

**DISTRICT SCHOOL BOARD OF  
COLLIER COUNTY, FLORIDA**

**FINANCIAL STATEMENTS**

*As of and for the Year Ended June 30, 2017*

*And Report of Independent Auditor*

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

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## Report of Independent Auditor

The Honorable Members of the School Board  
District School Board of Collier County, Florida  
Naples, Florida

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 6 percent of the assets and 37 percent of the liabilities of the aggregate remaining fund information in the accompanying financial statements. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 December 1, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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.



Orlando, Florida  
December 1, 2017

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

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The management of the District School Board of Collier County, Florida (the "District") has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2017. The information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to the financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal year are as follows:

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$785.5 million at fiscal year ended June 30, 2017.
- Net position of the District increased by \$24.7 million, in comparison to the 2015-16 fiscal year.
- The District's government-wide revenues totaled \$603.1 million, of which general revenues totaled \$575.0 million, or 95.3 percent of all revenues in the 2016-2017 fiscal year. In the prior fiscal year, the District's government-wide revenues totaled \$577.3 million, of which general revenues totaled \$549.4 million, or 95.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$28.1 million, or 4.7 percent, compared to \$27.9 million, or 4.8 percent in the prior year.
- During the current fiscal year, General Fund revenues and transfers in exceeded expenditures by \$10.2 million. This may be compared to last fiscal year's results, in which General Fund revenues and transfers in exceeded expenditures by \$16.3 million.
- The assigned fund balance for the General Fund was \$14.1 million, and the unassigned fund balance for the General Fund was \$70.4 million. The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$84.5 million at June 30, 2017, or 20.0 percent of General Fund expenditures. The prior fiscal year sum of the assigned and unassigned fund balances in the General Fund was \$75.6 million, or 18.6 percent of total General Fund expenditures.
- The fund balance of the General Fund reflects an increase from \$82.0 million to \$92.2 million during the 2016-17 fiscal year, attributable to revenues and transfers exceeding expenditures. This is an increase of \$10.2 million, of which \$1.2 million is unexpended restricted funds that will be carried forward for use in fiscal year 2017-18. As a result, the District was able to establish and replenish reserves to provide financial stability for the District.
- The District phased out its dependency on the previously voter approved operating millage for the 2016-2017 fiscal year and restored the tax millage rate back to capital outlay millage. This phase out of the voter approved operating millage resulted in less operational taxes and increased capital outlay taxes during the current fiscal year. In preceding years, this voter approved millage allowed the District to assess up to a quarter mill in operating millage in exchange for the equivalent reduction in capital millage. The District levied 0.12 mills in the prior fiscal year, which generated approximately \$8.6 million in operational taxes.

### NON-FINANCIAL EVENTS

The District's student full-time equivalent enrollment increased by 584 students or approximately 1.3 percent during the 2016-17 fiscal year.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

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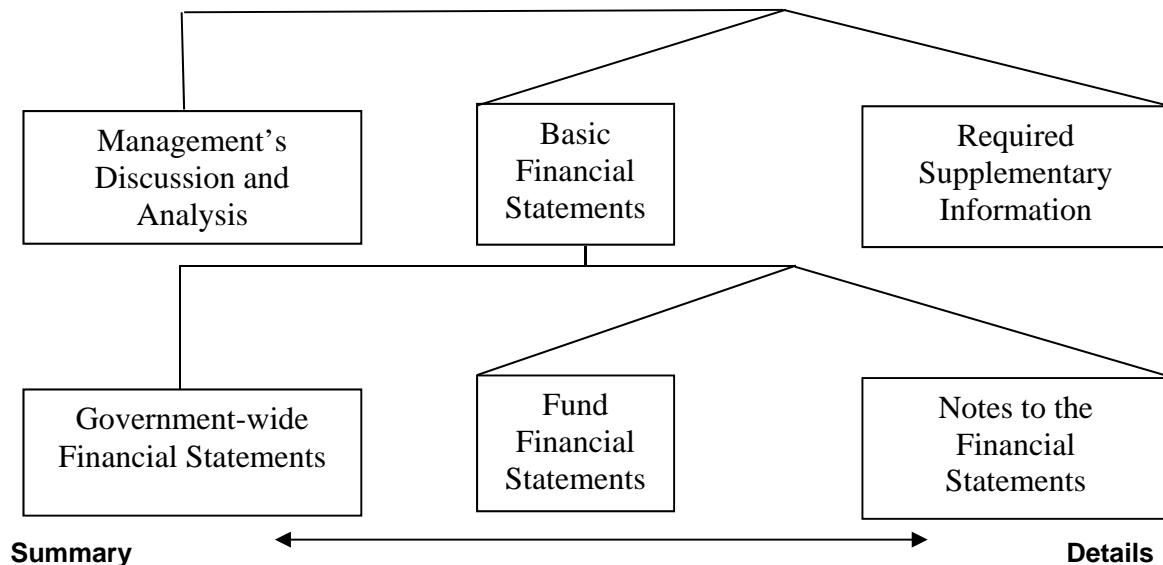
### OVERVIEW OF FINANCIAL STATEMENTS

The Annual Financial Report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are Government-wide Financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The Governmental Funds Statements tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- The Proprietary Funds Statements offer short-term and long-term financial information about the activities the District operates as internal service funds, such as self-insurance.
- The Fiduciary Funds Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Financial Statements also include notes that explain the information provided in the statements and deliver more detailed data. The Statements are followed by a section of required supplementary information that further explains and supports the Financial Statements with a comparison of the District's budget for the fiscal year. Figure A-1 shows how the various parts of this report are arranged and related to one another.

**Figure A-1 Annual Financial Report**



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

JUNE 30, 2017

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section highlights the structure and content of each of the statements.

**Figure A-2 Major Features of the Government-wide and Fund Financial Statements**

	<i>Government-wide Financial Statements</i>	<b>Fund Financial Statements</b>		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as Delivery of student instruction and building maintenance	Activities the District operates similar to private businesses	Instances in which the District administers resources on behalf of someone else, such as student activity funds
<b>Required Financial Statements</b>	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position  Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Assets and Liabilities
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used 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; funds that do not currently contain capital assets, although they can
<b>Type of Inflow/Outflow Information</b>	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 is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-wide Financial Statements**

The Government-wide Financial Statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current fiscal year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

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The two Government-wide Financial Statements report the District's net position and changes in the District's net position. Net position (the difference between the District's assets and liabilities) is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities, must be considered.

In the Government-wide Financial Statements, the District's activities are divided into two categories:

- *Governmental Activities:* Most of the District's basic services are included here, such as student instruction, transportation, maintenance and operations, and administration. Property taxes and State resources finance most of these activities.
- *Component Units:* The District includes four other entities in its report: Marco Island Charter Middle School, Inc., Marco Island Academy, A Public Charter High School, Inc., Gulf Coast Charter Academy South, Inc., and Mason Classical Academy, Inc.

### **Fund Financial Statements**

Fund Financial Statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds rather than the District as a whole. Funds are accounting devices used to track specific sources of funding and spending on particular programs.

- Some funds are required by State law and debt covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts), or to show that it is properly using certain revenues (such as Federal grants).

The District has three kinds of funds:

- *Governmental Funds:* Most of the District's basic services are included in Governmental Funds, which generally focus on 1) how cash and other financial assets can readily be converted to cash flow in and out, and 2) the balances left at fiscal year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed, short-term view that assists the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, separate reconciliations explain the relationships and differences between these statements.
- *Proprietary Funds:* Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the Government-wide Financial Statements. The District uses Internal Service Funds to report activities that provide supplies and services for its other programs and activities. The District has three Internal Service Funds.
- *Fiduciary Funds:* The District is the trustee or fiduciary for assets that belong to others, such as the Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those for whom the assets are contributed. The District excludes these activities from the Government-wide Financial Statements because it cannot use these funds to finance its operations.

### **Notes to the Financial Statements**

The Notes provide additional information that is essential for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

*JUNE 30, 2017*

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Figure A-3**  
**Condensed Statement of Net Position**  
**(in millions of dollars)**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Current and Other Assets	\$ 334.4	\$ 293.5
Capital Assets	961.9	989.0
<b>Total Assets</b>	<b>1,296.3</b>	<b>1,282.5</b>
<b>Deferred Outflows of Resources</b>	<b>109.1</b>	<b>58.3</b>
Long-Term Liabilities	589.9	539.1
Other Liabilities	21.7	18.7
<b>Total Liabilities</b>	<b>611.6</b>	<b>557.8</b>
<b>Deferred Inflows of Resources</b>	<b>8.3</b>	<b>22.2</b>
Net Position:		
Net Investment in Capital Assets	673.8	675.7
Restricted	176.9	140.3
Unrestricted (Deficit)	(65.2)	(55.2)
<b>Total Net Position</b>	<b>\$ 785.5</b>	<b>\$ 760.8</b>

The District's combined net position increase of \$24.7 million, from \$760.8 million at June 30, 2016, to \$785.5 million at June 30, 2017, is primarily attributable to revenues exceeding expenditures for the year ended June 30, 2017.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

JUNE 30, 2017

**Figure A-4**  
**Condensed- Changes in Net Position from Operating Results**  
(in millions of dollars)

	<b>Governmental Activities</b>	
	<b>2016-17</b>	<b>2015-16</b>
Program Revenues:		
Charges for Services	\$ 6.6	\$ 6.9
Operating Grants and Contributions	19.6	19.1
Capital Grants and Contributions	1.9	1.9
General Revenues:		
Property Taxes	417.8	393.8
Grants and Contributions Not Restricted to Specific Programs	140.9	139.0
Other	16.3	16.6
<b>Total Revenues</b>	<b>603.1</b>	<b>577.3</b>
Functions/Program Expenses:		
Instruction	312.9	290.1
Student Support Services	20.7	18.7
Instructional Media Services	6.3	6.0
Instruction and Curriculum Development Services	14.3	13.3
Instructional Staff Training Services	9.3	8.3
Instructional-related technology	1.4	1.4
Board	1.2	1.2
General Administration	2.4	2.4
School Administration	31.7	29.2
Facilities Acquisition and Construction	53.6	47.5
Fiscal Services	2.6	2.5
Food Services	23.0	23.4
Central Services	8.7	8.2
Student Transportation Services	21.5	18.2
Operation of Plant	35.2	33.9
Maintenance of Plant	17.4	16.4
Administrative Technology Services	3.3	2.8
Unallocated Interest on Long-term Debt	12.9	14.9
<b>Total Functions/Program Expenses</b>	<b>578.4</b>	<b>538.4</b>
<b>Change in Net Position</b>	<b>24.7</b>	<b>38.9</b>
Net Position - Beginning of Year	760.8	721.9
<b>Net Position - End of Year</b>	<b>\$ 785.5</b>	<b>\$ 760.8</b>

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

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Property taxable values continued to increase and, although there was a slight decrease in the required local effort millage, collections of local taxes increased. Local taxes for capital purposes increased by \$20.3 million, and local taxes for operating purposes increased by \$3.7 million, for a total increase of local tax collections of approximately \$24.0 million. The taxes reflect the elimination of a voter approved operating millage and the restoration of that millage to local capital taxes. In the prior year, the voter approved operating millage generated approximately \$8.6 million.

Grants and Contributions not Restricted To Specific Program Revenues increased by a net of \$1.9 million from the prior fiscal year. The overall increase is attributable to an additional \$0.6 million in Impact Fees, \$1.0 million in Class Size Reduction funds and \$0.4 million in Public Education Capital Outlay funds. Other miscellaneous grants and awards changes resulted in a net decrease of \$0.1 million.

The increase of \$24.7 million in Net Ending Position on the Governmental Activities Statement is the direct result of revenues exceeding expenditures for the fiscal year 2016-17.

