

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-147
March 2016

**CITRUS COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Sandra C. Himmel served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Thomas E. Kennedy, Chair	1
Virginia Bryant	2
Patricia Deutschman to 11-17-14, Vice Chair	3
Douglas A. Dodd from 11-18-14	3
Sandy Balfour	4
Linda B. Powers, Vice Chair from 11-18-14	5

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Anna A. McCormick, CPA, and the audit was supervised by Eric Davis, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matter

Finding 1: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures. A similar finding was noted in our report No. 2015-149.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal award requirements. The Child Nutrition Cluster and Federal Pell Grant programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: (1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; (2) the economic and efficient operation of the District; (3) the reliability of records and reports; and (4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2015-149.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds and the Citrus High School private purpose trust fund, which represent 23 percent of the assets and 33 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds, the Citrus High School private purpose trust fund, and the discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit

in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Citrus County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Budgetary Comparison Schedule – General and Major Special Revenue Funds, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System**

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Citrus County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- The District's total net position decreased \$63,712,121.52 after a reduction to beginning net position of \$59,459,058 due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, which represents a 35.3 percent decrease over the 2013-14 fiscal year.
- General revenues total \$131,550,727.13, or 93.6 percent of all revenues for the 2014-15 fiscal year, as compared to \$130,858,232.30 which was 93.2 percent for the 2013-14 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$9,028,144.49, or 6.4 percent of all revenues compared to \$9,529,849.04, which was 6.8 percent for the 2013-14 fiscal year.
- On the government-wide financial statements, expenses total \$144,831,935.14. Only \$9,028,144.49 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$4,253,063.52, as compared to the previous fiscal year when expenses exceeded revenues by \$4,434,837.31.
- The General Fund total assigned and unassigned fund balances, representing the net current financial resources available for general appropriation by the Board, was \$4,326,224.82 at June 30, 2015, or 4 percent of total General Fund revenues.
- During the current year, General Fund expenditures exceeded revenues by \$5,481,850.10. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$6,128,469.95. These figures do not take into consideration the effect of the transfer from the Capital Projects – Local Capital Improvement Fund.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The

statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

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

The Citrus County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

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

balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

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

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

Proprietary Fund: Proprietary funds may be established to account for activities in which a fee is charged for services. One type of proprietary fund is maintained, an internal service fund. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for its employee group self-insurance program and its wellness center. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statement.

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

The District uses private-purpose trust funds to account for scholarship funds established by private donors.

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities	
	6-30-15	6-30-14
Current and Other Assets	\$ 49,196,399.26	\$ 52,072,445.43
Capital Assets	194,645,777.91	198,271,006.66
Total Assets	243,842,177.17	250,343,452.09
Deferred Outflows of Resources	9,558,281.00	-
Long-Term Liabilities	102,566,209.24	63,661,819.45
Other Liabilities	8,700,831.20	6,363,213.39
Total Liabilities	111,267,040.44	70,025,032.84
Deferred Inflows of Resources	25,527,120.00	-
Net Position:		
Net Investment in Capital Assets	158,264,777.91	158,111,398.84
Restricted	33,591,562.79	38,768,225.86
Unrestricted (Deficit)	(75,250,042.97)	(16,561,205.45)
Total Net Position	\$ 116,606,297.73	\$ 180,318,419.25

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	6-30-14
Program Revenues:		
Charges for Services	\$ 2,360,058.27	\$ 3,394,153.21
Operating Grants and Contributions	5,405,189.19	5,347,283.89
Capital Grants and Contributions	1,262,897.03	788,411.94
General Revenues:		
Property Taxes, Levied for Operational Purposes	48,002,120.40	51,194,842.64
Property Taxes, Levied for Capital Projects	12,404,759.39	13,196,875.51
Grants and Contributions Not Restricted to Specific Programs	68,186,492.77	64,070,458.58
Unrestricted Investment Earnings	159,583.93	203,277.81
Miscellaneous	2,797,770.64	2,192,777.76
Total Revenues	140,578,871.62	140,388,081.34
Functions/Program Expenses:		
Instruction	74,154,313.18	74,371,602.63
Student Personnel Services	5,454,870.08	5,511,052.67
Instructional Media Services	1,401,023.68	1,482,900.54
Instruction and Curriculum Development Services	3,958,307.36	3,832,203.88
Instructional Staff Training Services	1,483,402.28	1,505,820.75
Instructional-Related Technology	1,567,387.75	1,528,677.18
Board	543,989.20	553,763.30
General Administration	1,025,851.38	973,961.96
School Administration	8,264,760.54	8,346,072.26
Facilities Acquisition and Construction	3,454,268.65	2,452,643.56
Fiscal Services	825,752.54	786,533.00
Food Services	6,500,059.77	6,622,099.30
Central Services	2,697,878.22	2,849,934.02
Student Transportation Services	7,527,569.43	7,557,109.95
Operation of Plant	8,500,785.99	8,296,370.12
Maintenance of Plant	3,890,089.55	3,883,103.96
Administrative Technology Services	2,044,730.76	1,744,641.06
Community Services	995,737.67	1,546,276.21
Unallocated Interest on Long-Term Debt	543,398.02	840,283.03
Unallocated Depreciation Expense	9,940,051.03	10,079,620.42
Loss on Disposal of Capital Assets	57,708.06	58,248.85
Total Functions/Program Expenses	144,831,935.14	144,822,918.65
Change in Net Position	(4,253,063.52)	(4,434,837.31)
Net Position, Beginning of Year	180,318,419.25	185,142,540.22
Adjustments to Beginning Net Position	(59,459,058.00) (1)	(389,283.66) (2)
Net Position - Beginning, as Restated	120,859,361.25	184,753,256.56
Net Position - Ending	\$ 116,606,297.73	\$ 180,318,419.25

Notes: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68.
(2) Adjustment to beginning net position is due to the implementation of GASB Statement No. 65.

The largest revenue sources are the State of Florida and local property taxes, which are 41.4 and 43 percent, respectively, of total revenues. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Total government-wide revenues remained consistent with funding for the 2013-14 fiscal year as they increased by only \$190,790.28, or 0.1 percent.

From the 2013-14 fiscal year to the 2014-15 fiscal year, the taxable value of property in the District declined from \$8,921,147,409 to \$8,574,272,129, while the millage rate also decreased from 7.313 to 7.304. The base student allocation increased by \$279.47 and the unweighted full-time equivalent students increased by 20.21.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total assigned and unassigned fund balance is \$4,326,224.82, while the total fund balance is \$7,483,372.06. Total fund balance increased by \$580,504.77 during the 2014-15 fiscal year. Key factors impacting the change in fund balance are revenues increasing \$768,718.40 primarily due to the increase in FEFP funding, partially offset by an increase in expenditures of \$122,098.55, primarily due to a decrease in community service (\$446,515.10) which was offset by increases in operation of plant (\$231,259.88) and administrative technology services (\$370,449.09).

The Special Revenue – Other Fund has total revenues and expenditures of \$10,377,926.88 each and the funding was mainly used for instructional staff salaries and benefits. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$28,293,239.53 which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$4,995,622.86 primarily from transfers out to debt service for scheduled debt service payments and to the General Fund for allowable maintenance expenditures, capital and capital-related expenditures, and property and casualty insurance premiums. It should be noted that \$1,326,951 of total fund balance has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times, with amendments taken to the Board for approval. Final budget amounts were in line with original budget amounts. The Board approves the final budget amendment after fiscal year-end.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$4,718,395.03, or 4 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,619,663.42.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, is \$194,645,777.91 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in the notes to financial statements.

