

Report No. 2017-118
February 2017

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**CITRUS COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2016



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Sandra Himmel served as Superintendent of the Citrus County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Thomas E. Kennedy, Chair to 11-9-15	1
Virginia Bryant, Vice Chair from 11-10-15	2
Douglas A. Dodd	3
Sandy Balfour to 11-30-15 ^a	4
Linda B. Powers, Chair from 11-10-15, Vice Chair to 11-9-15	5

^a Member resigned; position was vacant from 12-1-15 through 6-30-16.

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 Janet N. Case, CPA, and the audit was supervised by Karen J. Collington, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

This report and other reports prepared by the Auditor General are available at:

www.myflorida.com/audgen

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

CITRUS COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Net Position – Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	24
Statement of Cash Flows – Proprietary Fund	25
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to Financial Statements	28
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	58
Schedule of Funding Progress – Other Postemployment Benefits Plan	60
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	60
Schedule of District Contributions – Florida Retirement System Pension Plan	60
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	61
Schedule of District Contributions – Health Insurance Subsidy Pension Plan	61
Notes to Required Supplementary Information	61

CITRUS COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	64
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 <i>GOVERNMENT AUDITING STANDARDS</i>	66
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
PRIOR AUDIT FOLLOW-UP	72
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	72

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Citrus County District School Board (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.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Special Education Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Special Education Cluster.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the 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; and
- 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 program.

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, 2016. 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

We conducted our audit in accordance with 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Citrus County District School Board, as of and for the fiscal year ended June 30, 2016, 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 private purpose trust fund, which represent 21 percent of the assets and 37 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds, the private purpose trust fund, and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Citrus County District School Board, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **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**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 dated February 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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
February 13, 2017

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, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year are as follows:

- The District's total net position decreased by \$4,649,686.21, which is a 4 percent decrease from the 2014-15 fiscal year.
- General revenues total \$136,000,028.59, or 93.8 percent of all revenues for the 2015-16 fiscal year, as compared to \$131,550,727.13 or 93.6 percent for the 2014-15 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$8,913,012.56, or 6.2 percent of total revenue, compared to \$9,028,144.49 which was 6.4 percent for the 2014-15 fiscal year.
- On the government-wide financial statements, expenses total \$149,562,727.36. Only \$8,913,012.56 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$4,649,686.21 as compared to the previous fiscal year when expenses exceeded revenues by \$4,253,063.52.
- The General Fund total assigned and unassigned fund balances, representing the net current financial resources available for general appropriation by the Board, totaled \$4,734,559.94 at June 30, 2016, or 4.2 percent of General Fund revenues.
- During the current year, General Fund expenditures exceeded revenues by \$4,253,355.25. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$5,481,850.10. These figures do not take into consideration the effect of the transfer from the Capital Projects – Local Capital Improvement Fund.

OVERVIEW OF THE 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, including 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 two separate legal entities as discretely presented component units, which are The Academy of Environmental Science, Inc. (Charter School) and Citrus MYcroSchool of Integrated Academics and Technologies, Inc. (Charter School). Although both are legally separate organizations, the Charter Schools are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units are reported separately from the financial information presented for the primary government.
- 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, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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 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 Fund 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 statements.

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

The District uses a private-purpose trust fund 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 may serve over time 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, 2016, compared to net position as of June 30, 2015:

Net Position, End of Year

	Governmental Activities	
	6-30-16	6-30-15
Current and Other Assets	\$ 45,139,783.72	\$ 49,196,399.26
Capital Assets	190,829,801.91	194,645,777.91
Total Assets	235,969,585.63	243,842,177.17
Deferred Outflows of Resources	13,180,665.00	9,558,281.00
Long-Term Liabilities	119,488,927.36	102,566,209.24
Other Liabilities	6,672,808.75	8,700,831.20
Total Liabilities	126,161,736.11	111,267,040.44
Deferred Inflows of Resources	11,031,903.00	25,527,120.00
Net Position:		
Net Investment in Capital Assets	154,839,801.91	158,264,777.91
Restricted	30,973,466.34	33,591,562.79
Unrestricted (Deficit)	(73,856,656.73)	(75,250,042.97)
Total Net Position	\$ 111,956,611.52	\$ 116,606,297.73

The largest portion of the District's net position is investment in capital assets (e.g. land, buildings, furniture, fixtures, and equipment), less any related debt outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities. The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result of accruing \$22,489,800 in other postemployment benefit obligations and \$55,220,989 in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015 are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-16	6-30-15
Program Revenues:		
Charges for Services	\$ 2,267,239.64	\$ 2,360,058.27
Operating Grants and Contributions	5,679,733.65	5,405,189.19
Capital Grants and Contributions	966,039.27	1,262,897.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	48,331,144.43	48,002,120.40
Property Taxes, Levied for Capital Projects	12,741,500.61	12,404,759.39
Grants and Contributions Not Restricted to Specific Programs	71,119,997.99	68,186,492.77
Unrestricted Investment Earnings	251,366.01	159,583.93
Miscellaneous	3,556,019.55	2,797,770.64
Total Revenues	144,913,041.15	140,578,871.62
Functions/Program Expenses:		
Instruction	75,723,156.80	74,154,313.18
Student Support Services	5,631,033.19	5,454,870.08
Instructional Media Services	1,452,059.36	1,401,023.68
Instruction and Curriculum Development Services	4,099,583.28	3,958,307.36
Instructional Staff Training Services	1,633,334.35	1,483,402.28
Instruction-Related Technology	1,824,382.70	1,567,387.75
Board	482,721.37	543,989.20
General Administration	1,095,286.77	1,025,851.38
School Administration	8,601,844.76	8,264,760.54
Facilities Acquisition and Construction	5,296,983.01	3,454,268.65
Fiscal Services	905,082.02	825,752.54
Food Services	6,476,506.48	6,500,059.77
Central Services	2,684,396.86	2,697,878.22
Student Transportation Services	7,427,912.45	7,527,569.43
Operation of Plant	9,181,798.80	8,500,785.99
Maintenance of Plant	3,882,354.55	3,890,089.55
Administrative Technology Services	2,115,439.45	2,044,730.76
Community Services	883,475.32	995,737.67
Unallocated Interest on Long-Term Debt	551,024.50	543,398.02
Unallocated Depreciation Expense	9,591,430.03	9,940,051.03
Loss on Disposal of Capital Assets	22,921.31	57,708.06
Total Functions/Program Expenses	149,562,727.36	144,831,935.14
Change in Net Position	(4,649,686.21)	(4,253,063.52)
Net Position - Beginning	116,606,297.73	180,318,419.25
Adjustment to Beginning Net Position (1)	-	(59,459,058.00)
Net Position - Beginning, as Restated	116,606,297.73	120,859,361.25
Net Position - Ending	\$ 111,956,611.52	\$ 116,606,297.73

