

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-068
December 2015

COLLIER COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Dr. Kamela Patton served as Superintendent and the following individuals served as Board members:

	<u>District</u> <u>No.</u>
Patricia Carroll to 11-17-14, Chair	1
Kelly Lichter from 11-18-14	1
Kathleen Curatolo, Vice Chair to 11-17-14, Chair from 11-18-14	2
Erica Donalds	3
Julia Sprague, Vice Chair from 11-18-14	4
Roy M. Terry	5

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

The team leader was James A. Grattan, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the team leader was Stephanie J. Hogg, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matters

Finding 1: District school bus driver monitoring procedures need improvement.

Finding 2: District controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding 3: VIP provider contracts did not include certain statutorily required and other necessary provisions.

Finding 4: The District could enhance procedures to better ensure that timely, written notifications are provided to parents about all VIP options offered.

Finding 5: District records did not evidence that VIP provider employees were subject to required background screenings.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Student Financial Assistance Cluster, and Migrant Education programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;

- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 5 percent of the assets and 29 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 thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Collier County District School Board as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a middle initial.

Sherrill F. Norman, CPA
Tallahassee, Florida
December 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Collier County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$721.9 million at fiscal year ending June 30, 2015.
- Net position of the District decreased by \$148.5 million, in comparison to the 2013-14 fiscal year, which includes an adjustment decreasing the beginning net position in the amount of \$163.1 million. The adjustment was a result of the District adopting the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68. For more information on this adjustment, please refer to notes to financial statements, Note III.
- The District's government-wide revenues totaled \$538.3 million, of which, general revenues totaled \$511.9 million, or 95.1 percent of all revenues in the 2014-15 fiscal year. In the prior fiscal year, general revenues totaled \$487.6 million, or 94.8 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$26.4 million, or 4.9 percent, compared to \$26.9 million, or 5.2 percent in the prior year.
- During the current fiscal year, General Fund expenditures exceeded revenues and transfers in by \$4.7 million. This may be compared to last fiscal year's results in which General Fund revenues and transfers in exceeded expenditures by \$5.4 million.
- The assigned fund balance for the General Fund was \$6.5 million, and unassigned fund balance for the General Fund was \$54.9 million. The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$62.3 million at June 30, 2015, or 14.9 percent of General Fund expenditures. The prior fiscal year sum of the assigned and unassigned fund balances in the General Fund was \$66.6 million, or 16.3 percent of total General Fund expenditures.
- The fund balance of the General Fund reflects a net decrease from \$70.4 million to \$65.7 million during the 2014-15 fiscal year. The reduction is primarily attributable to the use of prior fiscal year balances to maintain programs in a time of decreased per student funding. The District set aside funds in prior fiscal periods to help sustain programs during the 2014-15 fiscal year and the next couple of years.
- The District has a voter-approved quarter mill operating millage valid for 4 years through the 2016-17 fiscal year. This millage allows the District to assess up to a quarter mill in operating millage in exchange for the equivalent reduction in capital millage. The District levied 0.12 mills, which generated approximately \$7.8 million during the 2014-15 fiscal year compared to a levy of 0.20 mills and \$12.1 million during the prior fiscal year.

NON-FINANCIAL EVENTS

The District's full-time equivalent student (FTE) enrollment increased by 806 students or approximately 1.8 percent during the 2014-15 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