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of \$36,381,000, composed of \$1,381,000 of State School Bonds and \$35,000,000 of Certificates of Participation, Series 2010A - Qualified School Construction Bonds.

Additional information on the District's long-term debt can be found in the notes to financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Citrus County District School Board, 1007 West Main Street, Inverness, Florida 34450.

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BASIC FINANCIAL STATEMENTS

**Citrus County District School Board
Statement of Net Position
June 30, 2015**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 28,401,002.56	\$ 411,302.00
Investments	14,892,510.73	-
Accounts Receivable	284,953.46	-
Due from Other Agencies	3,683,227.42	-
Prepaid Items	375,622.96	-
Inventories	573,930.79	-
Capital Credits Receivable	985,151.34	-
Capital Assets:		
Nondepreciable Capital Assets	8,816,832.79	108,281.00
Depreciable Capital Assets, Net	185,828,945.12	230,434.00
TOTAL ASSETS	<u>243,842,177.17</u>	<u>750,017.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	9,558,281.00	-
LIABILITIES		
Payroll Deductions and Withholdings	127,498.98	-
Accounts Payable	4,895,740.27	89,056.00
Construction Contracts Payable - Retained Percentage	378,833.72	-
Due to Other Agencies	5,558.27	-
Advanced Revenues	1,516,227.91	-
Estimated Liability for Self-Insurance Program	1,776,972.05	-
Long-Term Liabilities:		
Portion Due Within One Year	2,291,937.76	-
Portion Due After One Year	100,274,271.48	-
TOTAL LIABILITIES	<u>111,267,040.44</u>	<u>89,056.00</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	25,527,120.00	-
NET POSITION		
Net Investment in Capital Assets	158,264,777.91	338,715.00
Restricted for:		
State Required Carryover Programs	2,529,718.89	16,503.00
Debt Service	39,233.04	-
Capital Projects	28,293,239.53	58,036.00
Food Service	2,729,371.33	-
Unrestricted	(75,250,042.97)	247,707.00
TOTAL NET POSITION	<u>\$ 116,606,297.73</u>	<u>\$ 660,961.00</u>

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

**Citrus County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 74,154,313.18	\$ 957,366.19	\$ -
Student Personnel Services	5,454,870.08	-	-
Instructional Media Services	1,401,023.68	-	-
Instruction and Curriculum Development Services	3,958,307.36	-	-
Instructional Staff Training Services	1,483,402.28	-	-
Instructional-Related Technology	1,567,387.75	-	-
Board	543,989.20	-	-
General Administration	1,025,851.38	-	-
School Administration	8,264,760.54	-	-
Facilities Acquisition and Construction	3,454,268.65	30,657.86	-
Fiscal Services	825,752.54	-	-
Food Services	6,500,059.77	1,360,834.64	5,405,189.19
Central Services	2,697,878.22	-	-
Student Transportation Services	7,527,569.43	11,199.58	-
Operation of Plant	8,500,785.99	-	-
Maintenance of Plant	3,890,089.55	-	-
Administrative Technology Services	2,044,730.76	-	-
Community Services	995,737.67	-	-
Unallocated Interest on Long-Term Debt	543,398.02	-	-
Unallocated Depreciation Expense	9,940,051.03	-	-
Loss on Disposal of Capital Assets	57,708.06	-	-
Total Primary Government	\$ 144,831,935.14	\$ 2,360,058.27	\$ 5,405,189.19
Component Unit			
Charter School	\$ 664,481.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Capital Projects
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Position

- Net Position - Beginning
- Adjustment to Beginning Net Position
- Net Position - Beginning, as Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government	Component Unit
	Governmental Activities	
\$ -	\$ (73,196,946.99)	\$ -
-	(5,454,870.08)	-
-	(1,401,023.68)	-
-	(3,958,307.36)	-
-	(1,483,402.28)	-
-	(1,567,387.75)	-
-	(543,989.20)	-
-	(1,025,851.38)	-
-	(8,264,760.54)	-
748,522.73	(2,675,088.06)	-
-	(825,752.54)	-
-	265,964.06	-
-	(2,697,878.22)	-
-	(7,516,369.85)	-
-	(8,500,785.99)	-
-	(3,890,089.55)	-
-	(2,044,730.76)	-
-	(995,737.67)	-
514,374.30	(29,023.72)	-
-	(9,940,051.03)	-
-	(57,708.06)	-
\$ 1,262,897.03	(135,803,790.65)	-
\$ 55,003.00	-	(609,478.00)
	48,002,120.40	-
	12,404,759.39	-
	68,186,492.77	732,327.00
	159,583.93	-
	2,797,770.64	3,343.00
	131,550,727.13	735,670.00
	(4,253,063.52)	126,192.00
	180,318,419.25	534,769.00
	(59,459,058.00)	-
	120,859,361.25	534,769.00
	\$ 116,606,297.73	\$ 660,961.00

**Citrus County District School Board
Balance Sheet – Governmental Funds
June 30, 2015**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	\$ 6,597,810.31	\$ -	\$ 16,866,572.84
Investments	1,333,803.00	-	11,514,606.01
Accounts Receivable	89,417.68	-	1,343.04
Due from Other Funds	590,364.88	-	735,175.10
Due from Other Agencies	1,758,051.43	693,151.28	331,192.79
Prepaid Items	298,921.67	-	76,701.29
Inventories	328,506.68	-	-
TOTAL ASSETS	\$ 10,996,875.65	\$ 693,151.28	\$ 29,525,591.07
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 127,498.98	\$ -	\$ -
Accounts Payable	3,311,105.61	165,098.71	890,105.44
Construction Contracts Payable - Retained Percentage	-	-	342,246.10
Due to Other Funds	-	528,052.57	-
Due to Other Agencies	5,558.27	-	-
Advanced Revenues	69,340.73	-	-
Total Liabilities	3,513,503.59	693,151.28	1,232,351.54
Deferred Inflows of Resources:			
Unavailable Revenue - Capital Outlay and Debt Service	-	-	-
Fund Balances:			
Nonspendable:			
Prepaid Items	298,921.67	-	76,701.29
Inventories	328,506.68	-	-
Total Nonspendable Fund Balance	627,428.35	-	76,701.29
Restricted for:			
State Required Carryover Programs	2,529,718.89	-	-
Debt Service	-	-	-
Capital Projects	-	-	28,216,538.24
Food Service	-	-	-
Total Restricted Fund Balance	2,529,718.89	-	28,216,538.24
Assigned for Carryover Programs	147,539.31	-	-
Unassigned Fund Balance	4,178,685.51	-	-
Total Fund Balances	7,483,372.06	-	28,293,239.53
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,996,875.65	\$ 693,151.28	\$ 29,525,591.07

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

Other Governmental Funds	Total Governmental Funds
\$ 813,058.51	\$ 24,277,441.66
2,044,101.72	14,892,510.73
3,902.09	94,662.81
-	1,325,539.98
900,831.92	3,683,227.42
-	375,622.96
207,132.27	535,638.95
<u>3,969,026.51</u>	<u>45,184,644.51</u>