Direct Instructional expenses represent 54.1 percent of total governmental expenses in the 2016-17 fiscal year. The net increase of \$22.8 million in Direct Instructional Expenditures represents an increase of 7.9 percent over the prior year. The net change is primarily attributable to an increase of \$16.8 million in salary and benefit related costs, \$1.5 million increase in contractual charter school expenditures, \$1.3 million increase in instructional supplies, \$2.4 million increase in equipment acquisitions related to technology and \$0.8 million increase in other instructional related costs.

Student Support Services expenses increased \$2.0 million, of which \$1.6 million is attributable to salary and benefit related costs, \$0.3 million is related to contracted nursing and \$0.1 million to contracted psychological services.

Instruction and Curriculum Development Services increased by \$1.0 million and is primarily attributable to increased salary and benefit costs.

Instructional Staff Training Services increased by \$1.0 million of which \$0.7 million is attributable to salary and benefit costs, \$0.1 million in contractual services, and \$0.2 million in supplies and other costs.

School Administration costs increased \$2.5 million and is attributable to salary and benefit costs.

The Facilities Acquisition and Construction costs increased in the net amount of \$6.1 million, primarily from increased maintenance and renovations of facilities.

Student Transportation Services increased by \$3.3 million of which \$3.1 million is attributable to salary and benefit cost and \$0.2 million to fuel costs.

Operation of Plant expenses increased \$1.3 million of which \$0.3 million is attributable to salary and benefit cost and \$1.0 million to expenditures related to State Capital Funds passed through to charter schools.

The Maintenance of Plant costs increased in the amount of \$1 million, attributable to routine maintenance.

The Unallocated Interest on Long-term Debt shows a net decrease in the amount of \$2.0 million, primarily related to decreased debt.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses Fund Accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Major Governmental Funds**

The focus of the District's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

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At the end of the current fiscal year, the District's Major Governmental Funds reported a combined ending fund balance of \$244.7 million. This is an increase of \$33.8 million in comparison with the prior fiscal year's \$210.9 million ending fund balance. The \$33.8 million net increase results from an increase of \$10.2 million in the General Fund, an increase in the Capital Improvement Fund of \$33.2 million and a decrease in Debt Service Fund of \$9.7 million. The increase in the General Fund is due to revenues and other financing sources exceeding expenditures, while the increase in the Capital Improvement Fund is primarily attributable to establishing reserves for future school construction and self-insured retention to provide resources for use in future years. The decrease in the Debt Service Fund is attributable to the fund being classified as nonmajor for the current year. Unassigned fund balance of \$70.4 million represents 28.8 percent of the ending fund balance and is available to meet the District's short-term spending needs. The restricted portion of fund balance, representing restricted revenue sources of \$158.6 million, represents 64.8 percent of the ending fund balance. Assigned for specific use by the District is \$14.1 million, which represents 5.8 percent of the ending fund balance. The nonspendable portion of fund balance is \$1.6 million for inventory and prepaid expenses, which represents 0.6 percent of the ending fund balance.

The financial performance of the District as a whole is reflected in its Governmental Funds, with special emphasis on the General Fund. The General Fund is the chief operating fund of the District. The fund balance in the General Fund increased from \$82.0 million to \$92.2 million. The increase represents Revenues And Other Financing Sources In Excess Of Expenditures by \$10.2 million, which includes an increase of \$1.2 million in unexpended restricted funds that will be carried forward for use in the new year. As a result of this increase the District was able to establish and replenish reserves to provide financial stability. At the end of the current fiscal year, the General Fund unassigned fund balance is \$70.4 million, while the General Fund total fund balance is \$92.2 million.

The Special Revenue Funds – Other Federal Programs have total revenues and expenditures of \$35.0 million each. This funding represents program revenues and expenditures targeted for specified grant purposes. These funds do not accumulate a fund balance because grant revenues are not recognized until expenditures are incurred.

The Capital Projects – Local Capital Improvement Fund, which is used to account for revenues produced by an ad valorem (property) tax levy authorized by the Board to support capital improvements, has a total fund balance of \$152.4 million, compared to \$119.2 million in the preceding fiscal year. The net increase of \$33.2 million is primarily attributable to establishing reserves for future school construction and self-insured retention to provide resources for use in future years.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District uses a school-based and department-based management model in the operations of its individual schools and departments. This means that the school principals and department managers are given the authority to make operational decisions within certain guidelines, and to amend their respective budgets as necessary to effect those decisions. These budgetary decisions are limited to the specific resources allocated to the particular schools or departments. Even though the ultimate budget amendment authority resides with the Board, this delegated authority does cause variations between the original budget and the final budget. Other factors that can also cause variations include differences between projected and actual enrollment, and proration of State Funds. The General Fund ending fund balance increased \$10.2 million, which includes an increase of \$1.2 million in unexpended restricted funds and \$0.6 million in unexpended assigned funds that will be carried forward for use in the new fiscal year. Non-spendable funds are increased by \$0.1 million and unassigned fund balances are increased by \$8.3 million.

Total local revenues increased by \$3.3 million for the fiscal year when compared to the original budget, as District school taxes were approximately \$1.6 million higher than originally forecasted, and other local revenue was \$1.7 million higher. The change in other local revenue is attributable to an increase in interest on investments in the amount of \$0.4 million, an increase in gifts, grants, and bequests of \$0.3 million, an increase in miscellaneous local sources of \$1.0 million, which includes \$0.3 million in refunds from prior year

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

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expenditures, and an increase in various miscellaneous revenues in the net amount of approximately \$0.7 million.

Other financing sources reflect a \$0.4 million decrease over the original budget. This decrease is primarily attributable to a reduction in capital fund transfers in the amount of \$0.4 million.

Appropriations for Instruction reflect an \$8.6 million variance between the final budget and actual expenditures, of which \$1.2 million represent obligations incurred but not delivered or paid, i.e., assigned for outstanding purchase orders. Approximately \$7.4 million was carried forward on behalf of instructional programs, which include restricted State categorical and other earmarked educational program funds, as well as school carry forwards for use in the subsequent fiscal year.

The variance in appropriations between final budget and actual expenditures for Instructional Training Services is \$0.7 million, of which \$0.1 million is obligated but not delivered or paid and the remaining \$0.6 million is carried forward for donations, restricted State categorical and school carry forwards for use in the fiscal year 2017-18.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District's investment in capital assets for its governmental type activities as of June 30, 2017, amounts to \$961.9 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, improvements other than buildings, buildings and fixed equipment, furniture, fixtures, and equipment, motor vehicles, construction in progress, and audio visual materials and computer software.

Additional information on the District's capital assets can be found in *Note 4, Changes in Capital Assets*.

#### **Debt Administration**

At June 30, 2017, the District had a total of \$300.7 million in outstanding long-term debt. This amount was composed of \$0.4 million of Bonds Payable and \$300.3 million of Certificates of Participation Payable.

Retirement of long-term debt included \$0.6 million of Bonds Payable and \$26.9 million of Certificates of Participation Payable.

Additional information on the District's long-term debt can be found in *Note 9, Lease-purchase Agreements Payable, Note 10, Bonds Payable, and Note 11, Changes in Long-Term Liabilities*.

### **OTHER MATTERS OF SIGNIFICANCE**

#### **Factors Bearing on the District's Future**

At the time these financial statements were prepared, the District was aware of six existing circumstances that could significantly affect its financial future:

- Educational funding increases were moderate during the 2017-2018 fiscal year as the State Legislature took a philosophy toward no new taxes.
- Property values in 2017-18 fiscal year show an increase, and State forecasts indicate property values will continue to show growth in future years.
- The District entered into an interlocal loan agreement with the Osceola County District School Board in 2002, whereby Osceola County District School Board agreed to repay the Collier County District approximately \$2.8 million each fiscal year. This loan was paid in full in 2017 and this revenue stream is no longer available to support General Fund operations during the 2017-18 fiscal year. The Collier School District has adjusted its budget accordingly during the 2017-18 fiscal year.
- One additional charter school will open during the 2017-18 fiscal year and more are expected to open in future years. The funding will be passed through to the charter schools.

# **DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

*JUNE 30, 2017*

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- Effective with the fiscal year 2017-2018 recent legislative changes, districts are required to share the Capital Outlay Millage Tax levy with charter schools. The exact dollar impact is not known at this time; however, the District is estimating the impact to be approximately \$4.0 million.
- At the Final Budget Hearing in September 2017, the District will propose a 2017-18 Fiscal Year Budget with an unassigned fund balance of approximately \$3.9 million. However, salary increases for District employees are expected to be greater than the current unassigned amount and may initially cause a funding deficit. If a deficit remains at fiscal year-end, it is expected to be covered from a reserve specifically created to cover budget shortfalls. At the start of fiscal year 2017-18, the District had a balance in the Reserve for Budget Shortfall of approximately \$47.1 million, up from the \$40.8 million available at the start of the prior year. This reserve was created by the District to provide stability during periods of uncertain funding.

### **REQUESTS FOR INFORMATION**

The annual financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director of Financial Services, The District School Board of Collier County, 5775 Osceola Trail, Naples, Florida, 34109-0919.

## **BASIC FINANCIAL STATEMENTS**



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**STATEMENT OF NET POSITION**

JUNE 30, 2017

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 323,029,107	\$ 3,944,770
Investments	3,563,890	-
Accounts receivable, net	546,405	313,116
Due from other agencies	4,371,710	54,010
Inventory	2,504,545	-
Prepaid items and other assets	415,573	377,906
Capital assets:		
Nondepreciable capital assets	130,890,575	1,831,646
Depreciable capital assets, net	830,985,071	6,089,035
<b>Total Assets</b>	<b>1,296,306,876</b>	<b>12,610,483</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding of debt	12,665,493	-
Pension	96,411,649	1,568,381
<b>Total Deferred Outflows of Resources</b>	<b>109,077,142</b>	<b>1,568,381</b>
<b>LIABILITIES</b>		
Salaries, benefits, and payroll taxes payable	2,327,311	38,548
Payroll deductions and withholdings	1,522,171	-
Accounts payable	4,136,244	635,639
Construction contracts payable	6,080,905	-
Construction contracts payable - retainage percentage	1,292,915	-
Accrued interest	4,229,591	-
Deposits payable	1,000	-
Due to other agencies	1,667,850	20,812
Unearned revenue	471,338	-
Other current liabilities	-	8,778
Noncurrent liabilities:		
Portion due within one year:		
Notes payable	-	197,924
Bonds payable	324,329	-
Liability for compensated absences	16,131,538	-
Lease-purchase agreements payable	34,055,754	-
Estimated liability for unpaid claims	6,585,000	-
Net pension liability	2,902,734	-
Portion due after one year:		
Notes payable	-	5,095,524
Bonds Payable	134,767	-
Obligations under capital leases	-	170,272
Liability for compensated absences	16,906,669	-
Lease-purchase agreements payable	266,226,662	-
Estimated liability for unpaid claims	889,000	-
Other postemployment benefits obligation	778,144	-
Net pension liability	244,875,899	2,618,400
<b>Total Liabilities</b>	<b>611,539,821</b>	<b>8,785,897</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	8,345,948	403,668
<b>Total Deferred Inflows of Resources</b>	<b>8,345,948</b>	<b>403,668</b>
<b>NET POSITION</b>		
Net investment in capital assets	673,799,627	4,436,238
Restricted for:		
Categorical carryover programs	6,156,941	-
Food service	11,920,338	-
Debt service	5,064,150	-
Capital projects	153,772,602	55,214
Other purposes	-	79,258
Unrestricted (Deficit)	(65,215,409)	418,589
<b>Total Net Position</b>	<b>\$ 785,498,249</b>	<b>\$ 4,989,299</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units
					Governmental Activities	
<b>Primary government:</b>						
Governmental activities:						
Instruction	\$ 312,862,249	\$ 2,120,281	\$ -	\$ -	\$ (310,741,968)	\$ -
Student support services	20,712,963	-	-	-	(20,712,963)	-
Instructional media services	6,292,791	-	-	-	(6,292,791)	-
Instruction and curriculum development services	14,335,254	-	-	-	(14,335,254)	-
Instructional staff training services	9,292,340	-	-	-	(9,292,340)	-
Instructional related technology	1,413,584	-	-	-	(1,413,584)	-
Board	1,158,739	-	-	-	(1,158,739)	-
General administration	2,408,446	-	-	-	(2,408,446)	-
School administration	31,732,235	-	-	-	(31,732,235)	-
Facilities acquisition and construction	53,627,089	-	-	1,288,741	(52,338,348)	-
Fiscal services	2,586,769	-	-	-	(2,586,769)	-
Food services	23,001,536	4,514,005	19,612,940	-	1,125,409	-
Central services	8,756,104	-	-	-	(8,756,104)	-
Student transportation services	21,489,166	-	-	-	(21,489,166)	-
Operation of plant	35,191,692	-	-	-	(35,191,692)	-
Maintenance of plant	17,364,686	-	-	-	(17,364,686)	-
Administrative technology services	3,313,479	-	-	-	(3,313,479)	-
Interest on long-term debt	12,931,126	-	-	639,438	(12,291,688)	-
Total governmental activities	<u>578,470,248</u>	<u>6,634,286</u>	<u>19,612,940</u>	<u>1,928,179</u>	<u>(550,294,843)</u>	<u>-</u>
Total primary government	<u>\$ 578,470,248</u>	<u>\$ 6,634,286</u>	<u>\$ 19,612,940</u>	<u>\$ 1,928,179</u>	<u>(550,294,843)</u>	<u>-</u>
<b>Component units:</b>						
Component units	\$ 17,509,488	\$ 192,731	\$ 175,353	\$ 33,894		(17,107,510)
Total component units	<u>\$ 17,509,488</u>	<u>\$ 192,731</u>	<u>\$ 175,353</u>	<u>\$ 33,894</u>		<u>(17,107,510)</u>
General revenues:						
Property taxes, levied for operational purposes					298,320,317	-
Property taxes, levied for capital projects					119,452,273	-
Grants and contributions not restricted to specific programs					140,917,475	17,932,180
Investment earnings					2,482,143	-
Miscellaneous					13,784,399	1,772
Total general revenues					<u>574,956,607</u>	<u>17,933,952</u>
Change in net position					24,661,764	826,442
Net position - beginning of year					760,836,485	4,162,857
Net position - end of year					<u>\$ 785,498,249</u>	<u>\$ 4,989,299</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**BALANCE SHEET –  
GOVERNMENTAL FUNDS**