Note: (1) The adjustment to beginning net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, which was a change in accounting principle that required employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The largest revenue sources are the State of Florida and local property taxes which are 42.2 percent and 42.1 percent, respectively, of total revenue. 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 increased by \$4,334,169.53, or 3.1 percent, largely due to an increase in claims for Medicaid reimbursable expenses and an increase in the FEFP. Total government-wide expenses increased \$4,730,792.22, or 3.3 percent, largely due to salary and benefit increases and the purchase of staff computers.

From the 2014-15 fiscal year to the 2015-16 fiscal year, the taxable value of property in the District increased from \$8,574,272,129 to \$8,861,423,299, while the millage rate decreased from 7.304 mills to 7.189 mills, the base student allocation increased by \$122.68 and the unweighted full-time equivalent increased by 190.69.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds decreased by \$1,628,275.38 during the fiscal year to \$36,916,940.58 at June 30, 2016. Approximately 10.2 percent of this amount is unassigned fund balance (\$3,775,565.35), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$1,499,423.79), (2) restricted for particular purposes (\$30,682,956.85), or (3) assigned for particular purposes (\$958,994.59).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total of assigned and unassigned fund balance was \$4,734,559.94, while the total fund balance was \$8,977,095.91. Total fund balance increased by \$1,493,723.85 during the fiscal year. The key factors impacting the change are revenues increasing \$4,403,929.92 primarily due to the increase in Medicaid and FEFP funding, partially offset by an increase in expenditures of \$3,175,435.07, primarily due to increases in instruction (\$1,800,624.23) and operation of plant (\$643,100.80).

The Special Revenue – Other Fund has total revenues and expenditures of \$10,367,700.76 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 Project – Local Capital Improvement Fund has a total fund balance of \$22,358,841.44 which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$1,438,816 has been encumbered for specific projects. The fund balance decreased by \$5,934,398.09 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2015-16 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 budget amounts, while actual expenditures are \$5,991,506.33, or 4.9 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 \$3,134,736.77.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, is \$190,829,801.91 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; construction in progress; audio visual materials and computer software. During the 2015-16 fiscal year, the District completed heating, ventilation, and air conditioning upgrades at four schools and completed a reroofing project at one of these schools.

Additional information on the District's capital assets can be found in Notes I.F.4. and II.C. to the financial statements.

Long-Term Debt

At June 30, 2016, the District had total long-term debt of \$35,990,000, composed of \$990,000 of State School Bonds and \$35,000,000 of Certificates of Participation, Series 2010A – Qualified School Construction Bonds. During the current year, the District made \$391,000 in principal payments on the State School Bonds and a \$2,289,529 sinking fund deposit related to the Qualified School Construction Bonds.

Additional information on the District's long-term debt can be found in the Notes II.H.1 through II.H.3. to the 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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

Citrus County District School Board Statement of Net Position June 30, 2016

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and Cash Equivalents	\$ 21,494,417.69	\$ 176,209.73
Investments	14,425,598.74	-
Accounts Receivable	624,902.26	-
Due from Other Agencies	3,748,489.52	13,964.40
Prepaid Items	851,206.45	8,977.10
Inventories	682,116.04	-
Capital Credits Receivable	1,023,524.02	-
Restricted Investment with Fiscal Agent	2,289,529.00	-
Capital Assets:		
Nondepreciable Capital Assets	6,309,177.66	2,000.00
Depreciable Capital Assets, Net	184,520,624.25	510,116.33
TOTAL ASSETS	235,969,585.63	711,267.56
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	13,180,665.00	15,206.00
LIABILITIES		
Payroll Deductions and Withholdings	244,280.97	1,809.18
Accounts Payable	3,047,025.84	6,791.70
Construction Contracts Payable - Retained Percentage	31,661.04	-
Due to Other Agencies	5,200.70	-
Unearned Revenues	1,566,803.06	-
Estimated Liability for Self-Insurance Program	1,777,837.14	-
Long-Term Liabilities:		
Portion Due Within One Year	2,204,937.76	-
Portion Due After One Year	117,283,989.60	50,000.00
TOTAL LIABILITIES	126,161,736.11	58,600.88
DEFERRED INFLOWS OF RESOURCES		
Pensions	11,031,903.00	-
NET POSITION		
Net Investment in Capital Assets	154,839,801.91	512,116.33
Restricted for:		
State Required Carryover Programs	2,476,971.54	18,463.00
Debt Service	2,313,718.92	-
Capital Projects	22,418,447.42	-
Food Service	3,207,678.33	-
Other Required Carryover Programs	556,650.13	-
Unrestricted	(73,856,656.73)	137,293.35
TOTAL NET POSITION	\$ 111,956,611.52	\$ 667,872.68