\$ -	\$ 127,498.98
347,631.68	4,713,941.44
36,587.62	378,833.72
797,487.41	1,325,539.98
-	5,558.27
-	69,340.73
<u>1,181,706.71</u>	<u>6,620,713.12</u>
<u>18,715.43</u>	<u>18,715.43</u>

-	375,622.96
207,132.27	535,638.95
<u>207,132.27</u>	<u>911,261.91</u>

-	2,529,718.89
39,233.04	39,233.04
-	28,216,538.24
2,522,239.06	2,522,239.06
<u>2,561,472.10</u>	<u>33,307,729.23</u>
-	147,539.31
-	4,178,685.51
<u>2,768,604.37</u>	<u>38,545,215.96</u>

<u>\$ 3,969,026.51</u>	<u>\$ 45,184,644.51</u>
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**Citrus County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total Fund Balances - Governmental Funds \$ 38,545,215.96

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 194,645,777.91

Capital credits to be received in future years are not available to liquidate liabilities in the governmental funds, but are accrued in the government-wide statements. 985,151.34

An internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 965,200.76

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

Certificates of Participation Payable	\$ 35,000,000.00	
Bonds Payable	1,381,000.00	
Compensated Absences Payable	5,711,207.24	
Net Pension Liability	40,057,695.00	
Other Postemployment Benefits Payable	20,416,307.00	(102,566,209.24)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 9,558,281.00	
Deferred Inflows Related to Pensions	(25,527,120.00)	(15,968,839.00)

Net Position - Governmental Activities \$ 116,606,297.73

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

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**Citrus County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 191,027.78	\$ 945,956.86	\$ -
Federal Through State and Local	362,704.66	9,431,970.02	-
State	57,099,447.87	-	-
Local:			
Property Taxes	48,002,120.40	-	12,404,759.39
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	3,147,997.46	-	126,034.80
Total Local Revenues	<u>51,150,117.86</u>	<u>-</u>	<u>12,530,794.19</u>
Total Revenues	<u>108,803,298.17</u>	<u>10,377,926.88</u>	<u>12,530,794.19</u>
Expenditures			
Current - Education:			
Instruction	68,843,322.41	5,032,827.60	-
Student Personnel Services	4,765,247.14	694,895.92	-
Instructional Media Services	1,402,377.70	-	-
Instruction and Curriculum Development Services	1,549,547.78	2,412,585.90	-
Instructional Staff Training Services	637,104.36	737,976.86	-
Instructional - Related Technology	1,568,902.87	-	-
Board	544,515.05	-	-
General Administration	493,710.21	508,531.73	-
School Administration	8,265,447.71	7,302.00	-
Facilities Acquisition and Construction	362,695.90	-	2,773,365.44
Fiscal Services	826,550.75	-	-
Food Services	34,790.40	-	-
Central Services	2,688,650.13	8,900.96	-
Student Transportation Services	7,532,063.59	2,782.40	-
Operation of Plant	8,509,003.32	-	-
Maintenance of Plant	3,893,849.93	-	-
Administrative Technology Services	2,046,707.31	-	-
Community Services	92,737.57	903,962.65	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	89,038.27	-	4,013,172.31
Other Capital Outlay	138,885.87	68,160.86	1,220,192.11
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>114,285,148.27</u>	<u>10,377,926.88</u>	<u>8,006,729.86</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,481,850.10)</u>	<u>-</u>	<u>4,524,064.33</u>
Other Financing Sources (Uses)			
Transfers In	5,987,972.74	-	-
Proceeds of Refunding Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Sale of Capital Assets	607.89	-	4,457.99
Loss Recoveries	79,041.93	-	-
Transfers Out	<u>(5,267.69)</u>	<u>-</u>	<u>(9,524,145.18)</u>
Total Other Financing Sources (Uses)	<u>6,062,354.87</u>	<u>-</u>	<u>(9,519,687.19)</u>
Net Change in Fund Balances	580,504.77	-	(4,995,622.86)
Fund Balances, Beginning	<u>6,902,867.29</u>	<u>-</u>	<u>33,288,862.39</u>
Fund Balances, Ending	<u>\$ 7,483,372.06</u>	<u>\$ 0.00</u>	<u>\$ 28,293,239.53</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,136,984.64
5,845,343.93	15,640,018.61
1,074,747.81	58,174,195.68
-	60,406,879.79
266,084.72	266,084.72
1,360,834.64	1,360,834.64
190,347.97	3,464,380.23
<u>1,817,267.33</u>	<u>65,498,179.38</u>
<u>8,737,359.07</u>	<u>140,449,378.31</u>
349,844.79	74,225,994.80
-	5,460,143.06
-	1,402,377.70
-	3,962,133.68
109,754.99	1,484,836.21
-	1,568,902.87
-	544,515.05
24,601.08	1,026,843.02
-	8,272,749.71
-	3,136,061.34
-	826,550.75
6,471,552.68	6,506,343.08
2,935.04	2,700,486.13
-	7,534,845.99
-	8,509,003.32
-	3,893,849.93
-	2,046,707.31
-	996,700.22
593,874.57	4,696,085.15
567,763.92	1,995,002.76
3,679,607.82	3,679,607.82
655,485.30	655,485.30
<u>12,455,420.19</u>	<u>145,125,225.20</u>
<u>(3,718,061.12)</u>	<u>(4,675,846.89)</u>
3,840,859.33	9,828,832.07
1,261,000.00	1,261,000.00
119,920.74	119,920.74
(1,407,090.16)	(1,407,090.16)
-	5,065.88
-	79,041.93
<u>(299,419.20)</u>	<u>(9,828,832.07)</u>
<u>3,515,270.71</u>	<u>57,938.39</u>
(202,790.41)	(4,617,908.50)
<u>2,971,394.78</u>	<u>43,163,124.46</u>
<u>\$ 2,768,604.37</u>	<u>\$ 38,545,215.96</u>

**Citrus County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ (4,617,908.50)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal (3,567,520.69)

The loss on the 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. (57,708.06)

Capital credits to be received in future years are accrued in the government-wide statements, but the credits do not provide current financial resources and are not recognized in the governmental funds.

Current Year Accruals	\$ 985,151.34	
Less: Prior Year Accruals	(939,765.84)	45,385.50

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is amount of repayments in the current year.

Obligations Under Capital Lease Principal Payment	\$ 659,607.82	
Bond Principal Payment	435,000.00	
Certificates of Participation Principal Payments	2,585,000.00	3,679,607.82

Premiums are reported in the governmental funds in the fiscal year the debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities. This is amount of premium that was amortized during the current year. 39,256.70

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

State Board of Education Bonds Issued	\$ (1,261,000.00)	
State Board of Education Bonds Defeased	1,360,000.00	99,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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 fiscal year. (355,382.61)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (2,269,920.00)

Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$ 5,197,853.00	
HIS Pension Contribution	1,037,669.00	
FRS Pension Expense	(1,110,805.00)	
HIS Pension Expense	(1,692,193.00)	3,432,524.00

An internal service fund is used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service fund is reported with governmental activities. (680,397.68)

Change in Net Position - Governmental Activities \$ (4,253,063.52)

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

**Citrus County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2015**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,123,560.90
Accounts Receivable	190,290.65
Inventories	38,291.84
TOTAL ASSETS	4,352,143.39
LIABILITIES	
Current Liabilities:	
Accounts Payable	181,798.83
Advanced Revenues	1,428,171.75
Estimated Insurance Claims Payable	1,776,972.05
TOTAL LIABILITIES	3,386,942.63
NET POSITION	
Unrestricted	\$ 965,200.76