JUNE 30, 2017

	General Fund	Capital Projects - Local Capital Improvement Fund	Other Federal Programs	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 95,530,832	\$ 160,730,860	\$ 136,746	\$ 19,079,349	\$ 275,477,787
Investments	-	-	-	3,563,890	3,563,890
Accounts receivable, net	244,552	38,217	-	1,868	284,637
Due from budgetary funds	1,817,469	-	-	-	1,817,469
Due from other agencies	216,280	12,973	2,601,454	1,541,003	4,371,710
Inventory	1,174,910	-	-	1,329,635	2,504,545
Prepaid items	415,573	-	-	-	415,573
<b>Total Assets</b>	<b>\$ 99,399,616</b>	<b>\$ 160,782,050</b>	<b>\$ 2,738,200</b>	<b>\$ 25,515,745</b>	<b>\$ 288,435,611</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Salaries, benefits and payroll taxes payable	\$ 1,846,171	\$ 43,566	\$ 373,774	\$ 50,273	\$ 2,313,784
Payroll deductions and withholdings	1,314,947	22,499	148,285	29,062	1,514,793
Accounts payable	2,443,397	941,118	154,041	169,870	3,708,426
Construction contracts payable	-	6,080,905	-	-	6,080,905
Construction contracts payable - retained percentage	-	1,259,905	-	33,010	1,292,915
Deposits payable	1,000	-	-	-	1,000
Due to other agencies	1,426,520	21,380	165,415	42,065	1,655,380
Due to budgetary funds	-	-	1,770,485	46,984	1,817,469
Unearned revenue	119,148	-	126,200	225,990	471,338
<b>Total Liabilities</b>	<b>7,151,183</b>	<b>8,369,373</b>	<b>2,738,200</b>	<b>597,254</b>	<b>18,856,010</b>
Fund Balances:					
Nonspendable:					
Inventory	1,174,910	-	-	1,329,635	2,504,545
Prepaid amounts	415,573	-	-	-	415,573
Restricted for:					
State required carryover programs	6,156,941	-	-	-	6,156,941
Debt service	-	-	-	9,293,741	9,293,741
Capital projects	-	152,412,677	-	1,359,925	153,772,602
Food service	-	-	-	10,590,703	10,590,703
Assigned to:					
General fund	14,113,159	-	-	-	14,113,159
Capital projects	-	-	-	2,344,487	2,344,487
Unassigned	70,387,850	-	-	-	70,387,850
<b>Total Fund Balances</b>	<b>92,248,433</b>	<b>152,412,677</b>	<b>-</b>	<b>24,918,491</b>	<b>269,579,601</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 99,399,616</b>	<b>\$ 160,782,050</b>	<b>\$ 2,738,200</b>	<b>\$ 25,515,745</b>	<b>\$ 288,435,611</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**

JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds	\$	269,579,601
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		961,875,646
Internal service funds are used by management to charge the cost of certain activities such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		39,877,895
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(4,229,591)
The difference between the acquisition price and the net carrying amount of refunded debt is reported as a deferred outflow of resources in the government-wide statements, but is not reported in the governmental funds.		12,665,493
The deferred outflows and inflows related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to pension	\$ 96,411,649	
Deferred inflows related to pension	(8,345,948)	88,065,701
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of:		
Certificates of participation payable	(300,282,416)	
Bonds payable	(459,096)	
Compensated absences payable	(33,038,207)	
Other post-employment benefits obligation	(778,144)	
Net pension liability	(247,778,633)	(582,336,496)
Total net position of governmental activities		\$ 785,498,249

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects - Local Capital Improvement Fund	Other Federal Programs	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Federal direct	\$ 495,342	\$ -	\$ 4,093,508	\$ -	\$ 4,588,850
Federal through state	1,482,117	-	29,810,001	19,336,227	50,628,345
State sources	90,988,823	-	65,425	3,914,242	94,968,490
Local sources	310,793,094	120,475,327	1,063,873	19,904,376	452,236,670
Total Revenues	<u>403,759,376</u>	<u>120,475,327</u>	<u>35,032,807</u>	<u>43,154,845</u>	<u>602,422,355</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Instruction	264,549,293	-	18,922,853	-	283,472,146
Student support services	17,471,815	-	2,566,856	-	20,038,671
Instructional media services	6,021,682	-	6,494	-	6,028,176
Instruction and curriculum development services	7,419,784	-	6,279,774	-	13,699,558
Instructional staff training services	3,745,670	-	5,222,675	-	8,968,345
Instruction related technology	1,354,879	-	-	-	1,354,879
Board	1,097,930	-	-	-	1,097,930
General administration	1,115,985	-	1,236,600	-	2,352,585
School administration	30,268,603	-	96,788	-	30,365,391
Facilities acquisition and construction	35,584	29,680,055	-	1,107,914	30,823,553
Fiscal services	2,461,482	-	-	-	2,461,482
Food services	-	-	-	21,656,569	21,656,569
Central services	8,152,808	-	166,250	-	8,319,058
Student transportation services	19,929,231	-	235,646	-	20,164,877
Operation of plant	35,070,912	-	24,729	-	35,095,641
Maintenance of plant	16,768,235	-	12,187	-	16,780,422
Administrative technology services	3,219,584	-	-	-	3,219,584
<b>Capital outlay:</b>					
Facilities acquisition and construction	7,504	8,682,329	-	-	8,689,833
Other capital outlay	3,285,486	-	261,955	745,152	4,292,593
<b>Debt service:</b>					
Principal	-	-	-	25,847,000	25,847,000
Interest	-	-	-	12,680,057	12,680,057
Total Expenditures	<u>421,976,467</u>	<u>38,362,384</u>	<u>35,032,807</u>	<u>62,036,692</u>	<u>557,408,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,217,091)</u>	<u>82,112,943</u>	<u>-</u>	<u>(18,881,847)</u>	<u>45,014,005</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from the sale of capital assets	11,070	193,655	-	9,820	214,545
Loss recoveries	2,197	-	-	-	2,197
Transfers in	28,427,006	-	-	37,236,065	65,663,071
Transfers out	-	(49,060,847)	-	(16,602,224)	(65,663,071)
Total Other Financing Sources (Uses)	<u>28,440,273</u>	<u>(48,867,192)</u>	<u>-</u>	<u>20,643,661</u>	<u>216,742</u>
Net change in fund balances	10,223,182	33,245,751	-	1,761,814	45,230,747
Fund balance - beginning	82,025,251	119,166,926	-	23,156,677	224,348,854
Fund balance - ending	<u>\$ 92,248,433</u>	<u>\$ 152,412,677</u>	<u>\$ -</u>	<u>\$ 24,918,491</u>	<u>\$ 269,579,601</u>

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

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	45,230,747
<p>Note receivable amount presented as a deferred inflow in the prior year was received through payment in full during the current year.</p>		
		(2,705,896)
<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 of depreciation expense in excess of capital outlays in the current period:</p>		
Capital outlays net of amounts not capitalized	\$	16,161,912
Depreciation expense		(43,163,391)
		(27,001,479)
<p>The gain or loss on disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.</p>		
		(105,656)
<p>Premiums and refunding costs are reported in governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.</p>		
		(687,751)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of certificates of participation and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds in the current period.</p>		
		25,847,000
<p>Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued in the government-wide statements.</p>		
		436,681
<p>In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current year.</p>		
		(906,800)
<p>Pensions and other post-employment benefit costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net change in these liabilities in the current fiscal year.</p>		
		(10,833,840)
<p>Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>		
		(4,611,242)
Change in net position of governmental activities	\$	<u>24,661,764</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

*JUNE 30, 2017*

	<b>Governmental Activities Internal Service Funds</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 47,551,320
Accounts receivable, net	261,768
<b>Total Assets</b>	<b>\$ 47,813,088</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Salaries, benefits, and payroll taxes payable	\$ 13,527
Payroll deductions and withholding	7,378
Accounts payable	427,818
Due to other agencies	12,470
Estimated unpaid claims - self-insurance program	6,585,000
Total Current Liabilities	7,046,193
Noncurrent Liabilities:	
Estimated liability for long-term claims	889,000
<b>Total Liabilities</b>	<b>\$ 7,935,193</b>
<b>NET POSITION</b>	
Unrestricted	\$ 39,877,895
<b>Total Net Position</b>	<b>\$ 39,877,895</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

*YEAR ENDED JUNE 30, 2017*

	<b>Governmental Activities Internal Service Funds</b>
Operating Revenues:	
Charges for services	\$ 46,114,350
Other operating revenues	1,438
Total Operating Revenues	<u>46,115,788</u>
Operating Expenses:	
Salaries	533,152
Employee benefits	125,122
Purchased services	5,764,525
Materials and supplies	1,065
Other expenses	44,641,778
Total Operating Expenses	<u>51,065,642</u>
Operating Loss	<u>(4,949,854)</u>
Nonoperating revenues:	
Investment income	<u>338,612</u>
Change in net position	(4,611,242)
Total net position - beginning of year	<u>44,489,137</u>
Total net position - end of year	<u><u>\$ 39,877,895</u></u>





**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –**  
**FIDUCIARY FUNDS**

*JUNE 30, 2017*

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,948,384
<b>Total Assets</b>	<u>\$ 4,948,384</u>
<b>LIABILITIES</b>	
Internal accounts payable	\$ 4,948,384
<b>Total Liabilities</b>	<u>\$ 4,948,384</u>

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies

*Description of Government-wide Financial Statements* – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

*Blended Component Unit* – The Collier County School Board Foundation, Inc. (“Foundation”) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in *Note 9, Lease-purchase agreements payable*. Due to the substantive economic relationship between the District and the Foundation, the financial activities of the Foundation are included in the accompanying basic financial statements. Separate financial statements for the Foundation are not published.