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

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

Figure A-1 Annual Financial Report

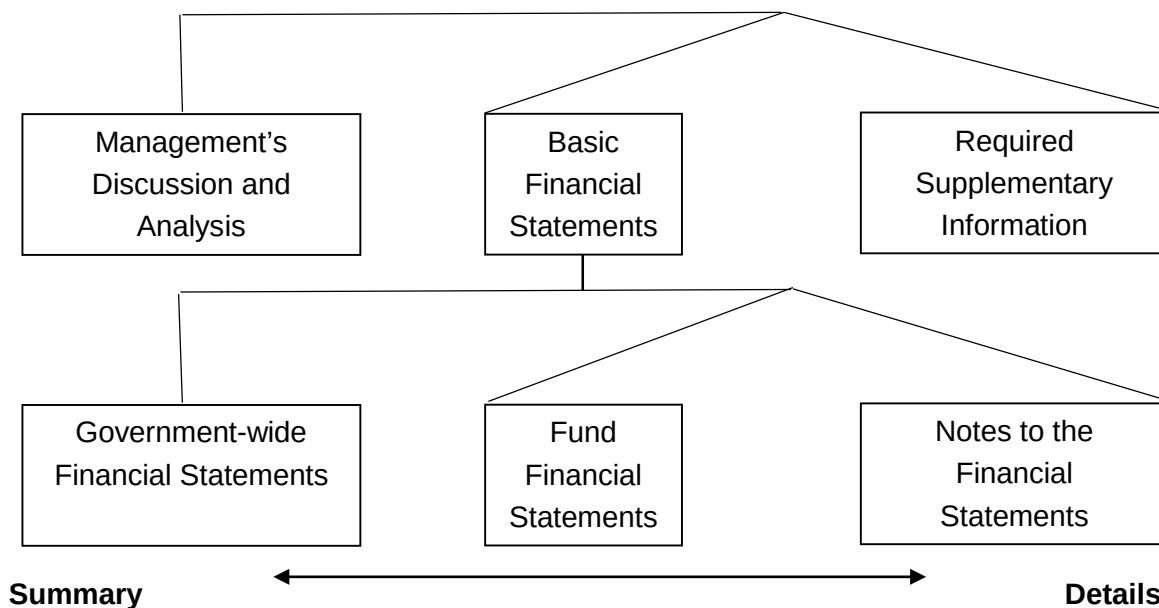


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section highlights the structure and content of each of the statements.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as Delivery of student instruction and building maintenance	Activities the District operates similar to private businesses	Instances in which the District administers resources on behalf of someone else, such as student activity funds
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds that do not currently contain capital assets, although they can
Type of in-flow/out-flow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities, must be considered.

In the government-wide statements, the District's activities are divided into two categories:

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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.

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

	Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and Other Assets	\$ 288.0	\$ 324.2
Capital Assets	<u>1,016.3</u>	<u>1,032.1</u>
Total Assets	<u>1,304.3</u>	<u>1,356.3</u>
Deferred Outflows of Resources	<u>50.0</u>	<u>14.2</u>
Long-Term Liabilities	548.6	478.8
Other Liabilities	<u>16.7</u>	<u>21.2</u>
Total Liabilities	<u>565.3</u>	<u>500.0</u>
Deferred Inflows of Resources	<u>67.1</u>	<u>0.1</u>
Net Position:		
Net Investment in Capital Assets	645.3	606.9
Restricted	150.1	182.5
Unrestricted	<u>(73.5)</u>	<u>81.0</u>
Total Net Position	<u><u>\$ 721.9</u></u>	<u><u>\$ 870.4</u></u>

The District's combined net position decreased by \$148.5 million, from \$870.4 million at June 30, 2014, to \$721.9 million at June 30, 2015. This change is primarily attributable to the adoption of the GASB Statement 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

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

	Governmental Activities	
	2014-15	2013-14
Program Revenues:		
Charges for Services	\$ 7.1	\$ 7.1
Operating Grants and Contributions	17.5	18.0
Capital Grants and Contributions	1.8	1.8
General Revenues:		
Property Taxes	365.9	347.0
Grants and Contributions Not Restricted to Specific Programs	134.6	128.6
Other	11.4	12.0
Total Revenues	538.3	514.5
Functions/Program Expenses:		
Instruction	286.2	281.7
Student Personnel Services	17.9	17.7
Instructional Media Services	5.6	6.0
Instruction and Curriculum Development Serv	13.1	10.9
Instructional Staff Training Services	8.2	9.3
Instructional-Related Technology	1.4	1.4
Board	1.2	1.3
General Administration	2.2	2.4
School Administration	28.8	28.8
Facilities Acquisition and Construction	40.1	34.6
Fiscal Services	2.3	2.4
Food Services	21.8	21.5
Central Services	8.0	8.40
Student Transportation Services	18.0	18.4
Operation of Plant	34.0	35.0
Maintenance of Plant	15.4	16.2
Administrative Technology Services	2.5	2.4
Unallocated Interest on Long-Term Debt	17.0	19.7
Total Functions/Program Expenses	523.7	518.1
Change in Net Position	14.6	(3.6)
Net Position, Beginning of Year	870.4	874.0
Adjustment to Net Position (1)	(163.1)	-
Net Position, Beginning Restated	707.3	874.0
Net Position - Ending	\$ 721.9	\$ 870.4

Note (1): Adjustments to beginning net position due to the implementation of GASB Statement 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

Property taxable values continued to increase and, although there was a slight decrease in the required local effort millage, collections of local taxes increased. Local taxes for capital purposes increased by \$11.1 million, and local taxes for operating purposes increased by \$7.7 million, for a total increase of local tax collections of approximately \$19 million.