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

**Citrus County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015**

	Governmental Activities - Internal Service Fund
	Fund
OPERATING REVENUES	
Charges for Services	\$ 6,645.00
Premiums	13,351,951.73
Other	134,768.41
	13,493,365.14
OPERATING EXPENSES	
Salaries	88,942.63
Employee Benefits	17,882.62
Purchased Services	3,099,512.56
Energy Services	3,829.31
Materials and Supplies	28,248.16
Capital Outlay	1,014.32
Insurance Claims	10,947,580.84
	14,187,010.44
Operating Loss	(693,645.30)
NONOPERATING REVENUES	
Investment Income	13,247.62
	(680,397.68)
Change in Net Position	(680,397.68)
Total Net Position - Beginning	1,645,598.44
	\$ 965,200.76

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

**Citrus County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2015**

	Governmental Activities - Internal Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 13,356,030.95
Cash Received from Other Operating Revenues	90,936.07
Cash Payments to Suppliers for Goods and Services	(3,146,824.57)
Cash Payments to Employees for Services	(107,250.85)
Cash Payments for Insurance Claims	(11,195,027.88)
	Net Cash Used by Operating Activities
	(1,002,136.28)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturity of Investments	2,000,000.00
Interest Income	13,247.62
	Net Cash Provided by Investing Activities
	2,013,247.62
Net Increase in Cash and Cash Equivalents	1,011,111.34
Cash and Cash Equivalents, Beginning	3,112,449.56
Cash and Cash Equivalents, Ending	\$ 4,123,560.90

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (693,645.30)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(43,832.34)
Increase in Inventories	(15,470.01)
Decrease in Salaries and Benefits Payable	(425.60)
Increase in Accounts Payable	1,249.79
Decrease in Advanced Revenues	(2,565.78)
Decrease in Estimated Liability for Self-Insurance Program	(247,447.04)
	Total Adjustments
	(308,490.98)
Net Cash Used by Operating Activities	\$ (1,002,136.28)

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

**Citrus County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015**

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 219,747.00	\$ 2,180,559.00
Accounts Receivable	-	55,399.00
Inventory	-	6,667.00
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 219,747.00	\$ 2,242,625.00
	<u> </u>	<u> </u>
LIABILITIES		
Accounts Payable	\$ -	\$ 2,500.00
Internal Accounts Payable	-	2,240,125.00
	<u> </u>	<u> </u>
Total Liabilities	-	\$ 2,242,625.00
	<u> </u>	<u> </u>
NET POSITION		
Held in Trust for Scholarships and Other Purposes	<u>219,747.00</u>	
Total Net Position	\$ 219,747.00	
	<u> </u>	

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

**Citrus County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

	Private-Purpose Trust Funds
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	\$ 7,718.00
DEDUCTIONS	
Scholarship Payments	12,334.00
Return of Contributions	100,501.23
Total Deductions	112,835.23
Change in Net Position	(105,117.23)
Net Position - Beginning	324,864.23
Net Position - Ending	\$ 219,747.00

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Citrus County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Citrus County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Citrus 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. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Citrus County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's other component unit. A separate column is used to emphasize that it is legally separate from the District.

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

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2015. The audit report is filed in the District's administrative offices at 1007 West Main Street, Inverness, Florida 34450.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and the blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- 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, new and replacement equipment, and debt service payments on certificates of participation.

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

- Internal Service Fund – to account for the District’s Employee Health Self-Insurance program and Wellness Center.
- Private-Purpose Trust Funds – to account for various endowments in the school internal funds for Citrus High School students and for the resources of the Karl C. Schulz Trust Fund (Trust), which are used for student scholarships. The Trust was closed on August 12, 2014.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized 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 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of fiscal

year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 50 days 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 and TD Asset Management U.S. Government Institutional Service Money Market Fund.

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

2. Investments

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

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

Investments made locally consist of money market mutual funds, certificates of deposit, United States Treasury obligations, Federal instrumentalities obligations, municipal bonds, and corporate bonds, and are reported at fair value.

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

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at weighted average cost or the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$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	50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	7 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and related premiums are reported as other financing sources, while discounts on debt issuance are reported as other financing uses.

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is the deferred inflows of resources related to pensions, which is reported only in the government-wide statement of net position and discussed in a subsequent note. The remaining item, unavailable revenue for capital outlay and debt service from the State of Florida is reported only in the governmental fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide 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.

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2015.

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 Board Policy 7.20, 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 7.10 which provides for an adequate unassigned fund balance to cover unforeseen events including, but not limited to, revenue shortfalls and student enrollment under-projections. This policy provides, when feasible, that the adopted annual operating fund budget approved by the Board include, an unassigned fund balance, which is at least 3.5 percent of the recurring revenues budget.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as 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.

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

3. District Property Taxes

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

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

The Board adopted the 2014 tax levy on September 9, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Educational Impact Fees

Citrus County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 1986. This ordinance was most recently amended on April 28, 2015, when Ordinance 2015-A07 was adopted with an effective date of July 29, 2015. The educational impact fee is collected 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 shall not 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. The collection of educational impact fees is currently suspended through January 13, 2017, pursuant to Ordinance 2015-A02 which was adopted on January 13, 2015.

5. 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.

6. 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.

7. Proprietary Fund 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 fund are charges for employee health insurance premiums. Operating expenses include insurance claims, premiums for reinsurance, and operating the Wellness Center. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGE

A. Governmental Accounting Standards Board Statement No. 68.

The District participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$59,459,058 due to the adoption of this Statement.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

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

Investments	Market Value	Maturities		Percent	Ratings		
		Six Months or Less	Greater than Six Months to Two Years		S & P	Moody's	
SBA:							
Florida PRIME (1)	\$ 647,801.32	\$ 647,801.32	\$ -	4.11%	AAAm	-	
Debt Service Accounts	39,233.04	39,233.04	-	0.25%	(2)	(2)	
TD American (TDAM) Bank							
TD Asset Management U.S. Government Institutional Services (1)	219,374.65	219,374.65	-	1.39%	AAAm	-	
TD Certificate of Deposit	3,029,212.04	-	3,029,212.04	19.22%	-	-	
United States Treasury Securities	3,335,268.05	1,959,750.65	1,375,517.40	21.16%	AA+	Aaa	
Obligations of U.S. Government Agencies and Instrumentalities:							
Federal National Mortgage Assoc. (FNMA)	2,301,679.50	900,317.00	1,401,362.50	14.60%	AA+	Aaa	
Federal Home Loan Mortgage Corp. (FHLMC)	450,202.50	450,202.50	-	2.86%	AA+	Aaa	
Federal Home Loan Bank (FHLB)	1,475,730.00	-	1,475,730.00	9.36%	AA+	Aaa	
Municipal Bonds							
Irving Texas	630,926.10	630,926.10	-	4.00%	AAA	Aaa	
Queensbury New York	101,587.00	101,587.00	-	0.64%	-	Aa2	
New York State	499,715.00	-	499,715.00	3.17%	AAA	-	
Maryland State	501,320.00	-	501,320.00	3.18%	AAA	Aaa	
Corporate Bonds							
Wal-Mart Stores, Inc.	505,372.50	250,792.50	254,580.00	3.21%	AA	Aa2	
Apple, Inc.	249,882.50	-	249,882.50	1.59%	AA+	Aa1	
GE Capital Corp	250,712.50	250,712.50	-	1.59%	AA+	Aa3	
Toyota Motor Credit	507,370.00	-	507,370.00	3.22%	AA-	Aa3	
Toronto Dominion Bank	509,440.00	-	509,440.00	3.23%	AA-	Aa1	
Paccar Financial Corp	504,860.00	-	504,860.00	3.20%	A+	A1	
Total Investments	\$ 15,759,686.70	\$ 5,450,697.26	\$ 10,308,989.44	100.00%			

Notes: (1) Investments reported as cash equivalents for financial statement reporting purposes.