*Discretely Presented Component Units* – The component units’ column in the government-wide financial statements includes the financial data of the District’s other component units.

The following 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 Collier County District School Board. The charter schools are considered to be component units of the District. Because of the financial relationship to the District and oversight responsibility of the District, it was determined they met the misleading to exclude criteria.

- Marco Island Charter Middle School, Inc.
- Marco Island Academy, A Public Charter High School, Inc.
- Gulf Coast Charter Academy South, Inc.
- Mason Classical Academy, Inc.

The financial data reported on the accompanying statements was derived from the charter schools’ audited financial statements for the fiscal year ended June 30, 2017. The audit reports are filed in the District’s administrative offices at 5775 Osceola Trail, Naples, Florida, 34109-0919.

The Redlands Christian Migrant Association Immokalee Community School (“School”) is considered a program of the Redlands Christian Migrant Association, Inc. The School is not a component unit of the District and is not reported in the District’s financial statements for the 2016-2017 fiscal year.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies (continued)

*Basis of Presentation - 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. These statements include the nonfiduciary financial activity of the District and its component units.

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 expense is allocated to functions based upon the specific programs or activities with which the capital assets are associated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements, except for interfund services provided and used.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.
- Special Revenue – Other Federal Programs – to account for program revenues and expenditures for federal awards that are not federal economic stimulus programs administered through FDOE.

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

- Internal Service Funds – to account for the District's individual self-insurance programs and employee benefits plan.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies (continued)

*Basis of Accounting* – The 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 funds and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

The proprietary fund statements are prepared under the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement basis focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

#### *Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance*

- *Cash and Cash Equivalents* – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration ("SBA") in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, as well as amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a qualifying external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at amortized cost.

Cash deposits are held by banks qualified as public depositories under Florida law or through the Federally Insured Cash Account program, which complies with the provisions of Section 218.415(23), Florida Statutes, and is therefore exempt from Florida's public deposits program pursuant to Section 280.03(3)(f), Florida Statutes. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

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**Note 1—Summary of significant accounting policies (continued)**

- *Investments* – Investments made locally consist of a repurchase agreement and money market debt service funds, which have maturities of less than one year and are reported at amortized cost. Types and amounts of investments held at fiscal year-end are described in a subsequent note.
- *Inventory and Prepaid Items* – Inventory consists of expendable supplies held for consumption in the course of District operations. Inventory is stated at cost on a moving weighted-average basis for the maintenance, transportation, and food service inventories, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution, and that textbooks inventory is stated at last invoice price. The cost of inventory is recorded as an expenditure when used rather than purchased for all inventory except donated foods. The inventory and prepaid items at fiscal year-end are reported as nonspendable fund balance.

Prepaid items are reported in the governmental funds under the purchases method.

- *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 material 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 Useful Lives</u>
Improvements other than buildings	20 years
Buildings and fixed equipment	40 years
Furniture, fixtures, and equipment	5 - 20 years
Motor vehicles	5 - 10 years
Audio visual materials and computer software	5 years

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

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

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

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies (continued)

- *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. Bond and certificates of participation (“COPs”) premiums and discounts are deferred and amortized over the life of the debt using the interest method. Bonds and COPs liabilities are reported net of the applicable bond premium or discount. Certain costs resulting from debt refundings are reported as deferred outflow of resources.

In the governmental fund financial statements, bonds, COPs, and other long-term obligations are not recognized as liabilities until due. Changes in long-term liabilities for the current year are reported in a subsequent note.

- *Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is the *deferred loss on refunding of debt* reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred amount on pension reported in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five years. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, which is the deferred amount on pension reported only in the government-wide statement of net position.

- *Net Position Flow Assumption* – The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.
- *Fund Balance Flow Assumptions* – The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies (continued)

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2017.

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

In addition, the District has adopted Board Policy 6210 which provides that the Board shall strive to maintain strategic and contingency reserves in its operating funds totaling five percent of the current year's annual estimated General Fund revenues. The five percent is divided into two parts. The first part is a strategic reserve in the amount of four percent which may only be used by a super majority vote of the Board. The second is a contingency reserve in the amount of one percent to be reserved for contingency purposes. The Superintendent has authority to utilize the contingency reserve and must report such use to the Board at a subsequent Board meeting. The Board is currently maintaining at least a combined balance of five percent within these two reserves.

### *Revenues and Expenditures/Expenses*

- *Program Revenues* – Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.
- *State Revenue Sources* – Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education ("FDOE") under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent ("FTE") students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.



# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies (continued)

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

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

- *District Property Taxes* – The Board is authorized by State law to levy property taxes for District school operations, capital improvements, and debt service.

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

The Board adopted the 2016 tax levy on September 13, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to four percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Collier County Tax Collector at fiscal year-end but not yet remitted to the District.

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

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 1—Summary of significant accounting policies (continued)

- *Educational Impact Fees* – Collier County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1992. This ordinance was most recently amended in November 2015, when the Board of County Commissioners adopted updated educational impact fees. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.
- *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.
- *Compensated Absences* – In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.
- *Proprietary Funds Operating and Nonoperating Revenues and Expenses* – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and reinsurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Note 2—Budgetary compliance and accountability

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

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

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 3—Deposited investments**

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

*Investments* – As of June 30, 2017, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Value</u>
State Board of Administration:		
Florida PRIME (1)	39 Day Average	\$ 25,634,525
Debt Service Accounts (1)	6 Months	8,923
Master Repurchase Agreement with Bank of America (2)	18-Nov-21	3,563,890
Total Investments, Reporting Entity		<u>\$ 29,207,338</u>

Notes:

- (1) Investments are reported as cash equivalents for financial statement reporting purposes.
- (2) Investment is held under a paying agent agreement in connection with the Qualified Zone US Bank in United States Treasury Inflation Protected Securities for \$3,563,890. See *Note 9, Lease-purchase agreements payable*.

All investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. As of June 30, 2017, the District has no unfunded commitments to invest in any investment pool, and there were no redemption fees, maximum transaction fees, or any other requirements that serve to limit access to 100 percent of the account value.

- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investment policy limits investments of current short-term funds to a maximum of 12 months. Investments of bond reserves, construction moneys, and other core funds shall have a term appropriate to the need for moneys, and in accordance with debt covenants, but in no event shall exceed three years.

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

- *Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(16), Florida Statutes, limits investments to the SBA’s Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (“SEC”) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; Federal agencies and instrumentalities; rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel; securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; and other investments authorized by law or by resolution for a school district or a special district.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 3—Deposited investments (continued)

The District's investment policy limits investments to Florida PRIME; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and local government series; obligations of United States Government agencies and instrumentalities; SEC registered money market funds with the highest rating and in compliance with Title 17, Section 270.2a-7, Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit in State qualified public depositories; and other investments permitted by State statute and not prohibited by this policy.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

As of June 30, 2017, the District's investment in Florida Prime is rated AAAM by Standard & Poor's.

The District's investment in a master repurchase agreement with Bank of America is authorized under a forward delivery agreement with the QZABs paying agent. The forward delivery agreement authorizes the investment of available sinking fund amounts in certain eligible securities, including, without limitation, direct obligations of the Department of the Treasury of the United States of America, and obligations of the following Federal agencies and instrumentalities, which obligations represent the full faith and credit of the United States of America: Farmers Home Administration, General Services Administration, Small Business Administration, Government National Mortgage Association, United States Department of Housing and Urban Development, and Federal Housing Administration.

- *Custodial Credit Risk* – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the 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 requires that securities, with the exception of certificates of deposit, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District be properly designated as an asset of the District. A third-party custodian is defined as any bank 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 of Florida. Certificates of deposit shall be placed in the provider's safekeeping department for the term of the deposit.

- *Concentration of Credit Risk* – The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. More than five percent of the District's investments consist of a repurchase agreement associated with its QZABs. These investments are 12.2 percent of the District's total investments and 100 percent of the investments reported in the nonmajor funds on the governmental funds balance sheet.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 4 – Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 87,916,321	\$ 2,845,542	\$ -	\$ 90,761,863
Land Improvements - Nondepreciable	33,922,905	-	-	33,922,905
Construction in Progress	424,494	6,201,243	419,930	6,205,807
<b>Total Capital Assets Not Being Depreciated</b>	<b>122,263,720</b>	<b>9,046,785</b>	<b>419,930</b>	<b>130,890,575</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	41,502,728	573,921	-	42,076,649
Buildings and Fixed Equipment	1,272,082,368	888,605	126,725	1,272,844,248
Furniture, Fixtures, and Equipment	81,755,430	4,310,265	3,672,801	82,392,894
Motor Vehicles	37,448,927	1,696,023	2,209,006	36,935,944
Audio Visual Materials	42,968	-	1,636	41,332
Computer Software	9,269,905	66,243	475,132	8,861,016
<b>Total Capital Assets Being Depreciated</b>	<b>1,442,102,326</b>	<b>7,535,057</b>	<b>6,485,300</b>	<b>1,443,152,083</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	17,989,833	2,092,851	-	20,082,684
Buildings and Fixed Equipment	460,219,649	31,858,529	126,725	491,951,453
Furniture, Fixtures, and Equipment	63,871,698	7,003,303	3,567,145	67,307,856
Motor Vehicles	24,463,725	2,011,855	2,209,006	24,266,574
Audio Visual Materials	42,968	-	1,636	41,332
Computer Software	8,795,392	196,853	475,132	8,517,113
<b>Total Accumulated Depreciation</b>	<b>575,383,265</b>	<b>43,163,391</b>	<b>6,379,644</b>	<b>612,167,012</b>
<b>Total Cash Assets Being Depreciated, Net</b>	<b>866,719,061</b>	<b>(35,628,334)</b>	<b>105,656</b>	<b>830,985,071</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 988,982,781</b>	<b>\$ (26,581,549)</b>	<b>\$ 525,586</b>	<b>\$ 961,875,646</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 4—Changes in capital assets (continued)**

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental Activities:	
Instruction	\$ 18,699,848
Student Support Services	30,554
Instructional Media Services	1,801
Instruction and Curriculum Development Services	145,231
Instructional Staff Training Services	53,156
Board	26,646
General Administration	32,877
School Administration	55,431
Facilities Acquisition and Construction	22,946,529
Fiscal Services	24,746
Food Services	750,285
Central Services	172,776
Student Transportation Services	142,603
Operation of Plant	9,818
Maintenance of Plant	71,090
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 43,163,391</u>

**Note 5—Retirement plans**

*Florida Retirement System – Defined Benefit Pension Plans*

- *General Information about the FRS* – The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (“HIS”) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site.

The District's pension expense totaled \$30,395,124 for the fiscal year ended June 30, 2017.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 5—Retirement plans (continued)

- **FRS Pension Plan**

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class* – Members in senior management level positions.

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

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

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

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	3.00
<b>Senior Management Service Class</b>	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
FRS, Senior Management Service	3.00	21.77
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$15,097,906 for the fiscal year ended June 30, 2017.



