,263,027	698,226	-	12,961,253
Furniture, Fixtures and Equipment	94,367,668	718,327	-	95,085,995
Improvements other than Building	3,640,044	7,846,838	5,357,905	6,128,977
Motor Vehicles	41,367,237	3,268,757	1,139,294	43,496,700
Property Under Capital Lease	38,128,779	3,630,094	-	41,758,873
Audio Visual and Computer Software	8,805,524	557,378	188,164	9,174,738
<b>Total Accumulated Depreciation</b>	<b>873,130,621</b>	<b>63,528,048</b>	<b>7,246,083</b>	<b>929,412,586</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,660,637,885</b>	<b>(5,953,577)</b>	<b>8,378,337</b>	<b>1,646,305,971</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,821,240,783</b>	<b>\$ 41,041,620</b>	<b>\$ 33,293,492</b>	<b>\$ 1,828,988,911</b>

The classes of property under capital leases are presented in Note 7.

**District School Board of Pinellas County  
Notes to Financial Statements**

**NOTE 5: CHANGES IN CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 3,160,047
Pupil personnel services	54,101
Instructional media services	72,166
Instruction and curriculum development services	45,561
Instructional staff training	38,505
Instructional related technology	3,118,523
Board of Education	1,227
General administration	15,587
School administration	16,947
Facilities acquisition and construction	6,508,747
Fiscal services	7,086
Food service	1,012,446
Central services	208,162
Pupil transportation services	521,975
Operation of plant	75,724
Maintenance of plant	59,331
Administrative technology	42,406
Community services	1,203
Unallocated	48,568,304
	\$ 63,528,048

**NOTE 6: CHANGES IN SHORT TERM DEBT**

The District issued tax anticipation notes in the 2014-2015 fiscal year as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Tax anticipation notes	\$ -	\$ 85,000,000	\$ 85,000,000	\$ -
<b>Total Governmental Activities</b>	\$ -	\$ 85,000,000	\$ 85,000,000	\$ -

Tax anticipation notes were sold for the payment of operating expenses incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes. The notes carried an interest rate of .75%.

**District School Board of Pinellas County  
Notes to Financial Statements**

**NOTE 7: OBLIGATIONS UNDER CAPITAL LEASES**

In the current and prior years, assets were acquired through capital lease arrangements for governmental activities. These leases were for technology equipment in the amount of \$46,429,006.

Future minimum capital lease payments and the present value of the minimum lease payments are as follows:

<i>June 30,</i>	Total	Principal	Interest
2016	\$ 1,225,771	\$ 1,138,428	\$ 87,343
2017	318,122	269,344	48,778
2018	268,953	228,873	40,080
2019	268,953	236,380	32,573
2020	268,953	244,133	24,820
2021-2025	537,905	512,552	25,353
	<u>\$ 2,888,657</u>	<u>\$ 2,629,710</u>	<u>\$ 258,947</u>

The imputed interest rate is 3.28% to 7.69% on the technology leases.

**NOTE 8: BONDS PAYABLE**

Bonds payable at June 30, 2015, were as follows:

	Amount	Interest Rates (Percent)	Maturity
State School Bonds:			
Series 2010-A, Refunding	\$ 90,000	4.7-5.0	2021
Series 2014-B, Refunding	14,794,000	5	2020
<b>Total Bonds Payable</b>	<u>\$ 14,884,000</u>		

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

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 8: BONDS PAYABLE (Continued)**

During the year ended June 30, 2015, the SBE issued the Capital Outlay Refunding Bonds, 2014 Series B to advance refund the 2005 Series B Capital Outlay Bonds. The refunding bonds were issued pursuant to the Florida Constitution, to effectuate a savings in debt service costs. The maturity structure of the refunding bonds is based upon the school district's level of participation in the original bonds. The par value of the District's portion of the refunding bonds is \$14,794,000 with a premium of \$1,406,878. The current year bond amortization totaled \$234,479. The District reports this premium with the bond liability. The net savings to the State for the entire bond refunding was \$10,282,214.

Annual requirements to amortize the bond debt outstanding are as follows:

June 30,	Total	Principal	Interest
2016	\$ 5,034,607	\$ 4,250,000	\$ 784,607
2017	5,102,910	4,589,000	513,910
2018	5,132,460	4,848,000	284,460
2019	621,060	579,000	42,060
2020	616,260	603,000	13,260
2021-2025	15,750	15,000	750
	<b>\$ 16,523,047</b>	<b>\$ 14,884,000</b>	<b>\$ 1,639,047</b>

**NOTE 9: CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Governmental Activities:</b>					
Compensated absences payable	\$ 89,470,196	\$10,375,682	\$ 10,920,664	\$ 88,925,214	\$10,536,854
Estimated insurance claims payable	13,600,518	2,568,466	2,288,935	13,880,049	3,925,125
Bonds payable	19,075,000	14,794,000	18,985,000	14,884,000	4,250,000
Add: Bond premium	-	1,406,878	234,479	1,172,399	-
Post employment health care benefits	14,105,944	5,985,113	2,833,925	17,257,132	-
Net pension liability	405,548,037	13,260,112	155,949,465	262,858,684	-
Obligations under capital leases	5,494,786	1,658,109	4,523,185	2,629,710	1,160,735
<b>Total</b>	<b>\$547,294,481</b>	<b>\$50,048,360</b>	<b>\$195,735,653</b>	<b>\$401,607,188</b>	<b>\$19,872,714</b>

For the governmental activities, compensated absences and other post-employment health care benefits are generally liquidated with resources of the General Fund.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 10: MINIMUM FUND BALANCE POLICY

The District has adopted Board Policy No. 6210 that provides for the Board to maintain an unassigned fund balance in its operating funds equal to one (1%) percent of the annual resources. To the extent resources are available; the contingency shall be incrementally increased until it reaches a maximum level of three (3%) percent of appropriations.

### NOTE 11: FUND BALANCE REPORTING

The District follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, for fund balance reporting.