(2) The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this investment.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds will have maturities of no longer than 18 months. Investments of bond reserves, construction funds, and other nonoperating funds (core funds) shall have a term appropriate to the need for funds, and in accordance with debt covenants, but should not exceed 5 years, and the average duration of the funds as a whole may not exceed 3 years.

Florida PRIME had a weighted average days to maturity (WAM) of 34 days and TD Asset Management US Institutional Services Fund had WAM of 49 days at June 30, 2015. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio 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(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (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; and direct obligations of the United States Treasury. The District's investment policy limits investments to bids from qualified depositories, certificates of deposit, time deposits, securities of the United States Government, including obligations of the United States Treasury and other Federal agencies; investment pools managed and directed by an approved agency of the State; corporate notes; municipal bonds; and SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

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.

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. The District's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida.

As of June 30, 2015, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy has established asset allocation and issuer limits on the following investments, which are designated to reduce concentration of credit risk of the District's investment portfolio. A maximum of 25 percent of available funds may be invested in Florida PRIME, 100 percent of available funds may be invested in United States Government Securities,

50 percent of available funds may be invested in United States Government agencies with a 25 percent limit on individual issuers, 80 percent of available funds may be invested in Federal instrumentalities with a 50 percent limit on individual issuers, 100 percent of available funds may be invested in nonnegotiable interest bearing time certificates of deposit with a 50 percent limit on individual issuers, 50 percent of available funds may be invested in repurchase agreements with a 25 percent limit on individual issuers, 35 percent of available funds may be invested in commercial paper with a 10 percent limit on individual issuers, 20 percent of available funds may be invested in corporate notes with a 5 percent limit on individual issuers, 20 percent of available funds may be invested in State and/or local government taxable and/or tax-exempt debt, 75 percent of available funds may be invested in registered investment companies (money market mutual funds) with a 25 percent limit on individual issuers, 25 percent of available funds may be invested in short-term bond funds with a 10 percent limit on individual issuers, and 75 percent of available funds may be invested in intergovernmental investment pools.

The FHLB notes comprise 10 percent of total investments, 5 percent of General Fund investments, 11 percent of Local Capital Improvement Fund (LCIF) investments, and 9 percent of other governmental fund investments. The FNMA notes comprise 15 percent of total investments, 8 percent of General Fund investments, 17 percent of LCIF investments, and 14 percent of other governmental fund investments.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	\$ 5,184,974.19	\$ 65,160.78	\$ -	\$ -	\$ 5,250,134.97
Construction in Progress	3,721,860.86	4,307,395.41	4,462,558.45	-	3,566,697.82
Total Capital Assets Not Being Depreciated	8,906,835.05	4,372,556.19	4,462,558.45	-	8,816,832.79
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	26,167,704.36	424,956.81	-	-	26,592,661.17
Buildings and Fixed Equipment	223,710,245.06	4,037,601.64	-	-	227,747,846.70
Furniture, Fixtures, and Equipment	18,687,030.20	1,440,272.97	1,049,023.71	7,691,462.46	26,769,741.92
Motor Vehicles	17,899,341.78	542,185.93	71,366.75	-	18,370,160.96
Property Under Capital Lease	7,693,355.14	-	1,892.68	(7,691,462.46)	-
Audio Visual Materials and Computer Software	3,311,808.39	17,515.25	115,026.89	-	3,214,296.75
Total Capital Assets Being Depreciated	297,469,484.93	6,462,532.60	1,237,310.03	-	302,694,707.50
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	13,606,694.18	1,071,627.59	-	-	14,678,321.77
Buildings and Fixed Equipment	60,871,762.50	4,448,641.14	-	-	65,320,403.64
Furniture, Fixtures, and Equipment	13,689,194.99	1,346,191.74	996,120.40	6,205,645.43	20,244,911.76
Motor Vehicles	12,655,688.34	1,121,869.77	70,733.42	-	13,706,824.69
Property Under Capital Lease	4,669,497.28	1,537,903.16	1,755.01	(6,205,645.43)	-
Audio Visual Materials and Computer Software	2,612,476.03	413,817.63	110,993.14	-	2,915,300.52
Total Accumulated Depreciation	108,105,313.32	9,940,051.03	1,179,601.97	-	116,865,762.38
Total Capital Assets Being Depreciated, Net	189,364,171.61	(3,477,518.43)	57,708.06	-	185,828,945.12
Governmental Activities Capital Assets, Net	<u>\$ 198,271,006.66</u>	<u>\$ 895,037.76</u>	<u>\$ 4,520,266.51</u>	<u>\$ 0.00</u>	<u>\$ 194,645,777.91</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$9,940,051.03, is charged to unallocated depreciation on the statement of activities.

D. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and

FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$2,802,998 for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

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

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

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	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 2014-15 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	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
 (2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$5,197,853 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$13,696,953 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.224486089 percent, which was a decrease of 0.006719708 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized Plan pension expense of \$1,110,805. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 847,608
Change of assumptions	2,372,085	-
Net difference between projected and actual earnings on FRS pension plan investments	-	22,848,791
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	973,148
District FRS contributions subsequent to the measurement date	5,197,853	-
Total	\$ 7,569,938	\$ 24,669,547

The deferred outflows of resources related to pensions, totaling \$5,197,853, 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, 2016. 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>
2016	\$ (5,608,174)
2017	(5,608,174)
2018	(5,608,174)
2019	(5,608,173)
2020	104,025
Thereafter	31,208
Total	\$ (22,297,462)

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

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

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

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

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

<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	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate

share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 58,583,686	\$ 13,696,953	\$ (23,640,245)

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.

HIS Pension Plan

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

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

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$1,037,669 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$26,360,742 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's

fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.281925709 percent, which was a decrease of 0.011438719 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized HIS Plan pension expense of \$1,692,193. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	938,020	-
Net difference between projected and actual earnings on HIS pension plan investments	12,654	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	857,573
District contributions subsequent to the measurement date	1,037,669	-
Total	\$ 1,988,343	\$ 857,573

The deferred outflows of resources, totaling \$1,037,669, was related to pensions 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 ended June 30, 2016. 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>
2016	\$ 16,139
2017	16,139
2018	16,139
2019	16,138
2020	12,976
Thereafter	15,570
Total	\$ 93,101

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

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

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

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

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

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	\$ 29,983,209	\$ 26,360,742	\$ 23,337,018

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.