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the District reported a liability of \$147,092,898 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.582544320 percent, which was a decrease of .047060764 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$22,030,687. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ 11,262,564	\$ (1,369,534)
Effects of assumptions changes or inputs	8,898,680	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,167,540	(5,917,859)
Net difference between projected and actual investment earnings	38,021,721	-
District FRS contributions subsequent to the measurement date	15,097,906	-
<b>Total</b>	<b>\$ 75,448,411</b>	<b>\$ (7,287,393)</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

The deferred outflows of resources related to pensions, totaling \$15,097,906, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 7,371,319
2019	7,371,319
2020	22,194,546
2021	14,586,566
2022	1,221,538
Thereafter	<u>317,824</u>
	<u>\$ 53,063,112</u>

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	<u>12%</u>	6.1%	5.6%	11.1%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability of the pension plan, calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.60 percent) or 1 percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District’s proportionate share of the net pension liability/(asset)	\$ 270,807,984	\$ 147,092,898	\$ 44,116,428

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

Payables to the Pension Plan. At June 30, 2017, the District reported a payable of \$1,275,806 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

- **HIS Pension Plan**

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District’s contributions to the HIS Plan totaled \$4,523,454 for the fiscal year ended June 30, 2017.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At June 30, 2017, the District reported a net pension liability of \$100,685,735 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.863915180 percent, which was a decrease of 0.007547244 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of \$8,364,437. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ -	\$ (229,325)
Effect of assumptions charges or inputs	15,800,152	-
Changes in proportion and differences between contributions and proportionate share of contributions	588,723	(829,230)
Net difference between projected and actual investment earnings	50,909	-
District HIS contributions subsequent to the measurement date	4,523,454	-
<b>Total</b>	<u>\$ 20,963,238</u>	<u>\$ (1,058,555)</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

The deferred outflows of resources, totaling \$4,523,454, resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 2,796,956
2019	2,796,956
2020	2,787,262
2021	2,782,609
2022	2,295,190
Thereafter	<u>1,922,256</u>
	<u>\$ 15,381,229</u>

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.85 percent

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 5—Retirement plans (continued)**

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the District's proportionate share of the net pension liability of the HIS plan, calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	<b>1%</b> <b>Decrease</b> <b>(1.85%)</b>	<b>Current</b> <b>Discount Rate</b> <b>(2.85%)</b>	<b>1%</b> <b>Increase</b> <b>(3.85%)</b>
District's proportionate share of the net pension liability	\$ 115,509,414	\$ 100,685,735	\$ 88,382,892

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

Payables to the Pension Plan. At June 30, 2017, the District reported a payable of \$287,955 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2017.

• **FRS – Defined Contribution Pension Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan ("Investment Plan"). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-2017 fiscal year were as follows:

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

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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### Note 5—Retirement plans (continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$3,513,199 for the fiscal year ended June 30, 2017.

Payables to the Investment Plan. At June 30, 2017, the District reported a payable of \$343,773 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

### Note 6—Other postemployment benefit obligations

*Plan Description* – The Other Postemployment Benefits Plan (“OPEB Plan”) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug benefits and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

*Funding Policy* – Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year 101 retirees received other postemployment benefits, and 121 retirees received postemployment life insurance benefits. The District provided required contributions of \$333,910 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expense (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$1,010,015, which represents 0.40 percent of covered payroll.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 6—Other postemployment benefit obligations (continued)**

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 204,792
Amortization of Unfunded Actuarial Accrued Liability	193,306
Interest on Normal Cost and Amortization	<u>7,093</u>
Annual Required Contribution	405,191
Interest on Net OPEB Obligation	28,723
Adjustment to Annual Required Contribution	<u>(39,929)</u>
Annual OPEB Cost (Expense)	393,985
Contribution Toward the OPEB Cost	<u>(333,910)</u>
Increase in Net OPEB Obligation	60,075
Net OPEB Obligation, Beginning of Year	<u>718,069</u>
Net OPEB Obligation, End of Year	<u><u>\$ 778,144</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of the fiscal year ended June 30, 2017, and the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 363,704	62.2%	\$ 624,385
2015-16	\$ 362,285	74.1%	\$ 718,069
2016-17	\$ 393,985	84.8%	\$ 778,144



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

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**Note 6—Other postemployment benefit obligations (continued)**

*Funded Status and Funding Progress* – As of July 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$3,476,365, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,476,365 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$250,592,794, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.4 percent.

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

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

The District used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2017, as well as the District's 2016-17 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 6 percent initially for the 2016-17 fiscal year, reduced to an ultimate rate of 5 percent after 5 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 7—Construction and other significant commitments**

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

The following is a schedule of encumbrances at June 30, 2017:

<u>Major Funds</u>			
<u>General Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,805,513	\$ 32,565,264	\$ 674,988	\$ 35,045,765

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

**Construction Contracts  
June 30, 2017**

<u>PROJECT</u>	<u>CONTRACT AMOUNT</u>	<u>COMPLETED TO DATE</u>	<u>BALANCE COMMITTED</u>
<b>POTENTIAL ELEMENTARY SCHOOL SITE</b>			
FEASIBILITY STUDY			
ENGINEER-DAVIDSON ENGINEERING	\$ 11,420	\$ 4,564	\$ 6,856
<b>GULF COAST HIGH SCHOOL</b>			
RENOVATE TERMINAL A/C AND UPGRADE CONTROL SYSTEM			
CONTRACTOR-OWEN-AMES-KIMBALL COMPANY	2,863,353	1,440,502	1,422,851
DIRECT MATERIALS	294,000	200,584	93,416
DIRECT MATERIALS	138,505	118,355	20,150
<b>GOLDEN GATE MIDDLE</b>			
REPLACE AHU'S AND ELECTRICAL SWITCH GEAR AND RENOVATE			
CONTRACTOR - OWEN-AMES-KIMBALL COMPANY	3,906,281	1,777,228	2,129,053
<b>EVERGLADES CITY SCHOOL</b>			
COVERED PE PAVILION AND DRAINAGE IMPROVEMENTS			
ARCHITECT - R.G.ARCHITECTS	29,000	23,185	5,815
<b>DR. MLK JR. ADMINSTRATIVE CENTER</b>			
REPLACE CHILLER PLANT AND CONSTRUCT THERMAL STORAGE			
CONTRACTOR - GATES BUTZ	3,653,410	2,288,563	1,364,847
DIRECT MATERIALS	32,150	20,150	12,000
DIRECT MATERIALS	29,394	28,648	746
DIRECT MATERIALS	305,000	301,757	3,243
<b>ELEMENTARY L LAND IMPROVEMENTS</b>			
Q. GRADY MINOR - ENGINEER	51,700	2,270	49,430
<b>TOTAL</b>	<b>\$ 11,314,213</b>	<b>\$ 6,205,806</b>	<b>\$ 5,108,407</b>

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

### Note 8—Risk management programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board is a member of the Preferred Governmental Insurance Trust (“Trust”) under which local governmental entities have established a combined limited self-insurance program for property and automobile protection by the participating members of the Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Board of Trustees for the Trust is comprised of elected or appointed officials from the participating members. The Trust is administered by Public Risk Underwriters.

The District has contracted with a third-party administrator (“TPA”) to manage the health and hospitalization self-insurance program, including the processing, investigating, and payment of claims. The TPA notifies the District of the scheduled claims disbursements, and the District transfers the required funds into the District’s Health Care Claims Account. The TPA then draws on this account to pay claims submitted by District employees, their dependents, and participating retirees. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years. A liability for unpaid healthcare claims in the amount of \$5,157,000 was actuarially determined at June 30, 2017.

The District provides a medical and dependent care flexible benefits plan that allows employees to utilize pre-tax dollars, thus reducing their taxable income and taxes. The District has contracted with a TPA to manage this plan. The TPA notifies the district of scheduled claims disbursements, and the District transfers the required funds into the District’s Flexible Benefits Account. The TPA then draws on this account to pay claims submitted by District employees. The District has limited liability for this plan as it is funded by employee payroll deductions. Settled claims have not exceeded the resources within the fund for the past three years.

The District also contracts with a TPA to manage its workers’ compensation self-insurance program that includes provisions for specific excess loss reinsurance. The TPA handles the processing, investigating, and payment of claims. The District’s program is reviewed annually by an actuary to determine the long-term exposure for workers’ compensation claims. The trend over the last few years has been stable and claims exposure and related long-term liabilities have remained relatively constant. The liability for workers’ compensation at June 30, 2017 of \$2,317,000 was discounted to net present value using an annual rate of 2.5 percent.

A liability in the amount of \$7,474,000 was actuarially determined to cover estimated incurred, but not reported, insurance claim payable for the health and hospitalization and workers’ compensation self-insurance programs at June 30, 2017.

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

	Beginning of Fiscal-Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2015-16	\$ 7,664,000	\$ 39,275,017	\$ (39,168,017)	\$ 7,771,000
2016-17	7,771,000	44,368,497	(44,665,497)	7,474,000

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 8—Risk management programs (continued)**

Other required insurance coverage such as general liability, automobile, and student accident is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

**Note 9—Lease-purchase agreements payable**

The District entered into a master financing arrangement on August 1, 1992, which arrangement was characterized as a lease-purchase agreement, with the Foundation, whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation (“COPS”), to be repaid from the proceeds of rents paid by the District.

COPs at June 30, 2017 are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 2005A, Refunding	\$ 90,805,000	5.25	2022	\$ 106,345,000
Series 2005-QZAB	4,192,000	None	2021	4,192,000
Series 2010, COPS Refunding	7,625,000	2.74	2022	27,675,000
Series 2014A, COPS Refunding	160,545,000	3.05	2026	164,765,000
Series 2015, COPS Refunding	<u>31,255,000</u>	5.00	2020	36,225,000
Subtotal	294,422,000			
Plus: Unamortized Premiums	<u>5,860,416</u>			
Total Certificates of Participation	<u>\$ 300,282,416</u>			

As a condition of the financing arrangement, for each project against which the trustee has rights, the District has granted a ground lease on District property to the Foundation, with a rental fee of \$10 per year. The properties covered by each ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The master lease purchase agreement, together with the lease schedule related to each project, is renewable for successive one-year terms through the final maturity of the applicable series of certificates. If the District fails to renew any lease and provide for the rent payments through maturity, the District may be required to surrender the sites included under the ground leases for the benefit of the owners of the certificates for the remaining term of the ground leases.

# DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

### Note 9—Lease-purchase agreements payable (continued)

The District properties included in the various ground leases under this arrangement include Immokalee Middle School, Lely Elementary School, Lake Trafford Elementary School, Vineyards Elementary School, Laurel Oak Elementary School, Oakridge Middle School, Barron Collier High School, Pine Ridge Middle School, Highlands Elementary School, Manatee Middle School, Manatee Elementary School, Gulfview Middle School, Immokalee High School, Lorenzo Walker Institute of Technology, Everglades City School, Gulf Coast High School, Pelican Marsh Elementary School, Calusa Park Elementary School, Sabal Palm Elementary School, North Naples Middle School, Palmetto Ridge High School, Golden Gate High School, Pincrest Elementary School, Golden Gate Middle School, Village Oaks Elementary School, Mike Davis Elementary School, Marco Charter Middle School, Immokalee High School Renovations, Immokalee Technical Center, Naples High School Gymnasium, and Lorenzo Walker Technical High School.

With the exception of the Series 2005-QZABs, the lease payments are payable by the District semiannually, on August 15 and February 15, and must be remitted by the District as of the preceding June and January 15, respectively.

The 2005-QZABs were issued by the Foundation under a special program whereby the certificates, bearing an original issue date of November 18, 2005, will mature in full on November 18, 2021. There is no interest cost for borrowing moneys under this program. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$523,907 for five consecutive years began on November 18, 2005. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The certificates are secured by the assets held under the trust agreement in the event of cancellation or default.