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, 2016**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 75,723,156.80	\$ 873,579.20	\$ -
Student Support Services	5,631,033.19	-	-
Instructional Media Services	1,452,059.36	-	-
Instruction and Curriculum Development Services	4,099,583.28	-	-
Instructional Staff Training Services	1,633,334.35	-	-
Instruction-Related Technology	1,824,382.70	-	-
Board	482,721.37	-	-
General Administration	1,095,286.77	-	-
School Administration	8,601,844.76	-	-
Facilities Acquisition and Construction	5,296,983.01	28,820.79	-
Fiscal Services	905,082.02	-	-
Food Services	6,476,506.48	1,292,700.05	5,679,733.65
Central Services	2,684,396.86	-	-
Student Transportation Services	7,427,912.45	72,139.60	-
Operation of Plant	9,181,798.80	-	-
Maintenance of Plant	3,882,354.55	-	-
Administrative Technology Services	2,115,439.45	-	-
Community Services	883,475.32	-	-
Unallocated Interest on Long-Term Debt	551,024.50	-	-
Unallocated Depreciation Expense	9,591,430.03	-	-
Loss on Disposal of Capital Assets	22,921.31	-	-
Total Primary Government	\$ 149,562,727.36	\$ 2,267,239.64	\$ 5,679,733.65
Component Units			
Charter Schools	\$ 1,324,052.64	\$ 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

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 Governmental Activities	Component Units
\$ -	\$ (74,849,577.60)	\$ -
-	(5,631,033.19)	-
-	(1,452,059.36)	-
-	(4,099,583.28)	-
-	(1,633,334.35)	-
-	(1,824,382.70)	-
-	(482,721.37)	-
-	(1,095,286.77)	-
-	(8,601,844.76)	-
517,432.33	(4,750,729.89)	-
-	(905,082.02)	-
-	495,927.22	-
-	(2,684,396.86)	-
-	(7,355,772.85)	-
-	(9,181,798.80)	-
-	(3,882,354.55)	-
-	(2,115,439.45)	-
-	(883,475.32)	-
448,606.94	(102,417.56)	-
-	(9,591,430.03)	-
-	(22,921.31)	-
<u>\$ 966,039.27</u>	<u>(140,649,714.80)</u>	<u>-</u>
<u>\$ 36,479.00</u>	<u>-</u>	<u>(1,287,573.64)</u>
	48,331,144.43	-
	12,741,500.61	-
	71,119,997.99	1,289,703.69
	251,366.01	-
	3,556,019.55	4,781.63
	<u>136,000,028.59</u>	<u>1,294,485.32</u>
	(4,649,686.21)	6,911.68
	<u>116,606,297.73</u>	<u>660,961.00</u>
	<u>\$ 111,956,611.52</u>	<u>\$ 667,872.68</u>

**Citrus County District School Board
Balance Sheet – Governmental Funds
June 30, 2016**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	\$ 5,149,389.50	\$ 482.97	\$ 13,638,508.14
Investments	1,020,407.67	-	9,327,878.91
Accounts Receivable	80,175.69	-	-
Due from Other Funds	594,352.69	-	355,808.00
Due from Other Agencies	2,399,797.31	679,163.56	313,720.65
Prepaid Items	824,806.45	-	26,400.00
Inventories	384,107.85	-	-
Restricted Investment with Fiscal Agent	-	-	-
TOTAL ASSETS	\$ 10,453,037.16	\$ 679,646.53	\$ 23,662,315.70
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 221,733.18	\$ 17,950.00	\$ -
Accounts Payable	1,179,440.08	67,343.84	1,271,813.22
Construction Contracts Payable - Retained Percentage	-	-	31,661.04
Due to Other Funds	-	594,352.69	-
Due to Other Agencies	5,200.70	-	-
Unearned Revenues	69,567.29	-	-
Total Liabilities	1,475,941.25	679,646.53	1,303,474.26
Fund Balances:			
Nonspendable:			
Prepaid Items	824,806.45	-	26,400.00
Inventories	384,107.85	-	-
Total Nonspendable Fund Balance	1,208,914.30	-	26,400.00
Restricted for:			
State Required Carryover Programs	2,476,971.54	-	-
Debt Service	-	-	-
Capital Projects	-	-	22,332,441.44
Food Service	-	-	-
Other Required Carryover Programs	556,650.13	-	-
Total Restricted Fund Balance	3,033,621.67	-	22,332,441.44
Assigned for:			
Self-Insurance	800,000.00	-	-
Other Purposes	158,994.59	-	-
Total Assigned Fund Balance	958,994.59	-	-
Unassigned Fund Balance	3,775,565.35	-	-
Total Fund Balances	8,977,095.91	-	22,358,841.44
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,453,037.16	\$ 679,646.53	\$ 23,662,315.70

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

Other Governmental Funds	Total Governmental Funds
\$ 1,027,611.31	\$ 19,815,991.92
2,051,493.32	12,399,779.90
39,053.96	119,229.65
-	950,160.69
355,808.00	3,748,489.52
-	851,206.45
264,109.49	648,217.34
2,289,529.00	2,289,529.00
<u>\$ 6,027,605.08</u>	<u>\$ 40,822,604.47</u>
\$ 4,597.79	\$ 244,280.97
86,196.06	2,604,793.20
-	31,661.04
355,808.00	950,160.69
-	5,200.70
-	69,567.29
<u>446,601.85</u>	<u>3,905,663.89</u>
-	851,206.45
264,109.49	648,217.34
<u>264,109.49</u>	<u>1,499,423.79</u>
-	2,476,971.54
2,313,718.92	2,313,718.92
59,605.98	22,392,047.42
2,943,568.84	2,943,568.84
-	556,650.13
<u>5,316,893.74</u>	<u>30,682,956.85</u>
-	800,000.00
-	158,994.59
-	958,994.59
-	3,775,565.35
<u>5,581,003.23</u>	<u>36,916,940.58</u>
<u>\$ 6,027,605.08</u>	<u>\$ 40,822,604.47</u>

**Citrus County District School Board
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2016**

Total Fund Balances - Governmental Funds \$ 36,916,940.58

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. 190,829,801.91

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. 1,023,524.02

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. 526,510.37

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 of:

Certificates of Participation Payable	\$ (35,000,000.00)	
Bonds Payable	(990,000.00)	
Compensated Absences Payable	(5,788,138.36)	
Other Postemployment Benefits Payable	(22,489,800.00)	
Net Pension Liability	<u>(55,220,989.00)</u>	(119,488,927.36)