The District reports its governmental fund balances in the following categories, as applicable:

- **Nonspendable** - 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, prepaid amounts and the fund balance for the permanent fund as nonspendable.
- **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, 2015.



**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 11: FUND BALANCE REPORTING (Continued)**

- 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 nonspendable, 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. The DOE requires that fund balances be assigned at fiscal year-end to report an amount likely to be expended from the 2014-15 fiscal year budget as a result of purchase orders outstanding as of June 30, 2015.
- 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 as June 30, 2015:

Description	Major Funds			
	General Fund	Capital Projects: Local Capital Improvement Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance				
<i>Nonspendable:</i>				
Inventory	\$ 3,915,530	\$ -	\$ 928,327	\$ 4,843,857
Prepaid expenditures	1,462,756	-	-	1,462,756
Permanent fund	-	-	150,412	150,412
<i>Restricted for:</i>				
State required carryovers	1,516,449	-	-	1,516,449
Tax levy	1,326,953	-	-	1,326,953
Workforce development	22,991,145	-	-	22,991,145
Capital projects	-	135,925,964	3,524,832	139,450,796
Debt service	-	-	425,005	425,005
<i>Assigned for:</i>				
Encumbrances	6,604,396	-	-	6,604,396
Central printing	1,096,104	-	-	1,096,104
Carryforwards	15,127,200	-	-	15,127,200
Capital projects	-	-	93,577	93,577
<i>Unassigned:</i>	7,230,439	-	(5,694,736)	1,535,703
<b>Total Fund Balance</b>	<b>\$ 61,270,972</b>	<b>\$ 135,925,964</b>	<b>\$ (572,583)</b>	<b>\$ 196,624,353</b>

**District School Board of Pinellas County  
Notes to Financial Statements**

**NOTE 11: FUND BALANCE REPORTING (Continued)**

Encumbrances are reported in the restricted and assigned fund balance. The following is a schedule of encumbrances at June 30, 2015:

Major Funds			
General Fund	Capital Projects: Local Capital Improvement Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,604,396	\$ 49,444,636	\$ 1,833,294	\$ 57,882,326

**NOTE 12: SCHEDULE OF STATE REVENUE SOURCES**

The District's State revenue for the year ended June 30, 2015 follows:

Sources	Amount
Florida Education Finance Program	\$ 210,262,218
Categorical Educational Program - Class Size Reduction	113,723,961
Workforce development program	26,204,660
Motor vehicle license tax (Capital outlay and Debt Service)	4,745,116
Florida school recognition program	3,310,718
Voluntary Pre-K	1,989,126
Charter School Capital Outlay Funding	1,636,665
Mobile home license tax	635,535
Food service supplement	565,536
Adults with disabilities	374,337
Pari-mutuel tax	369,505
District discretionary lottery funds	223,250
Miscellaneous	3,294,862
Total	\$ 367,335,489

**District School Board of Pinellas County  
Notes to Financial Statements**

**NOTE 13: PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-2015 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.093	\$ 332,451,772
Basic Discretionary Local Effort	0.748	48,826,610
Voted School Tax:		
Local Referendum	0.500	32,638,108
<hr/>		
Total General Fund:	6.341	413,916,490
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	1.500	97,914,325
<hr/>		
Total General And Capital Funds:	7.841	\$ 511,830,815

**NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY**

All regular employees of the District are covered by the Florida Retirement System (FRS) Pension Plan and Retiree Health Insurance Subsidy (HIS) Program, two defined benefit plans administered by the Florida Department of Management Services, Division of Retirement. The Florida legislature has the authority to establish and amend retirement legislation and related bills of significance to members of the FRS and HIS plans (including benefit terms and contribution rates). Passed bills are presented to the Governor of Florida and approved before they may be enacted into law.

***Plan Descriptions and Contribution Requirements***

*Florida Retirement System Pension Plan (FRS)*

The FRS is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapters 121, Florida Statutes. FRS membership is compulsory for employers filing regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

#### *Florida Retirement System Pension Plan (FRS) (Continued)*

The FRS has several classes of membership applicable to the District, including regular class, senior management, and DROP. Retirees receive a lifetime pension benefit with joint and survivor payment options. The FRS provides retirement, disability, and death benefits and annual cost-of-living adjustments. Benefits vest at six years, or number of years of service. The FRS also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. Benefits are computed on the basis of age, average final compensation and service credit.

DROP was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with a Florida Retirement system employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

#### *Retiree Health Insurance Subsidy Program (HIS)*

The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 122.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year end June 30, 2014, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 122.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

The FRS and HIS financial information is included in the Florida Retirement System (System) Pension Plan and Other State-Administered Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The System CAFR, including audited financial information to support the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, are available online at: [http://dms.myflorida.com/workforce\\_operations/retirement/publications](http://dms.myflorida.com/workforce_operations/retirement/publications).

The System CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
Division of Retirement  
Bureau of Research and Member Contributions  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll-free 877-377-1737

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

***Contributions Requirements***

The contribution rates for FRS and HIS members are established, and may be amended, by the State of Florida. The District is required to contribute at an actuarially determined rate. These rates are percentages of annual covered payroll. The FRS and HIS contribution rates were as follows:

Class or Plan	Year ended June 30,		
	2015	2014	2013
Florida Retirement System:			
Regular	7.37	6.95	5.18
County Elected Officers	43.24	33.03	10.23
Senior Management Service Class	21.14	18.31	6.30
Special Risk	19.82	19.06	14.90
Re-employed Retiree	7.37	6.95	5.18
DROP	12.28	12.84	5.44

Rates include 1.26% for HIS, and 0.04% for Administrative fee for 2015; 1.20% for HIS and .03% for Administrative fee for 2014.

Employees contribute 3% of their salary, except for members of DROP.

The District's contributions recognized during the fiscal year ended June 30, 2014 by the FRS and HIS were \$31,964,507 and \$6,368,304, respectively.