2. FRS – Defined Contribution Pension Plan

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

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

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$653,388.80 for the fiscal year ended June 30, 2015.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District, or its component unit, Academy of

Environmental Science, Inc., are eligible to participate in the District's health, life, and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the administration 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 2014-15 fiscal year, 221 retirees received other postemployment benefits. The District provided required contributions of \$891,705 toward the OPEB cost, net of retiree contributions totaling \$1,592,648 which represents 2.8 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 1,629,856
Amortization of Unfunded Actuarial Accrued Liability	<u>2,058,788</u>
Annual Required Contribution	3,688,644
Interest on Net OPEB Obligation	544,391
Adjustment to Annual Required Contribution	<u>(1,071,410)</u>
Annual OPEB Cost (Expense)	3,161,625
Contribution Toward the OPEB Cost	<u>(891,705)</u>
Increase in Net OPEB Obligation	2,269,920
Net OPEB Obligation, Beginning of Year	<u>18,146,387</u>
Net OPEB Obligation, End of Year	<u><u>\$ 20,416,307</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 June 30, 2015, and the 2 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>
2012-13	\$ 3,471,150	19.80%	\$ 15,889,580
2013-14	3,106,049	27.34%	18,146,387
2014-15	3,161,625	28.20%	20,416,307

Funded Status and Funding Progress. As of June 30, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$34,678,407, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$34,678,407 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$56,702,237, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 61.16 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 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's OPEB actuarial valuation as of June 30, 2014, used the level dollar amortization cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The investment rate of return and the healthcare trend rate include a general price inflation of 2.5 percent. The actuarial assumptions also included an annual healthcare cost trend rate of 6.07 percent initially for the 2015 calendar year, increasing and decreasing in the various increments and decrements each year to an ultimate rate of 4.20 percent in year 2085. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2015, was 22 years.

F. Construction and Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2015:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 133,424	\$ 18,393	\$ 1,326,951	\$ 70,668	\$ 1,549,436

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

Project	Contract Amount	Completed to Date	Balance Committed
Citrus Springs Middle School HVAC Replacement Project			
Architect	\$ 181,206.00	\$ 167,433.39	\$ 13,772.61
Contractor	1,654,771.45	1,165,226.48	489,544.97
Citrus Springs Middle School Reroofing			
Architect	84,000.00	70,560.00	13,440.00
Contractor	616,791.00	396,354.75	220,436.25
Total	\$ 2,536,768.45	\$ 1,799,574.62	\$ 737,193.83

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District's covered risks relating to property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members are included in the group program. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the program is composed of one board member from each participating district and a superintendent and a district-level business officer selected from one of the participating districts. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

The District's health insurance program is being provided on a self-insured basis up to specific limits. The District entered into an agreement with Symetra Financial to provide individual and aggregate excess coverage. Symetra will reimburse 100 percent of individual claims in excess of \$175,000 and the aggregate reimbursement maximum is \$1,000,000 per policy period. The District has applied for an Individual Excess Loss Advantage Provision with Symetra and will pay the first \$300,000 deductible of eligible reimbursable claims. Blue Cross Blue Shield of Florida administers this self-insurance program, including the processing, investigation and payment of claims. The lifetime maximum for each individual covered is unlimited.

Additionally, the District has entered into a contract with Care Here! to operate a wellness center. Employees who have District health insurance may see a doctor and receive stocked generic medicines free of charge.

Settled claims resulting from the health insurance risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

A liability in the amount of \$1,776,972.05 represents estimated incurred, but not reported, insurance claims payable at June 30, 2015.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

<u>Fiscal Year</u>	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2013-14	\$ 1,732,397.77	\$ 9,033,504.14	\$ (8,741,482.82)	\$ 2,024,419.09
2014-15	2,024,419.09	10,947,580.84	(11,195,027.88)	1,776,972.05

H. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note, Series 2014	\$ 0.00	\$ 10,000,000	\$ (10,000,000)	\$ 0.00

Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

I. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on April 1, 2010, which was characterized as a lease-purchase agreement, with the Citrus County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities in the total amount of \$46,945,000.

The financing was accomplished through the insurance of Certificate of Participation (COPs) Series 2010A-Qualified School Construction Bonds (QSCB), in the amount of \$35,000,000 and COPs Series 2010B in the amount of \$11,945,000, to be repaid from the proceeds of rents paid by the District.

The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created a new category of direct subsidy debt for school districts, QSCBs. The QSCB does not represent incremental Federal funding; it must be repaid by the District.

The Series 2010A-QSCBs are designated as “qualified school construction bonds” as defined in Section 54F of the Internal Revenue Code (Code), and pursuant to Section 6431 of the Code, the Board has elected to receive Federal subsidy payments on each interest payment date for the Series 2010A-QSCBs in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A-QSCBs on such date or the amount of interest which would have been payable with respect to the Series 2010A-QSCBs if the interest were determined at the applicable tax credit rate for the Series 2010A-QSCBs pursuant to Section 54 A(b)(3) of the Code. The interest rate is 6.738 percent with an allowed Federal subsidy of 5.78 percent, yielding a new amount of 0.958 percent.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$1 per year. The initial term of the lease for the Series 2010A-QSCBs is 10 years commencing on April 1, 2010, and the initial term for the COPs Series 2010B is 22 years commencing on April 1, 2010. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangement which may be up to 22 years from the date of inception of the arrangement.

The Leasing Corporation issued the Series 2010A-QSCBs in the amount of \$35,000,000 to finance the cost of additions and renovations to Crystal River High School.

The Leasing Corporation issued COPs Series 2010B in the amount of \$11,945,000 to finance the cost of additions and renovations to Crystal River Primary School.

For the Series 2010A-QSCBs, the principal portion of the basic lease payment, \$35,000,000 is due on April 1, 2027. The interest portion of the basic lease payments is due on each April 1 and October 1, commencing October 1, 2010. The sinking fund payments, which are subject to change, are due on April 1 during each period, commencing on April 1, 2016. The sinking fund payments to be made by the District with respect to the Series 2010A-QSCB will be deposited by the trustee into the Series 2010A Sinking Fund Account pursuant to the trust agreement. Such funds will be invested in investment securities in accordance with the trust agreement. The Board may offset sinking fund payments with the interest earnings on amounts in the Series 2010A Sinking Fund Account, provided that the sinking fund payments will be funded at a rate not more rapid than equal, annual installments in an aggregate amount not in excess of the principal

component due at maturity. Sinking fund payments on deposit in the Series 2010A Sinking Fund Account will be retained therein until transferred to the Series 2010A Lease Payment Account and applied to the payment of the \$35,000,000 principal component due on the Series 2010A-QSCBs at maturity (April 1, 2027) or upon earlier prepayment.

Series 2010B payments were completed in 2014-15. 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>Series 2010A-QSCB</u>		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,358,300	\$ -	\$ 2,358,300
2017	2,358,300	-	2,358,300
2018	2,358,300	-	2,358,300
2019	2,358,300	-	2,358,300
2020	2,358,300	-	2,358,300
2021-2025	11,791,500	-	11,791,500
2026-2027	39,716,600	35,000,000	4,716,600
Total Minimum Lease Payments	\$ 63,299,600	\$ 35,000,000	\$ 28,299,600

2. Bonds Payable

Bonds payable at June 30, 2015, 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 2009A, Refunding	\$ 120,000	5	2019
Series 2014B, Refunding	1,261,000	2 - 5	2020
Total Bonds Payable	<u>\$ 1,381,000</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, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	\$ 463,511	\$ 391,000	\$ 72,511
2017	468,000	420,000	48,000
2018	469,000	442,000	27,000
2019	82,900	78,000	4,900
2020	51,000	50,000	1,000
Total State School Bonds	<u>\$ 1,534,411</u>	<u>\$ 1,381,000</u>	<u>\$ 153,411</u>

3. Defeased Debt

The SBE issued \$129,880,888 of SBE Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, with an average interest rate of 5 percent. The proceeds of the bond issue were used to call the remaining portions of the District's State School Bonds, Series 2005B, totaling \$1,360,000. The SBE Capital Outlay Bonds Series 2005B were called on January 1, 2015. The District's pro rata share of net proceeds was \$1,261,000 (after deduction of \$2,163.91 in underwriting fees and other issuance costs, plus an additional \$28,333.33 in sinking fund moneys).