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 43,855,560	\$ 32,420,000	\$ 11,435,560
2019	43,850,745	34,050,000	9,800,745
2020	34,296,907	26,195,000	8,101,907
2021	35,632,403	28,840,000	6,792,403
2022	41,035,697	35,517,000	5,518,697
2023-2026	<u>148,039,162</u>	<u>137,400,000</u>	<u>10,639,162</u>
Total Minimum Lease Payments	346,710,474	294,422,000	52,288,474
Plus: Unamortized Premiums	<u>5,860,416</u>	<u>5,860,416</u>	<u>-</u>
Total	<u>\$ 352,570,890</u>	<u>\$ 300,282,416</u>	<u>\$ 52,288,474</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 10—Bonds payable**

Bonds payable at June 30, 2017 are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2014B, Refunding	\$ 368,000	2.0 - 5.0	2020
Plus: Unamortized Premiums	<u>91,096</u>		
Total Bonds Payable	<u>\$ 459,096</u>		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2018	\$ 314,320	\$ 297,000	\$ 17,320
2019	37,470	35,000	2,470
2020	<u>36,720</u>	<u>36,000</u>	<u>720</u>
Total State School Bonds	<u>388,510</u>	<u>368,000</u>	<u>20,510</u>
Plus: Unamortized Premiums	<u>91,096</u>	<u>91,096</u>	<u>-</u>
<b>Total</b>	<u>\$ 479,606</u>	<u>\$ 459,096</u>	<u>\$ 20,510</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 11—Changes in long-term liabilities**

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable, net	\$ 327,158,170	\$ -	\$ 26,875,754	\$ 300,282,416	\$ 34,055,754
Bonds Payable, net	1,093,424		634,328	459,096	324,329
Other Postemployment Benefits Payable	718,069	60,075	-	778,144	-
Estimated Insurance Claims Payable	7,771,000	44,368,497	44,665,497	7,474,000	6,585,000
Compensated Absences Payable	32,131,407	17,038,338	16,131,538	33,038,207	16,131,538
Net Pension Liability	170,197,400	103,782,654	26,201,420	247,778,634	2,902,734
<b>Total Governmental Activities</b>	<b>\$ 539,069,470</b>	<b>\$ 165,249,564</b>	<b>\$ 114,508,537</b>	<b>\$ 589,810,497</b>	<b>\$ 59,999,355</b>

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the internal service funds, as discussed in *Note 8, Risk management programs*.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 12—Fund balance reporting**

The following is a schedule of fund balances by category at June 30, 2017:

	<u>Major Funds</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Total Major Funds</u>		
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepaid Items	\$ 415,573	\$ -	\$ 415,573	\$ -	\$ 415,573
Inventories	1,174,910	-	1,174,910	1,329,635	2,504,545
<b>Restricted:</b>					
State Categoricals	4,657,691	-	4,657,691	-	4,657,691
Food Service	-	-	-	10,590,703	10,590,703
Debt Service	-	-	-	9,293,741	9,293,741
Capital Projects	-	152,412,677	152,412,677	1,359,925	153,772,602
Workforce Programs	1,180,288	-	1,180,288	-	1,180,288
School Improvement	318,962	-	318,962	-	318,962
<b>Assigned:</b>					
Purchases Outstanding at Year End	1,393,067	-	1,393,067	-	1,393,067
School Carry Forwards	3,930,092	-	3,930,092	-	3,930,092
FTE Audit	90,000	-	90,000	-	90,000
Low Perform Schools	1,200,000	-	1,200,000	-	1,200,000
Enterprise SW	5,000,000	-	5,000,000	-	5,000,000
FTE Shortfall/Prorated	2,500,000	-	2,500,000	-	2,500,000
Capital Projects	-	-	-	2,344,487	2,344,487
<b>Unassigned:</b>					
Reserve for Future Budget Shortfalls	47,130,944	-	47,130,944	-	47,130,944
Strategic Reserve	17,750,000	-	17,750,000	-	17,750,000
Contingency Reserve	4,450,000	-	4,450,000	-	4,450,000
Unassigned	1,056,906	-	1,056,906	-	1,056,906
<b>Total Fund Balances</b>	<b>\$ 92,248,433</b>	<b>\$ 152,412,677</b>	<b>\$ 244,661,110</b>	<b>\$ 24,918,491</b>	<b>\$ 269,579,601</b>

*Minimum Fund Balance Policy* – Pursuant to Board Policy 6210, the Board has set a goal of 4 percent of annual resources designated as a strategic reserve. The strategic reserve shall only be utilized by a supermajority vote from members of the Board. As of June 30, 2017, the Board had designated \$17.75 million of the unassigned fund balance as a strategic reserve. Pursuant to Board Policy 6210, the Board has set a goal of 1 percent of annual resources designated as a contingency reserve. The Superintendent has the authority to utilize the contingency reserve, and is required to report such use to the Board at a subsequent Board meeting. As of June 30, 2017, the District had \$4.45 million of unassigned fund balance designated for contingencies to meet any unanticipated needs.

In addition to committed and assigned fund balance categories discussed in the Fund Balance Policies portion of Note 1, Summary of significant accounting policies, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 12—Fund balance reporting (continued)**

- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

**Note 13—Interfund receivables, payables, and transfers**

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 1,817,469	\$ -
Special Revenue:		
Other	-	1,770,485
Nonmajor Governmental:		
Capital Projects:		
Other	-	46,984
<b>Total</b>	<b>\$ 1,817,469</b>	<b>\$ 1,817,469</b>

At fiscal year-end, the District had expenditures in its nonmajor governmental funds for special revenue and capital projects that had not yet been reimbursed by the grantor agencies.

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 28,427,006	\$ -
Capital Projects:		
Local Capital Improvement	-	49,060,847
Nonmajor Governmental:		
Capital Projects:		
Other	-	15,436,690
Public Education Capital Outlay	-	1,165,534
Debt Service: Debt Service - Other	37,236,065	-
<b>Total</b>	<b>\$ 65,663,071</b>	<b>\$ 65,663,071</b>

Transfers to the General Fund were to reimburse expenditures for repairs and maintenance projects, property casualty insurance premiums, equipment purchases, and for other operational purposes. Transfers to the Debt Service Other Fund were to provide moneys for scheduled debt service payments for principal, interest, and other debt service costs.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 14—Schedule of state revenue sources**

The following is a schedule of the District's State revenue sources for the 2016-17 fiscal year:

<u>Source</u>	<u>Amount</u>
Categorical Educational Program - Class Size Reduction	\$ 52,728,437
Florida Education Finance Program	24,408,513
Workforce Development Program	8,512,501
School Recognition	2,088,154
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,928,179
Voluntary Prekindergarten Program	1,186,853
Gross Receipts Tax (Public Education Capital Outlay)	1,165,534
Discretionary Lottery Funds	809,331
Miscellaneous	660,059
Charter School Capital Outlay Funding	559,425
Sales Tax Distribution	446,500
Food Service Supplement	276,713
State License Tax	102,103
Workforce Performance Based Initiative	96,188
	<u>96,188</u>
<b>Total</b>	<b>\$ 94,968,490</b>

Accounting policies relating to certain State revenue sources are described in *Note 1, Summary of significant accounting policies*.

**Note 15—Property Taxes**

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2016-17 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	2.997	\$ 247,183,736
Basic Discretionary Local Effort	0.748	61,692,838
<b>Capital Projects - Local Capital Improvement Fund</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	123,715,583
<b>Total</b>	<u>5.245</u>	<u>\$ 432,592,157</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 16—Internal service funds**

The following is a summary of financial information as reported in the internal service funds for the 2016-17 fiscal year:

	<u>Total</u>	<u>Group Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Employee Benefit Plan</u>
Total Assets	<u>\$ 47,813,088</u>	<u>\$ 34,493,497</u>	<u>\$ 13,085,721</u>	<u>\$ 233,870</u>
Liabilities and Net Position:				
Accrued Salaries and Benefits	\$ 13,527	\$ 11,577	\$ 1,950	\$ -
Payroll Deductions and Withholdings	7,378	5,926	1,452	-
Accounts Payable	427,818	414,926	12,892	-
Due to Other Agencies	12,470	11,486	984	-
Estimated Insurance Claims Payable	7,474,000	5,157,000	2,317,000	-
Unrestricted Net Position	<u>39,877,895</u>	<u>28,892,582</u>	<u>10,751,443</u>	<u>233,870</u>
Total Liabilities and Net Position	<u>\$ 47,813,088</u>	<u>\$ 34,493,497</u>	<u>\$ 13,085,721</u>	<u>\$ 233,870</u>
Revenues:				
Premium Contributions	\$ 46,115,788	\$ 43,358,281	\$ 1,419,796	\$ 1,337,711
Interest	<u>338,612</u>	<u>249,214</u>	<u>88,049</u>	<u>1,349</u>
Total Revenues	46,454,400	43,607,495	1,507,845	1,339,060
Total Expenses	<u>(51,065,642)</u>	<u>(48,478,783)</u>	<u>(1,273,161)</u>	<u>(1,313,698)</u>
Change in Net Position	<u>\$ (4,611,242)</u>	<u>\$ (4,871,288)</u>	<u>\$ 234,684</u>	<u>\$ 25,362</u>

**Note 17 – Summary disclosure of significant contingencies**

*Litigation* – The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2017*

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**Note 18 – Subsequent Events**

Subsequent events have been evaluated through December 1, 2017, which is the date the financial statements were issued. On September 10, 2017 Hurricane Irma made landfall in Collier County, Florida. The District is currently evaluating the amount of damage. Preliminary estimates of damages are in the range of \$8 million dollars, including the cost of debris removal. All schools within the District are currently functional. The District has insurance coverage for property and flood losses. Claims are currently being processed with the insurance carriers. Claims are also being processed with the Federal Emergency Management Agency (FEMA) for debris removal, losses not covered by insurance, or damages below insurance deductible limits. The District's capital dollars will be used for repairs and damages that are not reimbursable by insurance or FEMA. The District had previously established a reserve for such purposes within its Capital Funds; therefore, the hurricane is not expected to have any material adverse impact on the financial condition of the District. Additionally the District operated 28 emergency shelters at a cost of approximately \$2 million dollars from operating funds for which the District expects to be reimbursed by FEMA. The District anticipates recovery of the majority of its costs either from insurance or FEMA.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL –**  
**GENERAL FUND**

YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 425,000	\$ 495,342	\$ 495,342	\$ -
Federal Through State and Local	1,800,000	1,482,117	1,482,117	-
State	91,493,060	90,988,823	90,988,823	-
Local:				
Property Taxes	296,744,594	298,320,317	298,320,317	-
Local Sales Taxes	-	-	-	-
Miscellaneous	10,743,142	12,472,777	12,472,777	-
Total Local Revenues	<u>307,487,736</u>	<u>310,793,094</u>	<u>310,793,094</u>	<u>-</u>
<b>Total Revenues</b>	<u>401,205,796</u>	<u>403,759,376</u>	<u>403,759,376</u>	<u>-</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	275,818,939	273,150,853	264,549,293	8,601,560
Student Support Services	17,291,113	17,503,161	17,471,815	31,346
Instructional Media Services	6,115,854	6,070,084	6,021,682	48,402
Instruction and Curriculum Development Services	6,837,886	7,424,976	7,419,784	5,192
Instructional Staff Training Services	3,227,333	4,409,688	3,745,670	664,018
Instructional - Related Technology	1,429,770	1,354,879	1,354,879	-
Board	1,499,063	1,230,479	1,097,930	132,549
General Administration	1,057,000	1,115,985	1,115,985	-
School Administration	29,732,596	30,365,291	30,268,603	96,688
Facilities Acquisition and Construction	25,793	35,584	35,584	-
Fiscal Services	2,684,723	2,548,483	2,461,482	87,001
Central Services	7,931,550	8,188,759	8,152,808	35,951
Student Transportation Services	18,960,306	20,008,433	19,929,231	79,202
Operation of Plant	36,375,105	35,486,921	35,070,912	416,009
Maintenance of Plant	17,051,942	16,962,450	16,768,235	194,215
Administrative Technology Services	3,183,746	3,227,467	3,219,584	7,883
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	7,504	7,504	-
Other Capital Outlay	-	3,285,486	3,285,486	-
<b>Total Expenditures</b>	<u>429,222,719</u>	<u>432,376,483</u>	<u>421,976,467</u>	<u>10,400,016</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(28,016,923)</u>	<u>(28,617,107)</u>	<u>(18,217,091)</u>	<u>10,400,016</u>
<b>Other Financing Sources</b>				
Sale of Capital Assets	25,000	11,070	11,070	-
Loss Recoveries	2,197	2,197	2,197	-
Transfers In	28,787,210	28,427,006	28,427,006	-
<b>Total Other Financing Sources</b>	<u>28,814,407</u>	<u>28,440,273</u>	<u>28,440,273</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	797,484	(176,834)	10,223,182	10,400,016
Fund Balances, Beginning	<u>82,025,251</u>	<u>82,025,251</u>	<u>82,025,251</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 82,822,735</u>	<u>\$ 81,848,417</u>	<u>\$ 92,248,433</u>	<u>\$ 10,400,016</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL –**  
**SPECIAL REVENUE FUND**

YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 4,347,960	\$ 4,380,191	\$ 4,093,508	\$ (286,683.00)
Federal Through State and Local State	31,330,087	34,049,086	29,810,001	(4,239,085)
	42,984	65,425	65,425	-
Local:				
Property Taxes	-	-	-	-
Local Sales Taxes	-	-	-	-
Miscellaneous	1,126,196	1,214,069	1,063,873	(150,196)
Total Local Revenues	<u>1,126,196</u>	<u>1,214,069</u>	<u>1,063,873</u>	<u>(150,196)</u>
<b>Total Revenues</b>	<u>36,847,227</u>	<u>39,708,771</u>	<u>35,032,807</u>	<u>(4,675,964)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	19,104,615	21,583,935	18,922,853	2,661,082
Student Support Services	2,603,646	2,754,102	2,566,856	187,246
Instructional Media Services	8,010	7,790	6,494	1,296
Instruction and Curriculum Development Services	6,896,569	7,333,712	6,279,774	1,053,938
Instructional Staff Training Services	6,158,705	5,625,867	5,222,675	403,192
Instructional - Related Technology Board	-	-	-	-
General Administration	1,294,903	1,397,426	1,236,600	160,826
School Administration	172,436	177,975	96,788	81,187
Facilities Acquisition and Construction	-	-	-	-
Fiscal Services	-	-	-	-
Central Services	217,296	244,551	166,250	78,301
Student Transportation Services	347,247	283,758	235,646	48,112
Operation of Plant	30,800	25,038	24,729	309
Maintenance of Plant	13,000	12,662	12,187	475
Administrative Technology Services	-	-	-	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	-	-	-
Other Capital Outlay	-	261,955	261,955	-
<b>Total Expenditures</b>	<u>36,847,227</u>	<u>39,708,771</u>	<u>35,032,807</u>	<u>4,675,964</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources</b>				
Sale of Capital Assets	-	-	-	-
Transfers In	-	-	-	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning	-	-	-	-
<b>Fund Balances, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF FUNDING PROGRESS –**  
**POSTEMPLOYMENT BENEFIT PLANS**

YEAR ENDED JUNE 30, 2017

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
07/01/14	\$ -	\$ 3,110,546	\$ 3,110,546	0%	\$249,419,156	1.2%
07/01/15	-	3,156,364	3,156,364	0%	246,738,294	1.3%
07/01/16	-	3,476,365	3,476,365	0%	250,592,794	1.4%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit actuarial cost method to estimate the actuarial accrued liability.

Note: (2) Covered payroll for OPEB differs from covered payroll for FRS and HIS because the population of eligible employees differs. See Note 6, *Other postemployment benefit obligations* for the plan description.



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF FUNDING PROGRESS –**  
**NET PENSION LIABILITY**

YEAR ENDED JUNE 30, 2017

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Florida Retirement System Pension Plan (1) (2) (4)**

<b>Fiscal Year Ended June 30</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability As A Percentage of District's Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2013	0.608615952%	\$ 104,769,893	\$ 188,772,598	55.50%	88.54%
2014	0.632654076%	38,601,202	206,787,822	18.67%	96.09%
2015	0.629605084%	81,321,941	208,719,036	38.96%	92.00%
2016	0.582544320%	147,092,898	210,915,610	69.74%	84.88%

**Schedule of District Contributions –  
Florida Retirement System Pension Plan (1) (2) (3) (4)**

<b>Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Actual Employer Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a % of Covered Payroll</b>
2014	\$ 13,857,809	\$ 13,857,809	\$ -	\$ 206,787,822	6.70%
2015	15,350,307	15,350,307	-	208,719,036	7.35%
2016	14,206,272	14,206,272	-	210,915,610	6.74%
2017	15,097,906	15,097,906	-	214,367,315	7.04%

Note: (1) The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

Note: (2) FY 17 actual employer contributions are all funds which were remitted to the State and credited towards the District's FY 17 obligation, and which were consolidated in the State's August 2017 calculation of *Employer Contributions Subsequent to Measurement Date*. This includes the following contributions made after June 30<sup>th</sup> for wages earned through June 30, 2017:

FRS Defined Benefit Plan	\$ 1,275,806
FRS Investment Plan (Defined Contribution Plan)	\$ 343,773
HIS (Health Insurance Subsidy)	\$ 287,955

Note: (3) As of June 30, 2017, Employer contributions remitted for the FY17 FRS Defined Benefit Plan requirement totaled \$13,822,100. The District had an outstanding payable of \$1,275,806.

Note: (4) Information is presented for years data is available until ten years of information can be provided.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF FUNDING PROGRESS –**  
**NET PENSION LIABILITY (CONTINUED)**

YEAR ENDED JUNE 30, 2017

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1) (2) (4)**

<b>Fiscal Year Ended June 30</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability As A Percentage of District's Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2013	0.863233755%	\$ 75,155,848	\$ 236,841,725	31.73%	1.78%
2014	0.874825796%	81,798,347	260,243,604	31.43%	0.99%
2015	0.871462424%	88,875,459	264,464,333	33.61%	0.50%
2016	0.863915180%	100,685,735	266,701,427	37.75%	0.97%

**Schedule of District Contributions –  
Health Insurance Subsidy Pension Plan (1) (2) (3) (4)**

<b>Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Actual Employer Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Contribution as a % of Covered Payroll</b>
2014	\$ 2,996,859	\$ 2,996,859	\$ -	1.15%
2015	3,331,272	3,331,272	-	1.26%
2016	4,428,116	4,428,116	-	1.66%
2017	4,523,454	4,523,454	-	1.66%

Note: (1) The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>

Note: (2) FY 17 actual employer contributions are all funds which were remitted to the State and credited towards the District's FY 17 obligation, and which were consolidated in the State's August 2017 calculation of *Employer Contributions Subsequent to Measurement Date*. This includes the following contributions made after June 30<sup>th</sup> for wages earned through June 30, 2017:

FRS Defined Benefit Plan	\$ 1,275,806
FRS Investment Plan (Defined Contribution Plan)	\$ 343,773
HIS (Health Insurance Subsidy)	\$ 287,955

Note: (3) As of June 30, 2017, Employer contributions remitted for the FY17 HIS Plan requirement totaled \$4,235,499. The District had an outstanding payable of \$287,955.

Note: (4) Information is presented for years data is available until ten years of information can be provided.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

*YEAR ENDED JUNE 30, 2017*

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**Note 1—Schedule of net pension liability and schedule of contributions**

**Florida Retirement System Pension Plan**

*Assumptions changes adopted for the 2016 FRS Pension Plan Valuation included:*

- Decreasing the assumed investment rate of return from 7.65 percent to 7.60 percent, and
- Updating the active member mortality assumption

**Note 2—Schedule of net pension liability and schedule of contributions**

**Health Insurance Subsidy Pension Plan**

*Changes of Assumptions.*

- The municipal rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent

## **OTHER SUPPLEMENTARY INFORMATION**

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**COMBINING BALANCE SHEET –  
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,824,721	\$ 5,729,851	\$ 2,524,777	\$ 19,079,349
Investments	-	3,563,890	-	3,563,890
Accounts receivable, net	1,868	-	-	1,868
Due from other agencies	274,197	-	1,266,806	1,541,003
Inventory	1,329,635	-	-	1,329,635
<b>Total Assets</b>	<b>\$ 12,430,421</b>	<b>\$ 9,293,741</b>	<b>\$ 3,791,583</b>	<b>\$ 25,515,745</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Salaries, benefits and payroll taxes payable	\$ 50,273	\$ -	\$ -	\$ 50,273
Payroll deductions and withholdings	29,062	-	-	29,062
Accounts payable	162,693	-	7,177	169,870
Construction contracts payable - retained percentage	-	-	33,010	33,010
Due to other agencies	42,065	-	-	42,065
Due to budgetary funds	-	-	46,984	46,984
Unearned revenue	225,990	-	-	225,990
<b>Total Liabilities</b>	<b>510,083</b>	<b>-</b>	<b>87,171</b>	<b>597,254</b>
Fund Balances:				
Nonspendable:				
Inventory	1,329,635	-	-	1,329,635
Restricted for:				
Debt service	-	9,293,741	-	9,293,741
Capital projects	-	-	1,359,925	1,359,925
Food service	10,590,703	-	-	10,590,703
Assigned to:				
Capital projects	-	-	2,344,487	2,344,487
<b>Total Fund Balances</b>	<b>11,920,338</b>	<b>9,293,741</b>	<b>3,704,412</b>	<b>24,918,491</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,430,421</b>	<b>\$ 9,293,741</b>	<b>\$ 3,791,583</b>	<b>\$ 25,515,745</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES –**  
**NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal direct	\$ -	\$ -	\$ -	\$ -
Federal through state	19,336,227	-	-	19,336,227
State sources	276,713	639,438	2,998,091	3,914,242
Local sources	4,649,557	171,331	15,083,488	19,904,376
Total Revenues	<u>24,262,497</u>	<u>810,769</u>	<u>18,081,579</u>	<u>43,154,845</u>
Expenditures:				
Current:				
Instruction	-	-	-	-
Student support services	-	-	-	-
Instructional media services	-	-	-	-
Instruction and curriculum development services	-	-	-	-
Instructional staff training services	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Facilities acquisition and construction	-	-	1,107,914	1,107,914
Food services	21,656,569	-	-	21,656,569
Central services	-	-	-	-
Student transportation services	-	-	-	-
Operation of plant	-	-	-	-
Maintenance of plant	-	-	-	-
Capital outlay:				
Facilities acquisition and construction	-	-	-	-
Other capital outlay	745,152	-	-	745,152
Debt service:				
Principal	-	25,847,000	-	25,847,000
Interest	-	12,678,613	1,444	12,680,057
Total Expenditures	<u>22,401,721</u>	<u>38,525,613</u>	<u>1,109,358</u>	<u>62,036,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,860,776</u>	<u>(37,714,844)</u>	<u>16,972,221</u>	<u>(18,881,847)</u>
Other Financing Sources (Uses):				
Proceeds from the sale of capital assets	9,620	-	200	9,820
Loss recoveries	-	-	-	-
Transfers in	-	37,236,065	-	37,236,065
Transfers out	-	-	(16,602,224)	(16,602,224)
Total Other Financing Sources (Uses)	<u>9,620</u>	<u>37,236,065</u>	<u>(16,602,024)</u>	<u>20,643,661</u>
Net change in fund balances	1,870,396	(478,779)	370,197	1,761,814
Fund balance - beginning	10,049,942	9,772,520	3,334,215	23,156,677
Fund balance - ending	<u>\$ 11,920,338</u>	<u>\$ 9,293,741</u>	<u>\$ 3,704,412</u>	<u>\$ 24,918,491</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**COMBINING BALANCE SHEET –  
NONMAJOR SPECIAL REVENUE FUNDS**

*JUNE 30, 2017*

	<b>Food Service</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,824,721	\$ 10,824,721
Accounts receivable, net	1,868	1,868
Due from other agencies	274,197	274,197
Inventory	1,329,635	1,329,635
<b>Total Assets</b>	<b>\$ 12,430,421</b>	<b>\$ 12,430,421</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Salaries, benefits and payroll taxes payable	\$ 50,273	\$ 50,273
Payroll deductions and withholdings	29,062	29,062
Accounts payable	162,693	162,693
Construction contracts payable - retained percentage	-	-
Due to other agencies	42,065	42,065
Due to budgetary funds	-	-
Unearned revenue	225,990	225,990
<b>Total Liabilities</b>	<b>510,083</b>	<b>510,083</b>
Fund Balances:		
Nonspendable:		
Inventory	1,329,635	1,329,635
Restricted for:		
Food service	10,590,703	10,590,703
Total Fund Balances	11,920,338	11,920,338
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,430,421</b>	<b>\$ 12,430,421</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES –**  
**NONMAJOR SPECIAL REVENUE FUNDS**