Grants and contributions not restricted to specific program revenues increased by a net of \$6 million from the prior fiscal year. The overall increase is attributable to an increase of \$2.3 million in the Individuals With Disabilities Grant, an increase of \$1.6 million in Impact Fees, and a \$1.1 million increase in Title I Grant funding. Additionally, Public Education Capital Outlay funding increased in the amount of \$0.9 million. Other miscellaneous grants and awards increased in a net amount of \$0.1 million.

Other Revenue decreased \$0.6 million, primarily from one-time rebates in the prior fiscal year.

The decline of \$148.5 million in Net Ending Position on the Governmental Activities Statement is the direct result of the change in accounting principles, due to GASB Statement 68. The Change in Net Position showed an increase of \$14.6 million, compared to a decrease of \$3.6 million in the previous year, however the 2015 fiscal year increase is attributable to the implementation of GASB Statement 68.

Direct Instructional expenses represent 54.6% of total governmental expenses in the 2014-15 fiscal year. The net increase of \$4.5 million in direct instructional expenditures, an increase of 1.6% over the prior year. The net change is primarily attributable to costs related to an increase in the number of students and increased salary and benefits for instructional staff.

The Maintenance & Operations functions show an overall increase of \$4.0 million. The Facilities Acquisition and Construction costs increased in the net amount of \$5.5 million, primarily from increased additions and renovations of facilities. Overall, the Food Services costs increased \$0.3 million. Operation of Plant overall expenditures decreased \$1.1 million, primarily from a reduction in costs from litigation settlements. Maintenance of Plant costs decreased in the net amount of \$0.7 million.

The Other function shows a net decrease in interest on debt in the amount of \$2.6 million, primarily related to the refinancing of debt in the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Major Governmental Funds

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

At the end of the current fiscal year, the District's major governmental funds reported combined ending fund balances of \$197.1 million, which is a decrease of \$35.9 million in comparison with the prior fiscal year \$233.0 million ending fund balance. The \$35.9 million net decrease results from a decline in the Local Capital Improvement Fund of \$31.3 million and a decline in the General Fund of \$4.7 million. The Local Capital Improvement Fund decline is primarily attributable to the early retirement of debt, while the

decline in the General Fund is due to expenditures exceeding revenues and the use of reserves set aside for this specific purpose. Unassigned fund balance of \$54.9 million represents 27.9 percent of the ending fund balance and is available to meet the District's short-term spending needs. The restricted portion of fund balance, representing restricted revenue sources of \$134.0 million, represents 68 percent of the ending fund balance. Assigned for specific use by the District is \$6.5 million, which represents 3.3 percent of the ending fund balance. The nonspendable portion of fund balance is \$1.7 million for inventory and prepaid items, which represent 2.6 percent of the ending fund balance.

The financial performance of the District as a whole is reflected in its governmental funds, with special emphasis on the General Fund. The General Fund is the chief operating fund of the District. The fund balance in the General Fund decreased from \$70.4 million to \$65.7 million. The decrease represents expenditures in excess of revenues and other financing sources by \$4.7 million. The decrease required the District to utilize funds set aside in prior fiscal years to cover funding shortfalls. At the end of the current fiscal year, the General Fund unassigned fund balance is \$54.9 million, while the General Fund total fund balance is \$65.7 million.

The Special Revenue – American Recovery Reinvestment Act (ARRA) Fund has total revenues and expenditures of \$544.3 thousand each, and the funding represents program revenues and expenditures targeted for specific purposes in accordance with ARRA. This fund does not accumulate a fund balance because grant revenues are not recognized until expenditures are incurred.