The Series 2014B bonds were issued to reduce the total debt service payments over the remaining 5 years by approximately \$99,089.

4. 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>
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 659,607.82	\$ -	\$ 659,607.82	\$ -	\$ -
Certificates of Participation Payable	37,585,000.00	-	2,585,000.00	35,000,000.00	-
Bonds Payable	1,915,000.00	1,261,000.00	1,795,000.00	1,381,000.00	391,000.00
Compensated Absences Payable	5,355,824.63	1,250,894.55	895,511.94	5,711,207.24	1,016,000.00
Net Pension Liability (1)	65,342,039.00	6,125,757.00	31,410,101.00	40,057,695.00	884,937.76
Other Postemployment Benefits Payable	18,146,387.00	3,161,625.00	891,705.00	20,416,307.00	-
Total Governmental Activities	<u>\$ 129,003,858.45</u>	<u>\$ 11,799,276.55</u>	<u>\$ 38,236,925.76</u>	<u>\$ 102,566,209.24</u>	<u>\$ 2,291,937.76</u>

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund.

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually

required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

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

K. Interfund Receivables and Payables

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	\$ 590,364.88	\$ -
Special Revenue:		
Other	-	528,052.57
Capital Projects:		
Local Capital Improvement	735,175.10	-
Nonmajor Governmental	-	797,487.41
Total	\$ 1,325,539.98	\$ 1,325,539.98

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09, Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 37,052,326.00
Categorical Educational Program - Class Size Reduction	15,334,945.00
Workforce Development Program	2,688,261.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	642,662.31
Voluntary Prekindergarten Program	622,651.30
School Recognition	495,304.00
Gross Receipts Tax (Public Education Capital Outlay)	299,147.00
Workforce Education Performance	112,559.00
Mobile Home License Tax	97,115.60
Adults with Disabilities	95,393.00
Full Service Schools	89,529.73
Food Service Supplement	87,354.00
Charter School Capital Outlay	55,003.00
Miscellaneous	501,944.74
Total	\$ 58,174,195.68

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-15 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.056	\$ 43,231,040.60
Basic Discretionary Local Effort	0.748	6,395,731.48
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	12,825,665.73
Total	7.304	\$ 62,452,437.81

M. Interfund Transfers

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	\$ 5,987,972.74	\$ 5,267.69
Capital Projects:		
Local Capital Improvement	-	9,524,145.18
Nonmajor Governmental	3,840,859.33	299,419.20
Total	\$ 9,828,832.07	\$ 9,828,832.07

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from capital projects funds to the General Fund to reimburse the General Fund for allowable maintenance expenditures, capital-related expenditures, and property and casualty insurance premiums. Transfers from Local Capital Improvement Fund and nonmajor governmental funds were made into the nonmajor governmental funds for debt service payments.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 195,000.00	\$ 195,000.00	\$ 191,027.78	\$ (3,972.22)
Federal Through State and Local State	423,769.24	423,769.24	362,704.66	(61,064.58)
	56,708,816.10	57,181,566.52	57,099,447.87	(82,118.65)
Local:				
Property Taxes	47,774,472.00	48,002,120.40	48,002,120.40	-
Miscellaneous	2,906,236.08	3,185,717.36	3,147,997.46	(37,719.90)
Total Local Revenues	50,680,708.08	51,187,837.76	51,150,117.86	(37,719.90)
Total Revenues	108,008,293.42	108,988,173.52	108,803,298.17	(184,875.35)
Expenditures				
Current - Education:				
Instruction	71,296,638.43	71,019,859.10	68,843,322.41	2,176,536.69
Student Personnel Services	4,867,958.66	4,783,182.47	4,765,247.14	17,935.33
Instructional Media Services	1,477,960.75	1,421,537.28	1,402,377.70	19,159.58
Instruction and Curriculum Development Services	1,508,579.33	1,582,699.16	1,549,547.78	33,151.38
Instructional Staff Training Services	505,871.99	632,861.34	637,104.36	(4,243.02)
Instructional - Related Technology Board	1,467,884.39	1,674,427.69	1,568,902.87	105,524.82
General Administration	579,599.91	579,901.26	544,515.05	35,386.21
School Administration	570,081.25	494,377.04	493,710.21	666.83
Facilities Acquisition and Construction	8,180,147.71	8,298,377.82	8,265,447.71	32,930.11
Fiscal Services	433,813.02	367,796.50	362,695.90	5,100.60
Food Services	835,711.03	827,752.79	826,550.75	1,202.04
Central Services	-	37,763.70	34,790.40	2,973.30
Student Transportation Services	2,797,435.74	2,750,801.44	2,688,650.13	62,151.31
Operation of Plant	8,067,827.40	7,961,985.39	7,532,063.59	429,921.80
Maintenance of Plant	8,770,480.89	8,749,984.58	8,509,003.32	240,981.26
Administrative Technology Services	5,242,734.01	5,125,723.84	3,893,849.93	1,231,873.91
Community Services	2,023,827.19	2,156,803.63	2,046,707.31	110,096.32
Fixed Capital Outlay:	65,500.00	92,737.57	92,737.57	-
Facilities Acquisition and Construction	-	123,416.98	89,038.27	34,378.71
Other Capital Outlay	-	321,553.72	138,885.87	182,667.85
Total Expenditures	118,692,051.70	119,003,543.30	114,285,148.27	4,718,395.03
Excess (Deficiency) of Revenues Over Expenditures	(10,683,758.28)	(10,015,369.78)	(5,481,850.10)	4,533,519.68
Other Financing Sources (Uses)				
Transfers In	8,774,057.00	8,901,829.00	5,987,972.74	(2,913,856.26)
Sale of Capital Assets	-	607.89	607.89	-
Loss Recoveries	-	79,041.93	79,041.93	-
Transfers Out	-	(5,267.69)	(5,267.69)	-
Total Other Financing Sources (Uses)	8,774,057.00	8,976,211.13	6,062,354.87	(2,913,856.26)
Net Change in Fund Balances	(1,909,701.28)	(1,039,158.65)	580,504.77	1,619,663.42
Fund Balances, Beginning	6,902,867.29	6,902,867.29	6,902,867.29	-
Fund Balances, Ending	\$ 4,993,166.01	\$ 5,863,708.64	\$ 7,483,372.06	\$ 1,619,663.42