YEAR ENDED JUNE 30, 2017

	<b>Food Service</b>	<b>Total Nonmajor Special Revenue Funds</b>
Revenues:		
Federal direct	\$ -	\$ -
Federal through state	19,336,227	19,336,227
State sources	276,713	276,713
Local sources	4,649,557	4,649,557
Total Revenues	24,262,497	24,262,497
Expenditures:		
Current:		
Instruction	-	-
Student support services	-	-
Instructional media services	-	-
Instruction and curriculum development services	-	-
Instructional staff training services	-	-
General administration	-	-
School administration	-	-
Food services	21,656,569	21,656,569
Central services	-	-
Student transportation services	-	-
Operation of plant	-	-
Maintenance of plant	-	-
Capital outlay:		-
Other capital outlay	745,152	745,152
Total Expenditures	22,401,721	22,401,721
Excess of revenues over expenditures	1,860,776	1,860,776
Other Financing Sources:		
Proceeds from the sale of capital assets	9,620	9,620
Total Other Financing Sources	9,620	9,620
Net change in fund balances	1,870,396	1,870,396
Fund balance - beginning	10,049,942	10,049,942
Fund balance - ending	\$ 11,920,338	\$ 11,920,338



**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**COMBINING BALANCE SHEET –**  
**NONMAJOR DEBT SERVICE FUNDS**

JUNE 30, 2017

	State Board of Education	Other Debt Service	Total Nonmajor Debt Service Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,923	\$ 5,720,928	\$ 5,729,851
Investments	-	3,563,890	3,563,890
<b>Total Assets</b>	<u>\$ 8,923</u>	<u>\$ 9,284,818</u>	<u>\$ 9,293,741</u>
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	\$ 8,923	\$ 9,284,818	\$ 9,293,741
<b>Total Fund Balances</b>	<u>\$ 8,923</u>	<u>\$ 9,284,818</u>	<u>\$ 9,293,741</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES –**  
**NONMAJOR DEBT SERVICE FUNDS**

YEAR ENDED JUNE 30, 2017

	<u>State Board of Education</u>	<u>Other Debt Service</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues:			
State sources	\$ 639,438	\$ -	\$ 639,438
Local sources	-	171,331	171,331
Total Revenues	<u>639,438</u>	<u>171,331</u>	<u>810,769</u>
Expenditures:			
Debt service:			
Principal	607,000	25,240,000	25,847,000
Interest	47,871	12,630,742	12,678,613
Total Expenditures	<u>654,871</u>	<u>37,870,742</u>	<u>38,525,613</u>
Deficiency of revenues under expenditures	<u>(15,433)</u>	<u>(37,699,411)</u>	<u>(37,714,844)</u>
Other Financing Sources			
Transfers in	-	37,236,065	37,236,065
Total Other Financing Sources	<u>-</u>	<u>37,236,065</u>	<u>37,236,065</u>
Net change in fund balances	(15,433)	(463,346)	(478,779)
Fund balance - beginning	24,356	9,748,164	9,772,520
Fund balance - ending	<u>\$ 8,923</u>	<u>\$ 9,284,818</u>	<u>\$ 9,293,741</u>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**

**COMBINING BALANCE SHEET –  
NONMAJOR CAPITAL PROJECTS FUNDS**

JUNE 30, 2017

	<b>Public Education Capital Outlay</b>	<b>Capital Outlay and Debt Service (CO &amp; DS)</b>	<b>Other Capital Projects</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 180,290	\$ 2,344,487	\$ 2,524,777
Due from other agencies	-	17,127	1,249,679	1,266,806
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 197,417</b>	<b>\$ 3,594,166</b>	<b>\$ 3,791,583</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 7,177	\$ 7,177
Construction contracts payable - retained percentage	-	33,010	-	33,010
Due to budgetary funds	-	-	46,984	46,984
<b>Total Liabilities</b>	<b>-</b>	<b>33,010</b>	<b>54,161</b>	<b>87,171</b>
Fund Balances:				
Restricted for:				
Capital projects	-	164,407	1,195,518	1,359,925
Assigned to:				
Capital projects	-	-	2,344,487	2,344,487
<b>Total Fund Balances</b>	<b>-</b>	<b>164,407</b>	<b>3,540,005</b>	<b>3,704,412</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 197,417</b>	<b>\$ 3,594,166</b>	<b>\$ 3,791,583</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES –**  
**NONMAJOR CAPITAL PROJECTS FUNDS**

YEAR ENDED JUNE 30, 2017

	<b>Public Education Capital Outlay</b>	<b>Capital Outlay and Debt Service (CO &amp; DS)</b>	<b>Other Capital Projects</b>	<b>Total Nonmajor Capital Projects Funds</b>
Revenues:				
State sources	\$ 1,165,534	\$ 1,260,286	\$ 572,271	\$ 2,998,091
Local sources	-	-	15,083,488	15,083,488
Total Revenues	<u>1,165,534</u>	<u>1,260,286</u>	<u>15,655,759</u>	<u>18,081,579</u>
Expenditures:				
Current:				
Facilities acquisition and construction	-	1,094,435	13,479	1,107,914
Debt service:				
Interest	-	1,444	-	1,444
Total Expenditures	<u>-</u>	<u>1,095,879</u>	<u>13,479</u>	<u>1,109,358</u>
Excess of revenues over expenditures	1,165,534	164,407	15,642,280	16,972,221
Other Financing Sources (Uses):				
Proceeds from the sale of capital assets	-	-	200	200
Transfers out	(1,165,534)	-	(15,436,690)	(16,602,224)
Total Other Financing Sources (Uses)	<u>(1,165,534)</u>	<u>-</u>	<u>(15,436,490)</u>	<u>(16,602,024)</u>
Net change in fund balances	-	164,407	205,790	370,197
Fund balance - beginning	-	-	3,334,215	3,334,215
Fund balance - ending	<u>\$ -</u>	<u>\$ 164,407</u>	<u>\$ 3,540,005</u>	<u>\$ 3,704,412</u>

## **COMPLIANCE AND SINGLE AUDIT**

**Report of Independent Auditor on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Members of the School Board  
District School Board of Collier County, Florida  
Naples, Florida

We have audited, in accordance with the 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 Collier County, Florida (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2017. Our report includes reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Cherry Behaert LLP".

Orlando, Florida  
December 1, 2017

**Report of Independent Auditor on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

The Honorable Members of the School Board  
District School Board of Collier County, Florida  
Naples, Florida

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

We have audited the District School Board of Collier County, Florida's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. 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 the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



## **Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in cursive script that reads "Cherry Behaert LLP". The signature is written in dark ink and is positioned above the typed address and date.

Orlando, Florida  
December 1, 2017

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553		\$ 3,972,017
National School Lunch Program	10.555		14,034,261
Summer Food Service Program for Children	10.559		342,047
Total Child Nutrition Cluster			18,348,325
Fresh Fruit and Vegetable Program	10.582		412,470
Florida Department of Health:			
Child & Adult Care Food Program	10.558	4750	676,851
<b>Total United States Department of Agriculture</b>			19,437,646
<b>United States Department of Labor:</b>			
Indirect:			
Florida Department of Education:			
National Farmworker Jobs Program	17.264	405	393,959
<b>Total United States Department of Labor</b>			393,959
<b>United States Department of Education:</b>			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	7,500
Federal Pell Grant Program	84.063	N/A	1,166,123
Total Student Financial Assistance Cluster			1,173,623
Indirect:			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191,193	797,377
Title I Grants to Local Educational Agencies	84.010	212,223,226	11,478,380
Migrant Education - State Grant Program	84.011	217	4,116,260
Special Education - Grants to States	84.027	263	8,674,975
Vocational Education - Basic Grants to States	84.048	161	576,656
Special Education - Preschool Grants	84.173	267	257,158
Education for Homeless Children and Youth	84.196	127	73,500
English Language Acquisition State Grants	84.365	102	996,202
Mathematics and Science Partnerships	84.366	235	710
Improving Teacher Quality State Grants	84.367	224	1,167,693
Title I School Improvement Grants	84.377	126	949,425
Southwest Florida Workforce Development Board:			
Twenty-First Century Community Learning Centers	84.287	WFDB/CCPSM1-2-2016-2017 WFDB/CCPSM1-2-2015-2016	327,706
<b>Total Indirect</b>			29,416,042
<b>Total United States Department of Education</b>			30,589,665

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CONTINUED)**

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600	04CH4718-03	\$ 2,919,885
<b>Total United States Department of Health and Human Services</b>			<b>2,919,885</b>
 <b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	495,342
<b>Total United States Department of Defense</b>			<b>495,342</b>
 <b>Total Expenditures of Federal Awards</b>			<b>\$ 53,836,497</b>

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED JUNE 30, 2017*

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**Note 1—Summary of significant accounting policies**

*Basis of Presentation* – The Schedule of Expenditures of Federal Awards (the “Schedule”) represents amounts expended from Federal Programs, during the 2016-2017 fiscal year, as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District’s accounting records from which the basic financial statements have been reported. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 2—Program clusters**

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

**Note 3—Contingency**

The grant revenue amounts received are subject to audit and adjustment. If expenditures were disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the District. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and State laws and regulations.

**Note 4—Catalog of Federal Domestic Assistance (“CFDA”) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 Catalog of Federal Domestic Assistance.

**Note 5—Noncash assistance**

*National School Lunch Program* – The amount reported for Food Donation represents the donated food used during the year ended June 30, 2017. Commodities are valued at fair market value as determined at the time of donation.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2017

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**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of auditor's report issued:

Unmodified

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Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes          x     no

Significant deficiency(ies) identified that are  
not considered to be a material weakness(es)?

\_\_\_\_\_ yes          x     none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes          x     no

**Federal Awards Section**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes          x     no

Significant deficiency(ies) identified that are  
not considered to be a material weakness(es)?

\_\_\_\_\_ yes          x     none reported

Type of auditor's report on compliance for  
major programs:

Unmodified

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Any audit findings disclosed that are  
required to be reported in accordance with  
2 CFR 200.516(a)

\_\_\_\_\_ yes          x     no

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2017*

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**Part I - Summary of Auditor's Results (continued)**

**Federal Awards Section (continued)**

Identification of major programs:

<u>Name of Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010

Dollar threshold used to determine Type A and Type B programs:

Federal \$ 1,615,095

Auditee qualified as low-risk auditee for federal purposes?   x   yes        no

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED JUNE 30, 2017*

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**Part II - Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

**Part III - Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2017*

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No findings in prior year.



## **OTHER INFORMATION**

## **Independent Auditor's Management Letter**

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

### **Report of the Financial Statements**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida (the "District") as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2017. We did not audit the financial statements of the discretely presented component units nor the fiduciary funds; those financial statements were audited by other auditors.

### **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; Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.800, Rules of the Auditor General.

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

We have issued our Report of Independent Auditor 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*, Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, Report of Independent Accountant on Compliance with Local Government Investment Policies, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 1, 2017, 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. No findings or recommendations were made in the preceding annual financial audit report.

### **Financial Condition**

Section 10.804(1)(f)2., Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the District 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, the results of our tests did not indicate the District met any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District'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 or not the District maintains on its website the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the District maintained on its website 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 findings.

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**

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.800, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Behaert LLP".

Orlando, Florida  
December 1, 2017

**Report of Independent Accountant on Compliance  
with Local Government Investment Policies**

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

We have examined the District School Board of Collier County, Florida's (the "District's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended June 30, 2017. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, the District complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended June 30, 2017.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida  
December 1, 2017