***FRS and HIS Collective Net Pension Liability***

**Basis for Accounting**

Information about the FRS and HIS assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position can be found in the System CAFR. The System CAFR is available online or can be obtained as mentioned previously. The FRS and HIS fiduciary net position and additions to/deductions from the fiduciary net position have been determined based on the System's records, which utilize the flow of economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable. Investments are reported at fair value. Contributions are recognized as revenue when due, pursuant to statutory and contractual requirements. There have been no significant changes since the publication of the System CAFR.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

#### Actuarial Methods and Assumptions

Actuarial assumptions for both the FRS and HIS are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually and the HIS has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for the FRS and HIS was determined by an actuarial valuation as of July 1, 2014 using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables. Both the discount rate and long-term expected rate of return used for FRS investments is 7.65%. The FRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS program uses a pay-as-you-go funding structure, a municipal bond rate of 4.29% was used to determine its total pension liability. In September 2014, the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. As of June 30, 2014, the FRS long-term rate of return decreased from 7.75% to 7.65% and the municipal rate used by HIS decreased from 4.63% to 4.29%. The inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%.

#### Long-term Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in September 2014 the FRS Actuarial Assumption Conference reviewed assumptions by Milliman's capital markets assumption team. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Annual Arithmetic Return</b>
Cash	1.00%	3.11%
Intermediate - Term Bonds	18.00%	4.18%
High Yield Bonds	3.00%	6.79%
Broad US Equities	26.50%	8.51%
Developed Foreign Equities	21.20%	8.66%
Emerging Market Equities	5.30%	11.58%
Private Equity	6.00%	11.80%
Hedge Funds/Absolute Return	7.00%	5.81%
Real Estate (Property)	12.00%	7.11%
<b>Total</b>	<b>100.00%</b>	

***District's Share of Net Pension Liability***

Employers participating in the FRS and HIS were provided pension allocation schedules for use in recording their proportionate share of the FRS and HIS net pension liability in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The underlying financial information used to prepare the pension allocation schedules is based on the same basis as mentioned previously.

At June 30, 2015, the District reported a net pension liability of \$262,858,684 for its proportionate share of the collective net pension liability of the FRS and HIS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations dated July 1, 2014.

The District's proportionate share was calculated using accrued retirement contributions for employees that were members of the FRS and HIS during fiscal years 2012-13 and 2013-14. The aggregate employer contribution amounts for the year ended June 30, 2013 agree to the employer contribution amounts reported in the State of Florida CAFR. The aggregate employer contribution amounts for the fiscal year ended June 30, 2014 agree to the employer contribution amounts reported in the System CAFR. The fiscal year ended June 30, 2014 was the first year the System issued a separate CAFR.

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

The District's proportionate share was applied to the collective net pension liability of FRS and HIS and other pension amounts applicable to the fiscal year to calculate the District's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The following table presents information on the District's proportionate share of the FRS and HIS.

	<u>FRS</u>	<u>HIS</u>	<u>District Total</u>
Proportionate Share of Net Pension Liability at June 30, 2014	\$ 89,037,769	\$ 173,820,915	\$ 262,858,684
District's proportion at June 30, 2014	0.0145928	0.0185900	
District's proportion at June 30, 2013	0.0142315	0.0184419	
Change in proportion during current year	0.0003613	0.0001481	

For the year ended June 30, 2015, the District recognized pension expense of \$21,651,165. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>FRS</u>	<u>HIS</u>	<u>District Total</u> <u>Deferred Outflow/</u> <u>(Deferred Inflow)</u>
Differences between expected and actual experience	\$ (5,509,925)	\$ -	\$ (5,509,925)
Change of assumption	15,419,860	6,185,237	21,605,097
Net difference between projected and actual investment earnings	(148,529,778)	83,439	(148,446,339)
Changes in proportion	5,233,076	1,110,383	6,343,459
District contributions subsequent to the measurement date	34,311,339	7,011,689	41,323,028
<b>Total</b>	<b>\$ (99,075,428)</b>	<b>\$ 14,390,748</b>	<b>\$ (84,684,680)</b>



**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 14: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

Deferred outflows of resources of \$41,323,028 are reported by the District for employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Fiscal Year Ending June 30,</i>	<b>FRS</b>	<b>HIS</b>	<b>District Total</b> Deferred Outflow/ (Deferred Inflow)
2016	\$ (34,275,272)	\$ 1,197,573	\$ (33,077,699)
2017	(34,275,272)	1,197,573	(33,077,699)
2018	(34,275,272)	1,197,573	(33,077,699)
2019	(34,275,272)	1,197,573	(33,077,699)
2020	2,857,173	1,176,713	4,033,886
Thereafter	857,149	1,412,055	2,269,204
<b>Total</b>	<b>\$ (133,386,766)</b>	<b>\$ 7,379,060</b>	<b>\$ (126,007,706)</b>

**Discount Rate Sensitivity Analysis**

The following tables demonstrate the sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The sensitivity shows the impact if the discount rate was 1.0% higher or 1.0% lower than the current discount rate at June 30, 2014.

FRS Net Pension Liability			HIS Net Pension Liability		
<b>Current</b>			<b>Current</b>		
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
6.65%	7.65%	8.65%	3.29%	4.29%	5.29%
\$ 380,826,364	\$ 89,037,769	\$(153,674,666)	\$ 197,707,216	\$ 173,820,915	\$ 153,882,690

**NOTE 15: TAX DEFERRAL PLANS AND OTHER BENEFITS**

The District allows employees to participate in 401(a) and 403(b) qualified retirement plans. Participation is required for employees that are retiring, terminating or entering DROP and have accumulated at least \$2,500 of eligible terminal leave benefits. Contributions to the plan are made on a pre-tax basis. The maximum plan contribution cannot exceed 100% of plan year compensation or \$52,000, whichever is less. Federal income taxes on this compensation are deferred until distributions are taken. Employee contributions to the 401(a) plan were \$9,826,463 and employee contributions to the 403(b) were \$1,645,307 for the period ended June 30, 2015.