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	\$ 13,180,665.00	
Deferred Inflows Related to Pensions	<u>(11,031,903.00)</u>	<u>2,148,762.00</u>

\$ 111,956,611.52

Net Position - Governmental Activities

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

THIS PAGE INTENTIONALLY LEFT BLANK

**Citrus County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2016**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 188,907.53	\$ 774,446.44	\$ -
Federal Through State and Local State	1,079,801.55	9,593,254.32	-
	60,098,748.88	-	-
Local:			
Property Taxes	48,331,144.43	-	12,741,500.61
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	3,508,625.70	-	126,465.02
Total Local Revenues	51,839,770.13	-	12,867,965.63
Total Revenues	113,207,228.09	10,367,700.76	12,867,965.63
Expenditures			
Current - Education:			
Instruction	70,643,946.64	4,834,315.37	-
Student Support Services	4,901,259.80	711,562.17	-
Instructional Media Services	1,447,291.37	71.91	-
Instruction and Curriculum Development Services	1,656,190.07	2,430,134.82	-
Instructional Staff Training Services	836,473.96	791,013.81	-
Instruction-Related Technology Board	1,788,754.51	29,727.98	-
General Administration	481,160.21	-	-
School Administration	466,173.09	625,530.07	-
Facilities Acquisition and Construction	8,574,025.70	-	-
Fiscal Services	343,983.23	-	4,486,400.72
Food Services	902,154.91	-	-
Central Services	28,944.39	-	-
Student Transportation Services	2,644,927.61	30,787.70	-
Operation of Plant	7,396,666.28	7,223.70	-
Maintenance of Plant	9,152,104.12	-	-
Administrative Technology Services	3,869,798.71	-	-
Community Services	2,108,597.95	-	-
Fixed Capital Outlay:	66,201.73	814,416.36	-
Facilities Acquisition and Construction	19,620.02	-	5,691,958.46
Other Capital Outlay	132,309.04	92,916.87	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	117,460,583.34	10,367,700.76	10,178,359.18
Excess (Deficiency) of Revenues Over Expenditures	(4,253,355.25)	-	2,689,606.45
Other Financing Sources (Uses)			
Transfers In	6,370,158.54	-	-
Sale of Capital Assets	25.70	-	188.50
Loss Recoveries	182,221.35	-	157,608.00
Transfers Out	(805,326.49)	-	(8,781,801.04)
Total Other Financing Sources (Uses)	5,747,079.10	-	(8,624,004.54)
Net Change in Fund Balances	1,493,723.85	-	(5,934,398.09)
Fund Balances, Beginning	7,483,372.06	-	28,293,239.53
Fund Balances, Ending	\$ 8,977,095.91	\$ 0.00	\$ 22,358,841.44

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 963,353.97
5,593,651.25	16,266,707.12
1,089,206.27	61,187,955.15
-	61,072,645.04
62,639.60	62,639.60
1,292,700.05	1,292,700.05
53,533.27	3,688,623.99
<u>1,408,872.92</u>	<u>66,116,608.68</u>
<u>8,091,730.44</u>	<u>144,534,624.92</u>
-	75,478,262.01
-	5,612,821.97
-	1,447,363.28
-	4,086,324.89
564.24	1,628,052.01
-	1,818,482.49
-	481,160.21
41.36	1,091,744.52
-	8,574,025.70
-	4,830,383.95
-	902,154.91
6,426,616.54	6,455,560.93
-	2,675,715.31
-	7,403,889.98
-	9,152,104.12
-	3,869,798.71
-	2,108,597.95
-	880,618.09
216,615.57	5,928,194.05
110,438.36	335,664.27
391,000.00	391,000.00
<u>551,024.50</u>	<u>551,024.50</u>
<u>7,696,300.57</u>	<u>145,702,943.85</u>
<u>395,429.87</u>	<u>(1,168,318.93)</u>
2,772,776.99	9,142,935.53
-	214.20
-	339,829.35
<u>(355,808.00)</u>	<u>(9,942,935.53)</u>
<u>2,416,968.99</u>	<u>(459,956.45)</u>
<u>2,812,398.86</u>	<u>(1,628,275.38)</u>
<u>2,768,604.37</u>	<u>38,545,215.96</u>
<u>\$ 5,581,003.23</u>	<u>\$ 36,916,940.58</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, 2016**

Net Change in Fund Balances - Governmental Funds \$ (1,628,275.38)

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 year. (3,793,054.69)

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. (22,921.31)

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.

	\$	1,023,524.02	
Current Year Accruals			
Less: Prior Year Accruals		(985,151.34)	38,372.68

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 the amount of repayments in the current year. 391,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (76,931.12)

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. (2,073,493.00)

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.

	\$	4,865,173.00	
FRS Pension Contribution			
HIS Pension Contribution		1,387,695.00	
FRS Pension Expense		(1,505,493.00)	
HIS Pension Expense		(1,793,068.00)	2,954,307.00

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. (438,690.39)

Change in Net Position - Governmental Activities \$ (4,649,686.21)

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, 2016**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,678,425.77
Investments	2,025,818.84
Accounts Receivable	505,672.61
Inventories	33,898.70
	4,243,815.92
TOTAL ASSETS	
LIABILITIES	
Current Liabilities:	
Accounts Payable	442,232.64
Unearned Revenues	1,497,235.77
Estimated Liability for Self-Insurance Program	1,777,837.14
	3,717,305.55
TOTAL LIABILITIES	
NET POSITION	
Unrestricted	\$ 526,510.37

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, 2016**

	Governmental Activities - Internal Service Fund
	Fund
OPERATING REVENUES	
Charges for Services	\$ 3,510.00
Premiums	13,692,482.94
Other	512,778.11
Total Operating Revenues	14,208,771.05
OPERATING EXPENSES	
Salaries	4,670.04
Employee Benefits	732.65
Purchased Services	3,482,329.98
Energy Services	3,444.81
Materials and Supplies	34,678.06
Capital Outlay	1,015.15
Insurance Claims	11,936,326.12
Total Operating Expenses	15,463,196.81
Operating Loss	(1,254,425.76)
NONOPERATING REVENUES	
Investment Income	15,735.37
Loss Before Transfers	(1,238,690.39)
Transfers In	800,000.00
Change in Net Position	(438,690.39)
Total Net Position - Beginning	965,200.76
Total Net Position - Ending	\$ 526,510.37