The Capital Projects – Local Capital Improvement Fund, which is used to account for revenues produced by an ad valorem (property) tax levy authorized by the Board to support capital improvements, has a total fund balance of \$131.4 million compared to \$162.7 million in the preceding fiscal year. The net decrease of \$31.3 million is primarily attributable to the expenditure of \$27.7 million from funds previously accumulated to build future schools, to assist in the refunding of Certificates of Participation (COPS) debt and the remainder of \$3.6 million reflects increased expenditures for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District uses a school-based and department-based management model in the operations of its individual schools and departments. This means that the school principals and department managers are given the authority to make operational decisions within certain guidelines and to amend their respective budgets as necessary to effect those decisions. These budgetary decisions are limited to the specific resources allocated to the particular schools or departments. Even though the ultimate budget amendment authority resides with the Board, this delegated authority does cause variations between the original budget and the final budget. Other factors that can also cause variations include differences between projected and actual enrollment and State funding prorations. The General Fund ending fund balance decreased \$4.7 million, primarily from the use of reserves to maintain program services.

Total local revenues increased by \$2.9 million for the fiscal year when compared to the original budget, as District school taxes were approximately \$1.6 million higher than originally forecasted, and other local revenue was \$1.3 million higher. The change in other local revenue is attributable to an increase in student fees within the Workforce programs in the amount of \$0.3 million, an increase in donations of \$0.2 million and various miscellaneous revenues increased in the net amount of approximately \$0.8 million.

Transfers from the Capital Fund increased \$3.8 million over the original budget as the District brought forward equipment expenditures budgeted in future years within the Capital Plan, into the current year to take advantage of bulk buying discounts.

Appropriations for instruction reflect a \$5.2 million variance between the final budget and actual expenditures, of which \$2.9 million represents obligations incurred but not delivered or paid, i.e., assigned for outstanding purchase orders. Approximately \$2.3 million was carried forward on behalf of instructional programs, which include restricted State categorical and other earmarked educational program funds, as well as school carry forwards for use in the subsequent fiscal year.

Appropriations in the school administration function and operation of plant combined reflect a \$1.03 million variance between the final budget and actual expenditures, primarily due to funds carried forward for Workforce programs, schools, and other cost centers for use in the 2015-2016 fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2015, amounts to \$1 billion (net of accumulated depreciation). This investment in capital assets includes land and land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in Note IV.D. of the financial statements.

Debt Administration

At June 30, 2015, the District had total long-term debt outstanding of \$388.3 million. This amount was composed of \$2.3 million of bonds payable and \$386 million of certificates of participation payable.

Retirement of long-term debt included \$1 million of bonds payable and \$50.2 million of certificates of participation payable.

The district issued Refunding Certificates of Participation, Series 2015 for the purposes of advance refunding a substantial portion of the series 2007 Certificates of Participation. The district contributed \$27.7 million in cash from available resources towards this refunding. The partial refunding when combined with the cash from the District will reduce total debts service payments over the next 12 years by approximately \$45.8 million.

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2014B to advance-refund callable portions of the District's State School Bonds, Series 2005A and Series 2005B. The State Series 2014B bonds were issued to reduce the total debt service payments over the remaining 5 years by approximately \$198,099 for the District.