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 15: TAX DEFERRAL PLANS AND OTHER BENEFITS (Continued)**

The District offers eligible employees participation in an optional tax deferred annuity and 457 program. The Internal Revenue Service, under code section 403(b), allows employees of School Boards to defer a portion of their income from Federal income tax. The deferred earnings are placed in an investment vehicle selected by the employee, with the principal and interest tax deferred until withdrawn. The contributions for the tax deferred annuity 403(b) and 457 for the fiscal year ended June 30, 2015 were \$8,969,536 and \$1,774,392, respectively. In addition, the District has available a Roth 403(b) that employees may elect. Contributions to the Roth 403(b) totaled \$1,517,765 for 2015.

The District makes contributions to employee's health insurance payments based upon elected coverage. The total amount contributed on behalf of the employees, for the year ended June 30, 2015 was \$89,575,674.

**NOTE 16: CONSTRUCTION CONTRACT COMMITMENTS**

The District had the following construction contract commitments at June 30, 2015:

Project	Contract Amount	Encumbered Amount	Completed To Date	Balance Committed
Azalea Middle School - Building Envelope	\$ 9,226,366	\$ 487,794	\$ 1,158,226	\$ 7,580,346
Largo High School - Replacement Facility	34,485,514	9,378,005	14,262,246	10,845,263
Palm Harbor University High School - New Classrooms	14,100,474	2,794,459	8,810,580	2,495,435
Pinellas Park Elementary School	5,330,381	670,762	854,926	3,804,693
East Lake Middle School - New School	7,990,006	1,594,827	4,049,776	2,345,403
Other Projects (1)	23,356,834	2,350,705	18,471,151	2,534,978
Total	\$ 94,489,575	\$ 17,276,552	\$ 47,606,905	\$ 29,606,118

*Note: (1) Individual projects with current commitment balances under \$900,000 at June 30, 2015.*

**District School Board of Pinellas County  
Notes to Financial Statements**

**NOTE 17: 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, students, or visitors; and natural disasters. The District contracts with a third party administrator that adjusts workers compensation and liability claims, subrogates claims, represents the District in mediations, and assists attorneys with litigation.

The District partners with an insurance broker to obtain insurance coverage for losses that are not appropriate for the District to fully retain as self-insured exposures. The insurance purchased provides coverage for losses in excess of the workers' compensation, liability and property deductibles as well as coverage, subject to a deductible, for other losses, which may occur from employment practices, errors and omissions and employee dishonesty, etc. This insurance protection limits the District's risk and financial exposure and provides protection from lawsuits.

At June 30, 2015, a liability of \$13,880,049 was recorded for estimated insurance claims payable for claims incurred but not reported for worker's compensation, general liability and vehicle liability. The estimated insurance claims payable was recorded using the gross method, which was actuarially determined.

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

	Beginning of Year	Claims	Claims Payments	End of Year
2014	\$ 14,055,574	\$ 3,611,541	\$ (4,066,597)	\$ 13,600,518
2015	13,600,518	6,823,071	(6,543,540)	13,880,049

Property protection, boiler and machinery, errors and omissions, employment practices liabilities, employee dishonesty, and other coverage's deemed necessary by the Board are provided through purchased commercial insurance with deductibles for each line of coverage. In addition, health, dental, life and income protection coverage for District employees were offered through purchased commercial insurance.

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

The assets, liabilities, net position and activity of the risk management process are initially run through the District's Internal Service Fund. The Internal Service Fund charges the other funds of the District for their respective portions of the claims. From time to time the fund may run a deficit. Over a reasonable amount of time the District will charge this deficit through to all other funds of the District. As of June 30, 2015 the Internal Service Fund has a negative net position of \$3,601,575.

## District School Board of Pinellas County Notes to Financial Statements

### NOTE 18: POST EMPLOYMENT 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 and eligible dependents, may continue to participate in the District's fully insured group health plan. The District subsidizes the premium rates paid by the retirees by allowing them to participate in the 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 cost to the 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.

The Postemployment Health Care Benefits Plan does not issue a stand-alone report and is not included in the report and is not included in the report of a Public Employee Retirement System (PERS) or another entity.

#### Funding Policy

For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2014-2015 fiscal year, the District provided required contributions of \$2,833,925 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions totaling \$5,057,096. Required contributions are based on projected pay-as-you-go financing.

**District School Board of Pinellas County  
Notes to Financial Statements**

**NOTE 18: POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Annual OPEB Cost and Net OPEB Obligation

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

<i>Fiscal Year Ending June 30,</i>	2015
Normal Cost	\$ 3,415,037
Amortization of Unfunded Accrued Liability	2,281,758
Interest	227,872
Annual Required Contribution	5,924,667
Interest on Net OPEB Obligation (NOO)	564,238
Amortization of NOO	(503,792)
Total Expense or Annual OPEB Cost (AOC)	5,985,113
Actual Contribution Toward OPEB Cost	(2,833,925)
Increase in NOO	3,151,188
NOO Beginning of Year	14,105,944
NOO End of Year	\$ 17,257,132

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, 2015 and the two preceding years, are as follows:

Fiscal Year	AOC	Contribution	Percent of AOC Contributed	NOO
2012/2013	\$ 5,410,299	\$ 2,275,442	42.1%	\$ 11,468,589
2013/2014	5,349,441	2,712,086	50.7%	14,105,944
2014/2015	5,985,113	2,833,925	47.3%	17,257,132

Funded Status and Funding Progress

As of June 30, 2015, the actuarial accrued liability for benefits was \$54,742,166, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$54,742,166. The covered payroll (annual payroll for active participating employees) was \$578,437,319 for the fiscal year 2014-2015, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.5%.

## District School Board of Pinellas County Notes to Financial Statements

### **NOTE 18: POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

#### Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment and termination, mortality and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of health benefits for financial reporting purposes are based on the substantive 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 efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions included an interest rate of 4 percent, a payroll growth rate of 3.5 percent per year, general inflation of 2.5 percent, and an annual healthcare cost trend rate of 8.0 percent initially for the 2014-15 fiscal year, reduced to an ultimate rate of 5.0 percent for the fiscal year ending June 30, 2025.