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, 2016**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 13,765,056.96
Cash Received from Other Operating Revenues	197,396.15
Cash Payments to Suppliers for Goods and Services	(3,256,641.05)
Cash Payments to Employees for Services	(5,402.69)
Cash Payments for Insurance Claims	(11,935,461.03)
Net Cash Used by Operating Activities	<u>(1,235,051.66)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	800,000.00
Net Cash Provided by Noncapital Financing Activities	<u>800,000.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(2,025,818.84)
Interest Income	15,735.37
Net Cash Used by Investing Activities	<u>(2,010,083.47)</u>
Net Decrease in Cash and Cash Equivalents	(2,445,135.13)
Cash and Cash Equivalents, Beginning	4,123,560.90
Cash and Cash Equivalents, Ending	<u>\$ 1,678,425.77</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (1,254,425.76)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	(315,381.96)
Inventories	4,393.14
Accounts Payable	260,433.81
Unearned Revenues	69,064.02
Estimated Liability for Self-Insurance Program	865.09
Total Adjustments	<u>19,374.10</u>
Net Cash Used by Operating Activities	<u>\$ (1,235,051.66)</u>

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, 2016**

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 215,734.00	\$ 2,343,096.00
Accounts Receivable	-	110,205.00
Inventories	-	1,128.00
	215,734.00	\$ 2,454,429.00
LIABILITIES		
Accounts Payable	\$ -	\$ 81,159.00
Internal Accounts Payable	-	2,373,270.00
	-	\$ 2,454,429.00
NET POSITION		
Held in Trust for Scholarships and Other Purposes	215,734.00	
	\$ 215,734.00	

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, 2016**

		<u>Private Purpose Trust Fund</u>
ADDITIONS		
Contributions:		
Gifts, Grants, Endowments, and Bequests	\$	11,520.00
DEDUCTIONS		
Scholarship Payments		<u>15,533.00</u>
Change in Net Position		(4,013.00)
Net Position - Beginning		<u>219,747.00</u>
Net Position - Ending	\$	<u>215,734.00</u>

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 of 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 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 II.H.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 Units. The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

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

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2016. The audit reports are 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 blended component units. 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.

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 Fund – to account for various endowments in the school internal funds for Citrus High School students, which are used for student scholarships.
- 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 the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and 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 met.

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. For this purpose, 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). Property taxes and interest associated with the current fiscal period are

all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 its assets and liabilities.

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

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 and Florida Fixed Income Trust in the Commercial Paper Pool.

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 SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a 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 a certificate of deposit which is reported at amortized cost and a United States Treasury obligation and local government investment pool, which 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 the 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 acquisition 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 HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and 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.

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

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

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 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 one item that qualifies for reporting in this category. The item, deferred inflows of resources related to pensions, which is reported only in the government-wide statement of net position is discussed in a subsequent note.

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 may include 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 did not have any committed fund balances at June 30, 2016.

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, 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 2015 tax levy on September 8, 2015. 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 assessment 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.

H. 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 excess

insurance coverage, and operating the Wellness Center. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. 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. The certificates of deposit totaling \$3,061,223.01 are held in a bank qualified as a public depository under Florida law.

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

B. Investments

The District's investments at June 30, 2016, are reported as follows:

Investments	Market Value	Maturities			S&P Rating	Maturity
		6 Months or Less	Greater than 6 Months to 3 Years	Greater than 3 Years		
SBA PRIME:						
Florida PRIME (1)	\$ 8,474.44	\$ 8,474.44	\$ -	\$ -	AAAm	39 Day Average
Debt Service Accounts	24,189.92	24,189.92	-	-	(2)	6 Months
Florida Fixed Income Trust (FIT):						
Commercial Paper Pool (1)	2,043,001.63	2,043,001.63	-	-	AAf	48 day average
1-3 Year Fund	11,340,185.81	-	11,340,185.81	-	AAf	2.18 Year average
Bank of New York Mellon						
U.S. Treasury Strip Coupon (3)	2,289,529.00	-	-	2,289,529.00	(4)	February 2027
Total Investments	\$ 15,705,380.80	\$ 2,075,665.99	\$ 11,340,185.81	\$ 2,289,529.00		

Notes: (1) These investments are reported as cash equivalents for financial statement reporting purposes.

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

(3) Investment held under a paying agent agreement for the 2010A-Qualified School Construction Bonds (See Note II.H.1.).

(4) Disclosure of credit risk is not required for this investment type.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District's investments, other than Florida Prime and Florida FIT, are measured at their fair value using Level 1 inputs. Level 1 inputs are quoted market prices in active markets for identical assets. Florida PRIME and Florida FIT are measured at net asset value of \$1 per share.

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 and FIT use a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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 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; and SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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 deposit, 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, 2016, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 5,250,134.97	\$ -	\$ -	\$ 5,250,134.97
Construction in Progress	3,566,697.82	3,330,022.44	5,837,677.57	1,059,042.69
Total Capital Assets Not Being Depreciated	8,816,832.79	3,330,022.44	5,837,677.57	6,309,177.66
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	26,592,661.17	4,581,307.46	-	31,173,968.63
Buildings and Fixed Equipment	227,747,846.70	1,256,370.11	-	229,004,216.81
Furniture, Fixtures, and Equipment	26,769,741.92	1,275,696.95	700,530.12	27,344,908.75
Motor Vehicles	18,370,160.96	1,127,114.00	120,164.00	19,377,110.96
Audio Visual Materials and Computer Software	3,214,296.75	65,541.95	106,561.17	3,173,277.53
Total Capital Assets Being Depreciated	302,694,707.50	8,306,030.47	927,255.29	310,073,482.68
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	14,678,321.77	1,067,193.63	-	15,745,515.40
Buildings and Fixed Equipment	65,320,403.64	4,527,754.20	-	69,848,157.84
Furniture, Fixtures, and Equipment	20,244,911.76	2,653,371.25	687,047.76	22,211,235.25
Motor Vehicles	13,706,824.69	1,079,282.89	120,164.00	14,665,943.58
Audio Visual Materials and Computer Software	2,915,300.52	263,828.06	97,122.22	3,082,006.36
Total Accumulated Depreciation	116,865,762.38	9,591,430.03	904,333.98	125,552,858.43
Total Capital Assets Being Depreciated, Net	185,828,945.12	(1,285,399.56)	22,921.31	184,520,624.25
Governmental Activities Capital Assets, Net	\$ 194,645,777.91	\$ 2,044,622.88	\$ 5,860,598.88	\$ 190,829,801.91