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

OTHER MATTERS OF SIGNIFICANCE

Factors Bearing on the District's Future

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

- Florida economic conditions continue to improve. Per student funding has almost returned to the level of fiscal year 2007-08; however, when the 2007-08 funding is adjusted for inflation, the current funding is significantly less.
- Property values in 2015-16 fiscal year show an increase, the fourth consecutive year of gradual growth. State forecasts indicate property values will continue to show growth in the near future.
- The District has a voter-approved additional operating millage levy, which was renewed by voters in 2012, through the 2016-17 fiscal year. Voters approved a levy of up to a quarter of a mill in operating millage with the understanding that the District would voluntarily reduce the capital outlay millage by the same amount. Although the District has the ability to levy an additional quarter mill, a plan has been initiated to phase out reliance on the additional millage in the General Fund. In fiscal year 2014-15, the additional millage levy was 0.12 mills, a decrease of 0.08 mills from the prior year and the capital millage was increased to 1.38 mills. In Fiscal Year 2015-16, the District is planning to continue to levy the same 0.12 mills which is expected to generate \$8.6 million, of which \$5 million will be placed in a reserve to replace the current enterprise resource planning software. The existing enterprise platform is outdated. There will be one-time costs associated with the replacement of the enterprise software. The District remains on course to fully eliminate the General Fund additional millage levy by Fiscal Year 2016-17. The District plans to recommend the restoration of the Capital Fund millage to the maximum available levy of 1.50 mills.
- At the Final Budget Hearing in September, 2015, the District proposed a 2015-16 budget with an unassigned fund balance of approximately \$5.1 million. This is a change from the funding deficits recorded in the past four fiscal years. Salary increases for District employees may initially cause a funding deficit. If a deficit remains at fiscal year-end, it is expected to be significantly less than the amounts posted in prior fiscal years. At the start of the 2015-16 fiscal year, the District had a balance in the Reserve for Budget Shortfall of approximately \$35.3 million. This reserve was created by the District to support programs for students during the recession and the subsequent recovery period.
- The State has announced a proration of State funding for Fiscal Year 2015-16, this will be the fifth consecutive year in which the State is unable to provide school districts with the full amount of earned funding. For the District, the State proration in Fiscal Year 2014-15 was \$1.7 million, an amount significantly higher than in previous years. For that reason, the District will set aside \$2 million in reserve funds to protect programs from likely additional State prorations in Fiscal Year 2015-16. The reserve will also be available in the event that student enrollment is lower than anticipated.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 271,328,493	\$ 2,875,746
Investments	62,249	-
Accounts Receivable	372,090	79,040
Due from Other Agencies	4,518,072	1,648
Deposits Receivable	-	49,043
Prepaid Items	780,380	189,854
Inventories	2,363,777	-
Note Receivable	5,276,575	-
Restricted Investments	3,315,827	-
Capital Assets:		
Nondepreciable Capital Assets	122,232,120	124,474
Depreciable Capital Assets, Net	894,006,755	2,642,247
TOTAL ASSETS	1,304,256,338	5,962,052
DEFERRED OUTFLOWS OF RESOURCES		
Net Carrying Amount of Debt Refunding	17,367,157	-
Pensions	32,666,909	425,679
TOTAL DEFERRED OUTFLOWS OF RESOURCES	50,034,066	425,679
LIABILITIES		
Accrued Salaries and Benefits	\$ 2,011,968	\$ 79,491
Payroll Deductions and Withholdings	1,357,190	-
Accounts Payable	4,844,987	342,141
Construction Contracts Payable	858,835	-
Construction Contracts Payable - Retained Percentage	592,935	-
Due to Other Agencies	1,480,590	727
Deposits Payable	1,000	-
Advanced Revenues	347,927	-
Accrued Interest Payable	5,192,102	-
Long-Term Liabilities:		
Portion Due Within One Year	55,608,628	173,890
Portion Due After One Year	493,044,965	2,056,045
TOTAL LIABILITIES	565,341,127	2,652,294
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenues	282,281	-
Pensions	66,781,972	589,763
TOTAL DEFERRED INFLOWS OF RESOURCES	67,064,253	589,763
NET POSITION		
Net Investment in Capital Assets	645,305,355	1,775,371
Restricted for:		
State Required Carryover Programs	2,602,278	-
Debt Service	5,229,301	-
Capital Projects	132,567,057	61,393
Food Service	9,736,019	-
Other Purposes	-	93,249
Unrestricted	(73,554,986)	1,215,661
TOTAL NET POSITION	\$ 721,885,024	\$ 3,145,674

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 286,204,502	\$ 2,272,399	\$ -	\$ -
Student Personnel Services	17,930,343	-	-	-
Instructional Media Services	5,612,588	-	-	-
Instruction and Curriculum Development Services	13,065,278	-	-	-
Instructional Staff Training Services	8,192,960	-	-	-
Instructional-Related Technology	1,365,876	-	-	-
Board	1,182,797	-	-	-
General Administration	2,193,380	-	-	-
School Administration	28,793,809	-	-	-
Facilities Acquisition and Construction	40,106,115	-	-	726,573
Fiscal Services	2,346,646	-	-	-
Food Services	21,764,346	4,845,395	17,518,758	-
Central Services	8,040,977	-	-	-
Student Transportation Services	17,952,910	-	-	-
Operation of Plant	33,975,574	-	-	-
Maintenance of Plant	15,471,386	-	-	-
Administrative Technology Services	2,472,734	-	-	-
Unallocated Interest on Long-Term Debt	17,007,006	-	-	1,037,968
Total Primary Government	\$ 523,679,227	\$ 7,117,794	\$ 17,518,758	\$ 1,764,541
Component Units				
Charter Schools	\$ 12,247,190	\$ 214,728	\$ 159,221	\$ 87,049