The initial unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of the projected payroll on a closed basis over 30 years. The remaining amortization period on the initial unfunded actuarial accrued liability as of June 30, 2015 was 22 years.

### **NOTE 19: LITIGATION**

The District is a party to several lawsuits and claims, which it is vigorously defending. Such matters arise out of the normal course of its operation, some of which are covered by insurance policies. While the results of litigation cannot be predicted with certainty, management believes the final outcome of such litigation will not have a significant adverse effect on the District's financial position.

**District School Board of Pinellas County**  
**Notes to Financial Statements**

**NOTE 20: GRANTS AND CONTRACTS**

The District participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement of these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from a Federal audit may become a liability of the District. The District does not believe that any significant liabilities would result from any review of its expenditures of Federal programs.

**NOTE 21: SUBSEQUENT EVENT**

The District entered into a capital lease agreement subsequent to June 30, 2015. The capital lease agreement was for the acquisition of buses totaling \$7,079,120 financed over a ten year period with a 1.91% interest rate.

**NOTE 22: CHANGE IN ACCOUNTING PRINCIPLES**

In 2015, the District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27* and also GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. Upon adoption of these statements, the District’s proportionate share of the collective net pension liability and deferred outflows for contributions were recorded, resulting in a restatement of beginning net position for governmental activities as shown in the table below:

Elements of Adjustment:	Governmental Activities
Proportionate Share of Net Pension Liability	\$ (405,548,037)
Deferred Outflows - Pension Contributions	38,332,811
Adjustment to Net Position	\$ (367,215,226)
Elements of Restatement:	
Net Position - Beginning of Year	\$ 1,920,221,642
Adjustment to Net Position from GASB 68	(367,215,226)
Net Position - Beginning of Year as Restated	\$ 1,553,006,416



## **Required Supplementary Information**



## District School Board of Pinellas County Budget to Actual Comparison Schedule: General Fund

Year ended June 30,

2015

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			
<b>Revenues</b>					
Intergovernmental:					
Federal direct	\$ 320,000	\$ 372,059	\$ 372,059	\$ -	
Federal through state	2,513,870	5,041,872	5,041,872	-	
State sources	373,194,620	358,255,614	358,255,614	-	
Local sources	414,583,105	421,328,164	421,328,163	(1)	
<b>Total revenues</b>	<b>790,611,595</b>	<b>784,997,709</b>	<b>784,997,708</b>	<b>(1)</b>	
<b>Expenditures</b>					
Instruction	539,900,426	541,482,423	538,593,138	2,889,285	
Pupil personnel services	32,796,105	30,709,944	30,603,204	106,740	
Instructional media services	7,381,059	6,357,632	6,325,977	31,655	
Instructional and curriculum development	10,969,257	10,955,122	10,875,855	79,267	
Instructional staff training	5,926,399	6,306,737	6,271,912	34,825	
Instruction related technology	4,589,768	5,634,812	5,634,812	-	
Board of education	2,489,191	1,971,645	1,958,788	12,857	
General administration	2,330,674	2,573,431	2,509,791	63,640	
School administration	54,193,963	55,544,652	55,108,649	436,003	
Facilities acquisition and construction	1,929,866	1,319,563	706,713	612,850	
Fiscal services	4,034,930	4,426,247	4,378,182	48,065	
Food services	71,266	281,085	281,084	1	
Central services	11,786,703	12,702,522	12,055,784	646,738	
Pupil transportation services	33,134,062	33,420,242	33,395,842	24,400	
Operation of plant	76,877,241	77,126,360	76,683,608	442,752	
Maintenance of plant	21,882,783	22,771,402	21,681,771	1,089,631	
Administrative technology services	5,349,770	4,821,782	4,736,091	85,691	
Community services	758,111	778,893	778,892	1	
Fixed capital outlay:					
Facilities acquisition and construction	385,021	385,021	385,021	-	
Other capital outlay	3,174,820	3,174,820	3,174,819	1	
Debt Service:					
Interest and fiscal charges	-	66,725	66,725	-	
<b>Total expenditures</b>	<b>819,961,415</b>	<b>822,811,060</b>	<b>816,206,658</b>	<b>6,604,402</b>	
Excess (deficiency) of revenues over expenditures	(29,349,820)	(37,813,351)	(31,208,950)	6,604,401	
<b>Other financing sources (uses)</b>					
Loss recoveries	200,000	327,055	327,054	1	
Transfers in	33,000,000	35,967,373	35,967,373	-	
Transfers out	-	(1,164,325)	(1,164,325)	-	
<b>Total other financing sources and (uses)</b>	<b>33,200,000</b>	<b>35,130,103</b>	<b>35,130,102</b>	<b>1</b>	
<b>Net change in fund balances</b>	<b>3,850,180</b>	<b>(2,683,248)</b>	<b>3,921,152</b>	<b>6,604,400</b>	
<b>Fund balances - beginning</b>	<b>57,349,820</b>	<b>57,349,820</b>	<b>57,349,820</b>	<b>-</b>	
<b>Fund balances - ending</b>	<b>\$ 61,200,000</b>	<b>\$ 54,666,572</b>	<b>\$ 61,270,972</b>	<b>\$ 6,604,400</b>	