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$9,591,430.03 is charged to unallocated depreciation on the statement of activities.

D. Retirement Plans

1. 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 \$3,298,561 for the fiscal year ended June 30, 2016.

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 member's 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 2015-16 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	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
DROP - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 \$4,865,173 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of \$27,536,876 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30 2015, the District's proportionate share was 0.21319409 percent, which was a decrease of 0.011291999 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of \$1,505,493. 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	\$ 2,907,079	\$ 653,091
Change of assumptions	1,827,715	-
Net difference between projected and actual earnings on FRS pension plan investments	-	6,575,345
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	2,271,536
District FRS contributions subsequent to the measurement date	4,865,173	-
Total	\$ 9,599,967	\$ 9,499,972

The deferred outflows of resources related to pensions, totaling \$4,865,173, 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, 2017. 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>
2017	\$ (2,556,213)
2018	(2,556,213)
2019	(2,556,213)
2020	2,868,652
2021	252,621
Thereafter	(217,812)
Total	\$ (4,765,178)

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, 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%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	<u>100%</u>			
Assumed Inflation - Mean		2.6%		1.9%

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 (asset)	\$ 71,354,274	\$ 27,536,876	\$ (8,926,396)

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, 2016, 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 Federal 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, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 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 \$1,387,695 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$27,684,113 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.271454731 percent, which was a decrease of 0.010470978 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of \$1,793,068. 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	\$ 2,178,017	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on HIS pension plan investments	14,986	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	1,531,931
District contributions subsequent to the measurement date	1,387,695	-
Total	<u>\$ 3,580,698</u>	<u>\$ 1,531,931</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,387,695, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. 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>
2017	\$ 203,186
2018	203,186
2019	203,186
2020	200,141
2021	198,678
Thereafter	(347,305)
Total	\$ 661,072

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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	3.80 percent

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

While an experience study had not been completed for the HIS plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate.

	<u>1% Decrease (2.8%)</u>	<u>Current Discount Rate (3.8%)</u>	<u>1% Increase (4.8%)</u>
District's proportionate share of the net pension liability	\$ 31,544,758	\$ 27,684,113	\$ 24,464,914

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. Retirement benefits are based upon the value of the member's account upon retirement. 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 Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan members' accounts during the 2015-16 fiscal year were as follows:

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

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, regardless of membership class. 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, 2016, 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 \$675,654.62 for the fiscal year ended June 30, 2016.

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, The 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 2015-16 fiscal year, 194 retirees received other postemployment benefits. The District provided required contributions of \$705,887 toward the annual OPEB cost, net of retiree contributions totaling \$1,274,274.24, which represents 2.25 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)	\$ 1,198,728
Amortization of Unfunded Actuarial Accrued Liability	<u>2,211,920</u>
Annual Required Contribution	3,410,648
Interest on Net OPEB Obligation	612,489
Adjustment to Annual Required Contribution	<u>1,243,757</u>
Annual OPEB Cost (Expense)	2,779,380
Contribution Toward the OPEB Cost	<u>(705,887)</u>
Increase in Net OPEB Obligation	2,073,493
Net OPEB Obligation, Beginning of Year	<u>20,416,307</u>
Net OPEB Obligation, End of Year	<u>\$ 22,489,800</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, 2016, 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>
2013-14	\$ 3,106,049	27.34%	\$ 18,146,387
2014-15	3,161,625	28.20%	20,416,307
2015-16	2,779,380	25.40%	22,489,800

Funded Status and Funding Progress. As of June 30, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$36,308,725, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$36,308,725 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$56,671,907, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 64.07 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 the 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 Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, 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

calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of June 30, 2016, used the used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District's 2015-16 fiscal year ARC. 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 actuarial assumptions also included an annual healthcare cost trend rate of 7.7 percent initially in year 2016, decreasing in various decrements each year to an ultimate rate of 3.94 percent in year 2080. The investment rate of return and payroll growth rate include a general price inflation of 2.3 percent. 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, 2016, was 21 years.

F. 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 year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2016:

Major Funds			
General	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 392,464	\$ 1,438,816	\$ 71,844	\$ 1,903,124

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 Consortium 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 risk management 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.

The District reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This amount includes an amount for claims that have been incurred, but not reported. The District reevaluates the claims liability periodically and the claims liability totaled \$1,777,837.14 as of June 30, 2016.

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>
2014-15	\$ 2,024,419.09	\$ 10,947,580.84	\$(11,195,027.88)	\$ 1,776,972.05
2015-16	1,776,972.05	11,936,326.12	(11,935,461.03)	1,777,837.14

H. 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 (COP) Series 2010A-Qualified School Construction Bonds (QSCBs), in the amount of \$35,000,000 and COP Series 2010B in the amount of \$11,945,000, to be repaid from the proceeds of rents paid by the District. Series 2010B payments were completed in the 2014-15 fiscal year.

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 of 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 was 10 years commencing on April 1, 2010. On November 13, 2012, the ground lease was amended to end April 1, 2032. 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.

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 and are currently \$2,289,529, 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-QSCBs 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.