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,250,000.00	\$ 1,311,853.94	\$ 945,956.86	\$ (365,897.08)
8,421,550.18	11,571,788.42	9,431,970.02	(2,139,818.40)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>9,671,550.18</u>	<u>12,883,642.36</u>	<u>10,377,926.88</u>	<u>(2,505,715.48)</u>
4,755,231.70	6,639,705.69	5,032,827.60	1,606,878.09
667,267.38	716,668.02	694,895.92	21,772.10
-	-	-	-
2,330,961.91	2,612,018.71	2,412,585.90	199,432.81
668,089.19	984,538.40	737,976.86	246,561.54
-	-	-	-
-	-	-	-
-	574,551.35	508,531.73	66,019.62
-	7,302.00	7,302.00	-
-	-	-	-
-	-	-	-
-	-	-	-
-	10,239.51	8,900.96	1,338.55
-	20,457.82	2,782.40	17,675.42
-	-	-	-
-	-	-	-
-	-	-	-
1,250,000.00	1,250,000.00	903,962.65	346,037.35
-	-	-	-
-	68,160.86	68,160.86	-
<u>9,671,550.18</u>	<u>12,883,642.36</u>	<u>10,377,926.88</u>	<u>2,505,715.48</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Schedule of Funding Progress –
Other Postemployment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01-01-10	\$ -	\$ 36,033,256	\$ 36,033,256	0.0%	\$ 63,014,758	57.18%
06-30-12	-	37,153,232	37,153,232	0.0%	65,913,203	56.37%
06-30-14	-	34,678,407	34,678,407	0.0%	56,702,237	61.16%

Note: (1) The District's OPEB actuarial valuation used the level dollar amortization cost method to estimate the actuarial accrued liability.

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

	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability	0.224486089%	0.231205797%
District's proportionate share of the FRS net pension liability	\$ 13,696,953	\$ 39,800,808
District's covered-employee payroll	\$ 75,377,640	\$ 76,793,608
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.17%	51.83%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 5,197,853	\$ 4,917,198
FRS contributions in relation to the contractually required contribution	(5,197,853)	(4,917,198)
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 73,693,824	\$ 75,377,640
FRS contributions as a percentage of covered-employee payroll	7.05%	6.52%

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

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

	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.281925709%	0.293364428%
District's proportionate share of the HIS net pension liability	\$ 26,360,742	\$ 25,541,231
District's covered-employee payroll	\$ 83,769,277	\$ 85,237,165
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 1,037,669	\$ 965,783
HIS contributions in relation to the contractually required contribution	(1,037,669)	(965,783)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 82,393,498	\$ 83,769,277
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

1. Budgetary Basis of Accounting

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

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

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The June 30, 2014, unfunded actuarial accrued liability of \$34,678,407 was significantly lower than the June 30, 2012, liability of \$37,153,232 as a result of changes in liabilities and costs as discussed below:

- The number of enrolled retirees increased from 214 in the June 30, 2012, valuation to 245 in the June 30, 2014, valuation. However, the number of active employees decreased from 1,802 to 1,544 in the current valuation. The combined effect of these changes was an overall decrease in the costs and liabilities of the OPEB Plan.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to be 6.01 percent in the first year, increasing by 0.3 percent each of the next 3 years, and then reduced by various decrements, to an ultimate rate of 4.2 percent in 2085. In the current valuation, the trend is assumed to be 5.37 percent in the first year, increasing and decreasing in various increments and decrements each year to an ultimate rate of 4.35 percent in year 2085. This change decreased the costs and liabilities of the OPEB Plan.

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

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

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14002	\$ 1,092,680.37
National School Lunch Program	10.555 (2)	14001, 14003	4,191,072.27
Summer Food Service Program for Children	10.559	13006, 13007, 14006, 14007	47,531.03
Total United States Department of Agriculture			<u>5,331,283.67</u>
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	<u>903,962.65</u>
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	3,570,222.21
Special Education - Preschool Grants	84.173	267	<u>145,962.61</u>
Total Special Education Cluster			<u>3,716,184.82</u>
Adult Education - Basic Grants to States	84.002	191, 193	209,845.31
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	4,428,715.80
Career and Technical Education - Basic Grants to States	84.048	161	324,643.84
Education for Homeless Children and Youth	84.196	127	35,364.28
Rural Education	84.358	110	40,898.67
English Language Acquisition State Grants	84.365	102	18,021.75
Improving Teacher Quality State Grants	84.367	224	658,295.55
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311, RG411	<u>527,508.74</u>
Total Indirect			<u>9,959,478.76</u>
Total United States Department of Education			<u>10,863,441.41</u>
United States Department of Commerce:			
Direct:			
Habitat Conservation	11.463	N/A	<u>41,994.21</u>
United States Department of Defense			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	47,391.40
Army Junior Reserve Officers Training Corps	None	N/A	69,489.75
Navy Junior Reserve Officers Training Corps	None	N/A	<u>74,146.63</u>
Total United States Department of Defense			<u>191,027.78</u>
Total Expenditures of Federal Awards			<u>\$ 16,427,747.07</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance – National School Lunch Program. Includes \$387,198.67 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Citrus County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, the Citrus High School private purpose trust fund, and the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted an additional matter that is discussed in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Finding

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2016



Sherrill F. Norman, CPA
Auditor General

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.063	Federal Pell Grant Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$492,832
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTER

Finding 1: Virtual Instruction Program – Written Policies and Procedures

State law¹ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law² establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 11 full-time and 19 part-time VIP students. The District contracted with the Seminole County School District (SCSD) to administer certain aspects of the VIP. While the District generally administered the VIP in accordance with applicable State requirements, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations.

In response to our inquiry, District personnel indicated that the District relied on SCSD's written VIP policies and procedures to ensure compliance with VIP statutory requirements and appropriate controls over VIP operations. Notwithstanding this response, as similarly noted in our report No. 2015-149, the absence of District comprehensive, written VIP policies and procedures increases the risk of District VIP control deficiencies and noncompliance.

Recommendation: To enhance compliance and the effectiveness of VIP operations and related activities, the District should develop and maintain comprehensive, written VIP policies and procedures.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2015-149, except as noted in Finding 1.

¹ Section 1001.41(3), Florida Statutes.

² Section 1002.45, Florida Statutes.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2015-149		There were no prior Federal audit findings.		

MANAGEMENT'S RESPONSE



SANDRA "SAM" HIMMEL – SUPERINTENDENT OF SCHOOLS

*"Where Learning is the Expectation
And Caring is a Commitment"*

THOMAS KENNEDY
DISTRICT 1

VIRGINIA BRYANT
DISTRICT 2

DOUGLAS A. DODD
DISTRICT 3

VACANT
DISTRICT 4

LINDA B. POWERS
DISTRICT 5

February 18, 2016

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

Re: Citrus County School District Audit Response for the fiscal year ended June 30, 2015

Dear Ms. Norman,

Please find below the response and corrective action on the preliminary and tentative findings for the financial, operational and Federal audit of the Citrus County School District for the Year ended June 30, 2015.

Finding 1: Virtual Instruction Program – Written Policies and Procedures

Citrus County School Board provides options to students who choose to participate in a virtual instruction program (VIP) as required by Florida Statute 1001.41(3). To meet this requirement, the District contracted with Seminole County District School Board (SCSB) for the management and delivery of VIP to all eligible students in Citrus County as allowed by Section 1002.45(1)(c)(3), Florida Statutes.

Since Citrus County School Board contracts with SCSB for VIP, our District relied on the VIP policies and procedures developed by SCSB. However as brought to our attention by your audit, our District does maintain some responsibility for certain requirements of the program. Therefore, comprehensive, written VIP policies and procedures will be developed which cover applicable operations and activities.

Sincerely,

Sandra Himmel
Superintendent

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