**District School Board of Pinellas County  
Budget to Actual Comparison Schedule: Other Federal Programs**

Year ended June 30,

2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental:				
Federal direct	\$ 4,139,083	\$ 9,743,521	\$ 6,306,304	\$ (3,437,217)
Federal through state	72,505,739	95,098,672	\$ 74,623,631	(20,475,041)
<b>Total revenues</b>	<b>76,644,822</b>	<b>104,842,193</b>	<b>80,929,935</b>	<b>(23,912,258)</b>
<b>Expenditures</b>				
Current:				
Instruction	43,699,504	56,056,248	38,843,323	17,212,925
Pupil personnel services	7,897,830	10,027,302	10,394,922	(367,620)
Instructional media services	-	868	867	1
Instructional and curriculum development	7,331,286	10,355,724	8,540,576	1,815,148
Instructional staff training	11,676,386	16,492,010	13,682,801	2,809,209
Instruction related technology	378,854	478,244	478,907	(663)
Board of education	-	-	-	-
General administration	2,536,819	2,907,345	2,824,374	82,971
School administration	43,188	80,375	39,450	40,925
Facilities acquisition and construction	-	-	-	-
Fiscal services	55,288	46,937	46,714	223
Food services	-	-	-	-
Central services	857,625	1,464,438	1,174,528	289,910
Pupil transportation services	49,947	60,194	56,517	3,677
Operation of plant	54,573	170,872	146,744	24,128
Maintenance of plant	-	-	-	-
Administrative technology services	443,261	356,254	219,258	136,996
Community services	690,546	5,415,667	3,551,239	1,864,428
Fixed capital outlay:				
Facilities acquisition and construction	444,699	444,699	444,699	-
Other capital outlay	485,016	485,016	485,016	-
<b>Total expenditures</b>	<b>76,644,822</b>	<b>104,842,193</b>	<b>80,929,935</b>	<b>23,912,258</b>
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**District School Board of Pinellas County**  
**Schedule of Funding Progress for Other Post-Employment Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liability (AAL) - Entry Age</b>	<b>Accrued</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/12	\$ -	\$ 49,237,265		\$49,237,265	0.00%	\$557,282,119	8.8%
7/1/13	-	48,500,382		48,500,382	0.00%	570,224,300	8.5%
7/1/14	-	54,742,166		54,742,166	0.00%	578,437,319	9.5%

**District School Board of Pinellas County  
Schedule of Proportionate Share of Net Pension Liability –  
Florida Retirement System (Last 10 fiscal years)**

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability (asset)	1.459283755%	1.423148715%
District's proportionate share of the net pension liability (asset)	\$ 89,037,769	\$ 244,987,234
District's covered - employee payroll	\$ 552,513,870	\$ 535,884,802
District's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	16.12%	45.72%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	N/A

*Note: Data was unavailable prior to 2013*

**District School Board of Pinellas County  
Schedule of Contributions –  
Florida Retirement System (Last 10 fiscal years)**

	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 34,311,339	\$ 31,964,507
Contributions in relation to the contractually required contribution	(34,311,339)	(31,964,507)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 556,796,985	\$ 552,513,870
Contributions as a percentage of covered-employee payroll	6.16%	5.79%

**District School Board of Pinellas County  
Schedule of Proportionate Share of Net Pension Liability –  
Health Insurance Subsidy (Last 10 fiscal years)**

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability (asset)	1.858998708%	1.844187882%
District's proportionate share of the net pension liability (asset)	\$ 173,820,915	\$ 160,560,803
District's covered - employee payroll	\$ 552,513,870	\$ 535,884,802
District's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	31.46%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	N/A

*Note: Data was unavailable prior to 2013*

**District School Board of Pinellas County  
Schedule of Contributions –  
Health Insurance Subsidy (Last 10 fiscal years)**

	<b>2015</b>	<b>2014</b>
Contractually required contributions	\$ 7,011,689	\$ 6,368,304
Contributions in relation to the contractually required contribution	(7,011,689)	(6,368,304)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered-employee payroll	\$ 556,796,985	\$ 552,513,870
Contributions as a percentage of covered-employee payroll	1.26%	1.15%



## **Other Information**



## District School Board of Pinellas County Schedule of Expenditures of Federal Awards

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 7,951,927	\$ -
National School Lunch Program	10.555	300, 350	25,649,742	-
Summer Food Service Program for Children	10.559	323	1,527,413	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	N/A	3,431,371	-
<b>Total Child Nutrition Cluster</b>			<b>38,560,453</b>	<b>-</b>
Florida Department of Health, Bureau of Child Care Food Programs:				
Child and Adult Care Food Program	10.558	none	974,676	-
<b>Total United States Department of Agriculture</b>			<b>39,535,129</b>	<b>-</b>
<b>United States Department of Education:</b>				
Direct:				
Impact Aid	84.041	N/A	21,873	-
Federal Pell Grant Program	84.063	N/A	3,463,115	-
Fund for the Improvement of Education	84.215	N/A	603,166	-
Teacher Incentive Fund	84.374	N/A	1,678,867	-
Arts in Education	84.351	N/A	98,428	-
<b>Total Direct</b>			<b>5,865,449</b>	<b>-</b>
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	29,231,429	1,014,788
Special Education - Preschool Grants	84.173	266, 267	866,193	-
<b>Total Special Education Cluster</b>			<b>30,097,622</b>	<b>1,014,788</b>
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226	33,272,124	138,379
Education for Homeless Children and Youth	84.196	127	98,906	-
School Improvement Grants	84.377	126	33,024	-
Adult Education - Basic Grants to States	84.002	191, 193	1,167,357	-
Career and Technical Education - Basic Grants to States	84.048	161	1,365,941	33,890
Charter Schools	84.282	298	947,847	947,847
Title IV - B Twenty-First Century Community Learning Centers	84.287	244	426,686	-
English Language Acquisition Grants	84.365	102	685,264	-
Improving Teacher Quality State Grants	84.367	224	5,404,429	-

(Continued)

## District School Board of Pinellas County Schedule of Expenditures of Federal Awards (Continued)

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act, Subagreement with U.S.F.	84.395	RA,RL, RG, RS	\$ 3,624,672	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act, Subagreement with U.S.F.	84.395	1735-1005-01-B	2,588	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act, Subagreement with St. Petersburg College	84.395	PI 111-5	17,056	-
<b>Total Florida Department of Education</b>			<b>47,045,894</b>	<b>1,120,116</b>
<b>United States Department of Education:</b>				
Indirect:				
North East Florida Education Consortium				
Special Education - State Personnel Development Grants	84.323	(3)	456,441	-
<b>Total Indirect</b>			<b>77,599,957</b>	<b>2,134,904</b>
<b>Total United States Department of Education</b>			<b>83,465,406</b>	<b>2,134,904</b>
<b>United States Department of Health and Human Services:</b>				
Direct:				
Health Resources and Services Administration				
- ACA Grants for School Based Health Center Capital Expenditures	93.501	N/A	444,699	-
Health Resources and Services Administration - Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	N/A	108,716	-
Partnerships to Improve Community Health	93.331	N/A	10,557	-
Indirect:				
Pinellas County Health Department:				
Florida Department of Education:				
Child Care and Development Block Grant	93.575	LC 915	155,348	-
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State Administered Programs	93.566	LK 164 &178	411,400	-
<b>Total United States Department of Health and Human Services</b>			<b>1,130,720</b>	<b>-</b>
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	227,341	-
Navy Junior Reserve Officers Training Corps	None	N/A	57,615	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	65,232	-
<b>Total United States Department of Defense</b>			<b>350,188</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 124,481,443</b>	<b>\$ 2,134,904</b>