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
	Governmental Activities	Component Units
\$	(283,932,103)	\$ -
	(17,930,343)	-
	(5,612,588)	-
	(13,065,278)	-
	(8,192,960)	-
	(1,365,876)	-
	(1,182,797)	-
	(2,193,380)	-
	(28,793,809)	-
	(39,379,542)	-
	(2,346,646)	-
	599,807	-
	(8,040,977)	-
	(17,952,910)	-
	(33,975,574)	-
	(15,471,386)	-
	(2,472,734)	-
	(15,969,038)	-
	<u>(497,278,134)</u>	<u>-</u>
	<u>-</u>	<u>(11,786,192)</u>
	275,444,652	-
	90,418,130	-
	134,649,448	12,804,186
	1,727,939	-
	9,626,950	115,933
	<u>511,867,119</u>	<u>12,920,119</u>
	14,588,985	1,133,927
	870,367,114	3,461,355
	(163,071,075)	(1,449,608)
	<u>707,296,039</u>	<u>2,011,747</u>
\$	<u>721,885,024</u>	<u>\$ 3,145,674</u>

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

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 70,185,963	\$ -	\$ 133,185,907
Investments	-	-	-
Accounts Receivable	220,566	-	8,952
Due from Other Funds	1,310,872	-	-
Due from Other Agencies	783,022	-	13,802
Prepaid Items	780,380	-	-
Inventories	957,461	-	-
Note Receivable	5,276,575	-	-
Restricted Investments	-	-	-
TOTAL ASSETS	\$ 79,514,839	\$ 0	\$ 133,208,661
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 1,631,936	\$ -	\$ 40,983
Payroll Deductions and Withholdings	1,198,186	-	19,413
Accounts Payable	4,341,467	-	311,008
Construction Contracts Payable	-	-	858,835
Construction Contracts Payable - Retained Percentage	-	-	549,446
Due to Other Funds	-	-	-
Due to Other Agencies	1,268,150	-	19,185
Deposits Payable	1,000	-	-
Advanced Revenues	104,471	-	-
Total Liabilities	8,545,210	-	1,798,870
Deferred Inflows of Resources:			
Unavailable Revenue - Notes Receivable	5,276,575	-	-
Unavailable Revenue - Grant and Capital Outlay and Debt Service	-	-	-
Total Deferred Inflows of Resources	5,276,575	-	-
Fund Balances:			
Nonspendable:			
Prepaid Items	780,380	-	-
Inventories	957,461	-	-
Total Nonspendable Fund Balance	1,737,841	-	-
Restricted for:			
State Required Carryover Programs	2,602,278	-	-
Debt Service	-	-	-
Capital Projects	-	-	131,409,791
Food Service	-	-	-
Total Restricted Fund Balance	2,602,278	-	131,409,791
Assigned for:			
General Fund	6,487,473	-	-
Capital Projects	-	-	-
Total Assigned Fund Balance	6,487,473	-	-
Unassigned Fund Balance	54,865,462	-	-
Total Fund Balances	65,693,054	-	131,409,791
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 79,514,839	\$ 0	\$ 133,208,661

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

Other Governmental Funds	Total Governmental Funds
\$ 17,144,466	\$ 220,516,336
62,249	62,249
38,752	268,270
-	1,310,872
3,721,248	4,518,072
-	780,380
1,406,316	2,363,777
-	5,276,575
3,315,827	3,315,827
<u>\$ 25,688,858</u>	<u>\$ 238,412,358</u>

\$ 327,162	\$ 2,000,081
132,968	1,350,567
170,299	4,822,774
-	858,835
43,489	592,935
1,310,872	1,310,872
187,783	1,475,118
-	1,000
243,456	347,927
<u>2,416,029</u>	<u>12,760,109</u>
-	5,276,575
282,281	282,281
<u>282,281</u>	<u>5,558,856</u>

-	780,380
1,406,316	2,363,777
<u>1,406,316</u>	<u>3,144,157</u>

	2,602,278
10,421,403	10,421,403
1,157,266	132,567,057
8,329,703	8,329,703
<u>19,908,372</u>	<u>153,920,441</u>

	6,487,473
1,675,860	1,675,860
<u>1,675,860</u>	<u>8,163,333</u>
-	54,865,462
<u>22,990,548</u>	<u>220,093,393</u>