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>	Series 2010A-QSCB		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	2,358,300	-	2,358,300
2022-2026	11,791,500	-	11,791,500
2027	37,358,300	35,000,000	2,358,300
Total Minimum Lease Payments	\$ 60,941,300	35,000,000	\$ 25,941,300

2. Bonds Payable

Bonds payable at June 30, 2016, 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	\$ 90,000	5.0	2019
Series 2014B, Refunding	900,000	2.0 - 5.0	2020
Total Bonds Payable	\$ 990,000		

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 SBA.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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 Bonds Payable	\$ 1,070,900	\$ 990,000	\$ 80,900

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 35,000,000.00	\$ -	\$ -	\$ 35,000,000.00	\$ -
Bonds Payable	1,381,000.00	-	391,000.00	990,000.00	420,000.00
Compensated Absences Payable	5,711,207.24	875,865.19	798,934.07	5,788,138.36	900,000.00
Other Postemployment Benefits Payable	20,416,307.00	2,779,380.00	705,887.00	22,489,800.00	-
Net Pension Liability	40,057,695.00	35,753,478.00	20,590,184.00	55,220,989.00	884,937.76
Total Governmental Activities	\$ 102,566,209.24	\$ 39,408,723.19	\$ 22,486,005.07	\$ 119,488,927.36	\$ 2,204,937.76

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

I. 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.

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 594,352.69	\$ -
Special Revenue:		
Other	-	594,352.69
Capital Projects:		
Local Capital Improvement	355,808.00	
Nonmajor Governmental		355,808.00
Total	\$ 950,160.69	\$ 950,160.69

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.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2015-16 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 39,190,947.00
Categorical Educational Program - Class Size Reduction	15,356,603.00
Workforce Development Program	2,642,418.00
School Recognition	889,570.00
Florida Best and Brightest Scholarship Program	652,245.33
Motor Vehicle License Tax (Capital Outlay and Debt Service)	619,649.77
Voluntary Prekindergarten Program	590,322.20
Gross Receipts Tax (Public Education Capital Outlay)	355,808.00
Workforce Education Performance	121,200.00
Mobile Home License Tax	101,614.27
Full Service Schools	99,485.00
Food Service Supplement	86,688.00
Charter School Capital Outlay	36,479.00
Miscellaneous	444,925.58
Total	<u>\$ 61,187,955.15</u>

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 2015 tax roll for the 2015-16 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.918	\$ 43,322,758.64
Prior-Period Funding Adjustment	0.023	202,607.45
Basic Discretionary Local Effort	0.748	6,589,146.70
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	13,213,529.48
Total	<u>7.189</u>	<u>\$ 63,328,042.27</u>

L. 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	\$ 6,370,158.54	\$ 805,326.49
Capital Projects:		
Local Capital Improvement	-	8,781,801.04
Nonmajor Governmental	2,772,776.99	355,808.00
Internal Service	800,000.00	-
Total	\$ 9,942,935.53	\$ 9,942,935.53

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 Capital Projects – Local Capital Improvement Fund were made into the nonmajor governmental funds for debt service payments. Transfers from the General Fund to the Internal Service Fund were made to make the self-insurance program actuarially sound.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 195,000.00	\$ 195,000.00	\$ 188,907.53	\$ (6,092.47)
Federal Through State and Local	450,000.00	1,175,000.00	1,079,801.55	(95,198.45)
State	59,265,265.08	60,627,014.50	60,098,748.88	(528,265.62)
Local:				
Property Taxes	48,200,471.00	48,396,131.00	48,331,144.43	(64,986.57)
Miscellaneous	3,564,594.00	3,962,577.17	3,508,625.70	(453,951.47)
Total Local Revenues	<u>51,765,065.00</u>	<u>52,358,708.17</u>	<u>51,839,770.13</u>	<u>(518,938.04)</u>
Total Revenues	<u>111,675,330.08</u>	<u>114,355,722.67</u>	<u>113,207,228.09</u>	<u>(1,148,494.58)</u>
Expenditures				
Current - Education:				
Instruction	72,312,251.11	72,673,104.56	70,643,946.64	2,029,157.92
Student Support Services	4,962,280.54	4,930,971.92	4,901,259.80	29,712.12
Instructional Media Services	1,451,670.72	1,477,192.18	1,447,291.37	29,900.81
Instruction and Curriculum Development Services	1,721,545.51	1,698,053.66	1,656,190.07	41,863.59
Instructional Staff Training Services	674,945.10	1,066,359.32	836,473.96	229,885.36
Instruction-Related Technology	1,557,416.63	1,821,957.33	1,788,754.51	33,202.82
Board	609,469.44	564,287.83	481,160.21	83,127.62
General Administration	495,668.18	490,628.98	466,173.09	24,455.89
School Administration	8,460,924.88	8,574,025.70	8,574,025.70	-
Facilities Acquisition and Construction	388,117.00	343,983.23	343,983.23	-
Fiscal Services	862,302.94	913,825.63	902,154.91	11,670.72
Food Services	4,012.05	28,944.39	28,944.39	-
Central Services	2,437,641.57	2,672,385.25	2,644,927.61	27,457.64
Student Transportation Services	8,320,236.48	7,750,870.16	7,396,666.28	354,203.88
Operation of Plant	8,718,025.06	9,162,787.84	9,152,104.12	10,683.72
Maintenance of Plant	5,945,248.45	5,764,998.48	3,869,798.71	1,895,199.77
Administrative Technology Services	2,221,972.61	2,422,147.64	2,108,597.95	313,549.69
Community Services	154,750.00	67,712.43	66,201.73	1,510.70
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	188,963.24	19,620.02	169,343.22
Other Capital Outlay	-	838,889.90	132,309.04	706,580.86
Total Expenditures	<u>121,298,478.27</u>	<u>123,452,089.67</u>	<u>117,460,583.34</u>	<u>5,991,506.33</u>
Deficiency of Revenues Over Expenditures	<u>(9,623,148.19)</u>	<u>(9,096,367.00)</u>	<u>(4,253,355.25)</u>	<u>4,843,011.75</u>
Other Financing Sources (Uses)				
Transfers In	8,461,297.00	8,099,564.12	6,370,158.54	(1,729,405.58)
Sale of Capital Assets	-	25.70	25.70	-
Loss Recoveries	-	161,090.75	182,221.35	21,130.60
Transfers Out	-	(805,326.49)	(805,326.49)	-
Total Other Financing Sources	<u>8,461,297.00</u>	<u>7,455,354.08</u>	<u>5,747,079.10</u>	<u>(1,708,274.98)</u>
Net Change in Fund Balances	<u>(1,161,851.19)</u>	<u>(1,641,012.92)</u>	<u>1,493,723.85</u>	<u>3,134,736.77</u>
Fund Balances, Beginning	<u>7,521,091.96</u>	<u>7,483,372.06</u>	<u>7,483,372.06</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 6,359,240.77</u>	<u>\$ 5,842,359.14</u>	<u>\$ 8,977,095.91</u>	<u>\$ 3,134,736.77</u>