## District School Board of Pinellas County Notes to Schedule of Expenditures of Federal Awards

### **Note 1: Basis of Presentation**

The schedule of expenditures of federal awards represents amounts expended from Federal programs during the fiscal year as determined on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133; *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

### **Note 2: Noncash Assistance - National School Lunch Program**

The food donation from the Florida Department of Agriculture and Consumer Services represents the amount of donated food consumed during the fiscal year. Commodities were valued at fair value at the time of donation.

### **Note 3: Special Education - State Personnel Development Grants**

The Pass-through grantor numbers for the State Personnel Development Grants are as follows:  
0750-13-001-71613; 0750-14-004-71614; 0750-15-001-71615 ORSP-12041-26556-8



## **Compliance Section**



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**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**

To the District School Board of Pinellas County  
and Dr. Michael Grego, Superintendent of Schools  
Largo, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Pinellas County (District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2016. Our report includes a reference to other auditors who have audited the financial statements of certain charter schools included as discretely presented component units as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies: 2015-001 and 2015-002.

### **Compliance and Other Matters**

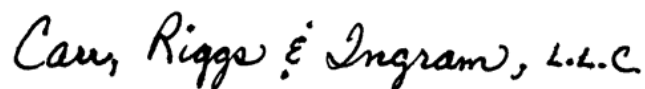
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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*.

### **District School Board of Pinellas County's Response to Findings**

The District's response and corrective action plan to the findings identified in our audit are listed on page 80. We did not audit the District's responses and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CARR, RIGGS, & INGRAM, LLC**

Miramar Beach, Florida  
March 9, 2016



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

To the District School Board of Pinellas County  
and Dr. Michael Grego, Superintendent of Schools  
Largo, Florida

**Report on Compliance for Each Major Federal Program**

We have audited the District School Board of Pinellas County's ("the District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the District School Board of Pinellas County, complied, in all material respects, with the 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, 2015.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliances. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified.

*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.



**Purpose of this Report**

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.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Miramar Beach, Florida

March 9, 2016

## District School Board of Pinellas County Schedule of Findings and Questioned Costs

### Summary of Audit Results

As required by United States Office of Management and Budget *Circular A-133*, Section 505, the following is a summary of the results of the audit of the District School Board of Pinellas County for the fiscal year ended June 30, 2015:

- The auditors' report expresses an unmodified opinion on the basic financial statements of the District School Board of Pinellas County (the District).
- No material weaknesses and two significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- No instances of noncompliance material to the basic financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
- The auditors' report on compliance for the major federal award programs for the District is unmodified.
- There were no audit findings relative to the major federal award programs for District School Board of Pinellas County.
- The programs tested as major programs included: Food Nutrition Cluster (CFDA 10.533, 10.555, 10.559), ARRA - State Fiscal Stabilization Fund - Race to the Top (CFDA 84.395), and Special Education Cluster (CFDA 84.027, 84.173).
- The threshold for distinguishing between Types A and B programs was \$3,000,000.
- The District did not qualify as a low-risk auditee, as defined in *OMB Circular A-133*.

## District School Board of Pinellas County Schedule of Findings and Questioned Costs

### Findings – Financial Statement Audit

#### Significant Deficiency

#### 2015-001: Financial Reporting

##### Criteria

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the District to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR). Laws and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP).

##### Condition

One of the principal methods that a school district uses to document accountability for public resources it receives and uses is by the information included in its annual financial report. As such, District personnel should ensure that the report is accurate and contains all required disclosures so that users, such as the School Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition. Our review of the District's 2014-15 fiscal year annual financial report, as presented for audit, concluded that while the annual financial report was prepared correctly in most areas, audit adjusting entries were required to correct certain significant items. These include:

- 1 **Capital lease adjustment of approximately \$1,700,000** – The District received bus radios during the fiscal year, however; the District determined it was not necessary to record the capital lease obligation as the radios had not yet been installed in buses as of June 30, 2015.
- 2 **Estimated insurance claims payable adjustment of approximately \$4,300,000** – The District is required to record the current value of long-term liabilities relating from self-insurance programs (worker's compensation, automobile liability and physical damage, and general liability). In order to determine the long-term liability, the District utilizes an outside actuary. The District received the actuarial report; however; it was decided to postpone the adjustment until fiscal year 2016. An adjustment was proposed by us, and recorded by the District to adjust the claims liability in the internal service fund only, resulting in a negative change in net position of approximately \$3,700,000. However, contrary to normal District policy, this additional cost was not allocated to the various governmental funds until fiscal year 2016.
- 3 **Debt service adjustments for refunding activity** – During FY15 there was a refunding of some outstanding debt of the District. The Florida Department of Education (FLDOE) provided entries to be made to record the refunding activity. Subsequent to the initial entries being provided to the District, the FLDOE revised their entries to be recorded. The revised entries were not recorded by the District.

## District School Board of Pinellas County Schedule of Findings and Questioned Costs

### **Cause**

Adjustments #1 and #2 occurred mainly as a result of decisions made by management to not make necessary adjustments. Adjustment #3 resulted as a lack of communication from FLDOE to the finance department of the District. We were able to identify adjustments necessary, through our test work, to ensure the District's financial statements and supplementary information were properly reported, and District personnel accepted these adjustments. However, our audit procedures cannot substitute for management's responsibility to ensure the District's AFR is completely accurate.