<u>\$ 25,688,858</u>	<u>\$ 238,412,358</u>
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**Collier County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total Fund Balances - Governmental Funds \$ 220,093,393

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

Note receivable amounts to be collected in future years are not available to liquidate liabilities in the governmental funds and are reported as deferred revenue until amounts are available, but are accrued in the government-wide statements when earned. 5,276,575

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. 1,016,238,875

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 43,205,782

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (5,192,102)

The difference between the acquisition price and the net carrying amount of refunded debt is reported as a deferred outflow of resources in the government-wide statements, but is not reported in the governmental funds. 17,367,157

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

Deferred Outflows Related to Pension	\$ 32,666,909	
Deferred Inflows Related to Pensions	<u>(66,781,972)</u>	(34,115,063)

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	(386,023,924)	
Bonds Payable	(2,276,753)	
Other Postemployment Benefits Payable	(624,385)	
Compensated Absences Payable	(31,664,982)	
Net Pension Liability	<u>(120,399,549)</u>	<u>(540,989,593)</u>

Net Position - Governmental Activities **\$ 721,885,024**

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

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

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 469,418	\$ -	\$ -
Federal Through State and Local	2,306,866	542,392	-
State	87,486,095	-	-
Local:			
Property Taxes	275,444,652	-	90,418,130
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	11,595,207	1,942	781,733
Total Local Revenues	<u>287,039,859</u>	<u>1,942</u>	<u>91,199,863</u>
Total Revenues	<u>377,302,238</u>	<u>544,334</u>	<u>91,199,863</u>
Expenditures			
Current - Education:			
Instruction	257,659,871	388,370	-
Student Personnel Services	15,847,135	-	-
Instructional Media Services	5,834,482	-	-
Instruction and Curriculum Development Services	7,034,629	-	-
Instructional Staff Training Services	2,984,990	153,944	-
Instructional - Related Technology	1,419,893	-	-
Board	1,187,444	-	-
General Administration	940,290	2,020	-
School Administration	29,731,692	-	-
Facilities Acquisition and Construction	1,174,286	-	14,684,642
Fiscal Services	2,411,499	-	-
Food Services	-	-	-
Central Services	7,907,694	-	-
Student Transportation Services	18,635,671	-	-
Operation of Plant	34,037,557	-	-
Maintenance of Plant	15,848,701	-	-
Administrative Technology Services	2,546,281	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	99,142	-	18,025,063
Other Capital Outlay	7,120,609	-	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>412,421,866</u>	<u>544,334</u>	<u>32,709,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(35,119,628)</u>	<u>-</u>	<u>58,490,158</u>
Other Financing Sources (Uses)			
Proceeds of Refunding Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Proceeds of Refunding Lease Purchase Agreements	-	-	-
Discount on Lease Purchase Agreements	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Sale of Capital Assets	71,788	-	33,917
Transfers In	30,390,077	-	-
Transfers Out	-	-	(89,777,612)
Total Other Financing Sources (Uses)	<u>30,461,865</u>	<u>-</u>	<u>(89,743,695)</u>
Net Change in Fund Balances	(4,657,763)	-	(31,253,537)
Fund Balances, Beginning	70,350,817	-	162,663,328
Fund Balances, Ending	<u>\$ 65,693,054</u>	<u>\$ 0</u>	<u>\$ 131,409,791</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 4,175,942	\$ 4,645,360
48,690,090	51,539,348
3,211,573	90,697,668
-	365,862,782
9,490,295	9,490,295
4,845,395	4,845,395
1,247,245	13,626,127
<u>15,582,935</u>	<u>393,824,599</u>
<u>71,660,540</u>	<u>540,706,975</u>
20,625,966	278,674,207
2,617,664	18,464,799
15,086	5,849,568
6,317,002	13,351,631
5,240,069	8,379,003
-	1,419,893
-	1,187,444
1,236,495	2,178,805
186,266	29,917,958
1,099,465	16,958,393
-	2,411,499
21,678,169	21,678,169
190,938	8,098,632
254,031	18,889,702
7,901	34,045,458
23,928	15,872,629
-	2,546,281
599,821	18,724,026
527,562	7,648,171
27,300,000	27,300,000
<u>17,931,526</u>	<u>17,931,526</u>
<u>105,851,889</u>	<u>551,527,794</u>
<u>(34,191,349)</u>	<u>(10,820,819)</u>
2,131,000	2,131,000
163,972	163,972
36,225,000	36,225,000
3,832,014	3,832,014
(69,678,879)	(69,678,879)
4,997	110,702
69,267,381	99,657,458
<u>(9,879,846)</u>	<u>(99,657,458)</u>
<u>32,065,639</u>	<u>(27,216,191)</u>
(2,125,710)	(38,037,010)
<u>25,116,258</u>	<u>258,130,403</u>
<u>\$ 22,990,548</u>	<u>\$ 220,093,393</u>