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,269,859.73	\$ 1,269,859.73	\$ 774,446.44	\$ (495,413.29)
7,822,927.81	11,452,659.32	9,593,254.32	(1,859,405.00)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>9,092,787.54</u>	<u>12,722,519.05</u>	<u>10,367,700.76</u>	<u>(2,354,818.29)</u>
4,142,166.72	5,742,847.99	4,834,315.37	908,532.62
613,426.95	771,832.98	711,562.17	60,270.81
-	202.25	71.91	130.34
2,304,133.28	3,028,511.18	2,430,134.82	598,376.36
372,165.54	949,372.31	791,013.81	158,358.50
29,324.83	30,135.55	29,727.98	407.57
-	-	-	-
270,443.07	738,880.22	625,530.07	113,350.15
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,350.00	38,661.05	30,787.70	7,873.35
200.00	15,857.96	7,223.70	8,634.26
-	-	-	-
-	-	-	-
109,577.15	-	-	-
1,250,000.00	1,310,785.51	814,416.36	496,369.15
-	-	-	-
-	95,432.05	92,916.87	2,515.18
<u>9,092,787.54</u>	<u>12,722,519.05</u>	<u>10,367,700.76</u>	<u>2,354,818.29</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]
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%
06/30/16	-	36,308,725	36,308,725	0.0%	56,671,907	64.07%

Note: (1) The District's OPEB actuarial valuation used the level dollar amortization cost method for the 2012 and 2014 valuations and the entry age normal cost actuarial method to estimate the actuarial liability for the 2016 valuation.

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

	2015	2014	2013
District's proportion of the FRS net pension liability	0.213194090%	0.224486089%	0.231205797%
District's proportionate share of the FRS net pension liability	\$ 27,536,876	\$ 13,696,953	\$ 39,800,808
District's covered-employee payroll	\$ 73,693,824	\$ 75,377,640	\$ 76,793,608
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	37.37%	18.17%	51.83%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	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)**

	2016	2015	2014
Contractually required FRS contribution	\$ 4,865,173	\$ 5,197,853	\$ 4,917,198
FRS contributions in relation to the contractually required contribution	(4,865,173)	(5,197,853)	(4,917,198)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 74,499,685	\$ 73,693,824	\$ 75,377,640
FRS contributions as a percentage of covered-employee payroll	6.53%	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>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.271454731%	0.281925709%	0.293364428%
District's proportionate share of the HIS net pension liability	\$ 27,684,113	\$ 26,360,742	\$ 25,541,231
District's covered-employee payroll	\$ 82,393,498	\$ 83,769,277	\$ 85,237,165
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.60%	31.47%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 1,387,695	\$ 1,037,669	\$ 965,783
HIS contributions in relation to the contractually required contribution	(1,387,695)	(1,037,669)	(965,783)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 83,644,566	\$ 82,393,498	\$ 83,769,277
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 4.29 percent to 3.8 percent.

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Citrus County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	15002	\$ 1,133,158.72	\$ -
National School Lunch Program	10.555	15001, 15003	4,427,487.98	-
Summer Food Service Program for Children	10.559	14006, 14007, 15006, 15007	65,179.64	-
Total United States Department of Agriculture			<u>5,625,826.34</u>	<u>-</u>
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	754,944.44	-
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	263	3,810,458.07	-
Special Education - Preschool Grants	84.173	267	149,734.33	-
Total Special Education Cluster			<u>3,960,192.40</u>	<u>-</u>
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	208,220.10	-
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	4,318,135.86	-
Career and Technical Education - Basic Grants to States	84.048	161	281,446.25	-
Education for Homeless Children and Youth	84.196	127	47,956.79	-
Charter Schools	84.282	298	74,864.80	74,864.80
English Language Acquisition State Grants	84.365	102	19,276.31	-
Improving Teacher Quality State Grants	84.367	224	683,161.81	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	605.60	-
Total Indirect			<u>9,593,859.92</u>	<u>74,864.80</u>
Total United States Department of Education			<u>10,348,804.36</u>	<u>74,864.80</u>
United States Department of Commerce:				
Direct:				
Habitat Conservation	11.463	N/A	19,502.00	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	61,000.10	-
Army Junior Reserve Officers Training Corps	None	N/A	63,272.84	-
Navy Junior Reserve Officers Training Corps	None	N/A	64,634.59	-
Total United States Department of Defense			<u>188,907.53</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 16,183,040.23</u>	<u>\$ 74,864.80</u>

The accompany notes are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Citrus County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance - National School Lunch Program. Includes \$437,146.57 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
Fax: (850) 488-6975

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Citrus County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2017, 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 private purpose trust fund, and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 13, 2017



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for the 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 the District's major Federal program for the fiscal year ended June 30, 2016. The District's major Federal program is 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the 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 its major Federal program for the fiscal year ended June 30, 2016.

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 the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 13, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	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 Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program:	
CFDA Numbers: 84.027 and 84.173	Name of Federal Program or Cluster: Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

PRIOR AUDIT FOLLOW-UP

There were no prior year financial statement findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.