### **Effect**

The District's financial statements could be misstated or contain technical inaccuracies.

### **Recommendation**

The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported. Such procedures may include enhanced review to ensure the accuracy of the financial statements. A similar finding was reported in previous years.

### **Response and Corrective Action Plan**

See attached Corrective Action Plan.

### **Significant Deficiency**

#### **2015-002: Capital Asset Reconciliation**

### **Criteria**


The District is responsible for preparing financial statements in accordance with generally accepted accounting principles and for establishing internal control to ensure complete and accurate financial reporting.

### **Condition**

As part of our audit procedures, we noted the District's schedules supporting the reported additions to construction in progress (CIP) were double counting some purchase orders. This error began during FY14. The total amount as of June 30, 2015 that was double counted was approximately \$21,700,000, \$10,600,000 of this amount relates to FY14 CIP activity. Management determined to record the entire adjustment to reduce CIP to actual in FY15.

### **Cause**

The reports the District used to prepare the capital asset schedules included duplicate purchase orders. The capital asset process is highly manual and involves information sources from multiple unrelated sources.



## District School Board of Pinellas County Schedule of Findings and Questioned Costs

### **Effect**

The District's financial statements could be misstated and it would not be timely prevented or detected and corrected by management.

### **Recommendation**

The District should review and establish internal control policies and procedures to ensure all manual or infrequent transactions or procedures are reviewed by at least one additional member of management. We also suggest the District continue to look at automated alternatives for how capital assets are tracked and recorded.

### **Response and Corrective Action Plan**

See attached Corrective Action Plan.

## District School Board of Pinellas County Summary Schedule of Prior Audit Findings

Finding # per AG Report No. 2015-130	Management Letter Comments	Assessment of Finding by Florida Auditor General	Finding continues to be Relevant	Finding has been addressed or no longer relevant
1	Investment Controls	AM		X
2	Inventory – Separation of Duties	AM		X
3	Ad Valorem Taxation	AM		X
4	Food Service Program Financial Condition	AM	X	
5	Bus Drivers	AM		X
6	Severance Pay	AM		X
7	Purchasing Procedures	AM		X
8	Contractual Services	AM		X
9	Workforce Development Funds	AM		X
10	Adult General Education Classes	AM		X
11	Virtual Instruction Program – Policies and Procedures	AM		X
12	Virtual Instruction Program – Provider Contracts	AM	X	
13	Virtual Instruction Program – Options	AM		X
14	Virtual Instruction Program – Written Parental Notifications	AM		X
15	Virtual Instruction Program – Student Compensatory Attendance	AM	X	
16	Virtual Instruction Program – Computing Resources	AM	X	
17	Information Technology – Access Privileges	AM	X	
18	Information Technology – Security Program	AM	X	
19	Information Technology – Security Controls – User Authentication	AM	X	

## District School Board of Pinellas County Summary Schedule of Prior Audit Findings

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

Audit Report and Schedule Paragraph No.	Program Area	Description	Status
2014-001	Special Education	Coordinated early intervention services documentation	Resolved
2014-002	Child Nutrition Cluster	Maintain support for split personnel charges applied to lunch program	Unresolved
2014-003	Self-insurance	Self-insurance allocation transferred to general fund with no consideration of federal programs	Resolved
2014-001	Title I	Expenses incurred outside the period of availability	Resolved
2014-005	Title I	Allowability of program expenses	Resolved

**Findings – Financial Statement Audit**

**Significant Deficiency**

**2015-001 Financial Reporting**

*The district should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported. Such procedure may include enhanced review to ensure the accuracy of the financial statements. A similar finding was reported in previous years.*

**Corrective Action Plan:**

The district will continue to enhance its controls to ensure complete and accurate financial reporting. Additionally, the district will enhance its review process to ensure the accuracy of financial statements. The district is currently in the process of evaluating new ERP software to purchase and implement in the very near future. These new systems will enhance the financial reporting accuracy and will eliminate most of the manual processes currently in place.

**Significant Deficiency**

**2015-002 Capital Asset Reconciliation**

*The district should review and establish internal control policies and procedures to ensure all manual or infrequent transactions or procedures are reviewed by at least one additional member of management. We also suggest the district continue to look at automated alternatives for how capital assets are tracked and recorded.*

**Corrective Action Plan:** The reports will be reviewed prior to entering them into the additions column of the worksheet and to ensure there are no duplicate entries. A second review will be performed by another individual to confirm the accuracy of the balances. The district is currently in the process of evaluating new ERP software to purchase and implement in the very near future. These new systems will enhance the financial reporting accuracy and will eliminate most of the manual processes currently in place.





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Honorable Chairman and Members of the  
District School Board of Pinellas County, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the District School Board of Pinellas County, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated March 9, 2016.

### **Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 9, 2016, 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 under the heading Prior Year Findings and Recommendations.

### **Financial Condition**

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

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), Rules of the Auditor General, we applied financial condition assessment procedures for the District School Board of Pinellas County. It is management's responsibility to monitor the District School Board of Pinellas County's financial condition, and our financial condition assessment was based in part on representations 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 that we report the results of our determination as to whether the District School Board of Pinellas County maintains on its Web site the information specified in Section 1011.035, Florida Statutes. (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 School Board of Pinellas County maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

### **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. In connection with our audit, we did not have any such recommendations.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **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 District School Board members, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Miramar Beach, Florida  
March 9, 2016



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## ATTESTATION REPORT ON COMPLIANCE WITH SECTION 218.415 FLORIDA STATUTES

To the District School Board of Pinellas County  
and Dr. Michael Grego, Superintendent of Schools  
Largo, Florida

We have examined District School Board of Pinellas County's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2015. Management is responsible for the Council's compliance with those requirements. Our responsibility is to express an opinion on the Council'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 Council'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 Council's compliance with specified requirements.

In our opinion, the Council complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2015.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Miramar Beach, Florida  
March 9, 2016