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

Net Change in Fund Balances - Governmental Funds \$ (38,037,010)

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

Note receivable amounts to be received in future years are accrued in the government-wide statement of net position, but the receivable does not provide current financial resources and is not recognized in the governmental funds until available. This is the change in notes receivable. (2,442,219)

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 a depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (15,499,677)

The loss on disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (350,600)

Premiums and refunding costs are reported in the governmental funds in the year the debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.

Net increase in expenses from unamortized premiums	\$ (1,977,845)	
Net increase in expenses from deferred loss on refunding	<u>3,123,812</u>	1,145,967

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds in the current period.

Certificates of Participation Proceeds	(38,148,733)	
Certificates of Participation Repayments	90,268,733	
Bond Proceeds	(2,225,408)	
Bond Repayments	<u>3,264,408</u>	53,159,000

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the government-wide statements. This is the reduction in accrued interest in the current period. 1,246,445

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. (401,018)

Pensions and other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accountin, but are recorded in the governmental funds until paid. This is the net change in these liabilities in the current fiscal year.

Decrease in Net Pension Liability	8,556,463	
Increase in Other Postemployment Benefits Liability	<u>(137,656)</u>	8,418,807

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 7,349,290

Change in Net Position - Governmental Activities **\$ 14,588,985**

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

Collier County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2015

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 50,812,157
Accounts Receivable	103,820
TOTAL ASSETS	50,915,977
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	11,887
Payroll Deductions and Withholdings	6,623
Accounts Payable	22,213
Due to Other Agencies	5,472
Estimated Liability for Self-Insurance Program	5,861,000
Total Current Liabilities	5,907,195
Noncurrent Liabilities:	
Estimated Liability for Self-Insurance Program	1,803,000
TOTAL LIABILITIES	7,710,195
NET POSITION	
Unrestricted	43,205,782
TOTAL NET POSITION	\$ 43,205,782

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

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

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 49,922,796
OPERATING EXPENSES	
Salaries	498,519
Employee Benefits	132,239
Purchased Services	4,800,454
Materials and Supplies	4,921
Insurance Claims	37,273,645
Total Operating Expenses	<u>42,709,778</u>
Operating Income	<u>7,213,018</u>
NONOPERATING REVENUES	
Interest Revenue	<u>136,272</u>
Change in Net Position	7,349,290
Total Net Position - Beginning	<u>35,856,492</u>
Total Net Position - Ending	<u><u>\$ 43,205,782</u></u>

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

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

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 50,036,825
Cash Payments to Suppliers for Goods and Services	(4,937,019)
Cash Payments to Employees for Services	(632,551)
Cash Payments for Insurance Claims	(37,221,645)
Net Cash Provided by Operating Activities	7,245,610
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	136,272
Net Increase in Cash and Cash Equivalents	7,381,882
Cash and Cash Equivalents, Beginning	43,430,275
Cash and Cash Equivalents, Ending	\$ 50,812,157
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 7,213,018
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	114,029
Decrease in Accrued Salaries and Benefits	(796)
Decrease in Payroll Deductions and Withholdings	(303)
Decrease in Accounts Payable	(116,014)
Decrease in Due To Other Agencies	(16,324)
Increase in Estimated Insurance Claims Payable	52,000
Total Adjustments	32,592
Net Cash Provided by Operating Activities	\$ 7,245,610

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

Collier County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 4,161,798</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 4,161,798</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.

B. Reporting Entity

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

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

Blended Component Unit. The Collier County School Board Foundation, Inc. (Foundation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note IV.I.1. Due to the substantive economic relationship between the District and the Foundation, the financial activities of the Foundation are included in the accompanying basic financial statements. Separate financial statements for the Foundation are not published.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's other component units.

The following Charter Schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter Schools operate under charters approved by their sponsor, the Collier County District School Board. The Charter Schools are considered to be component units of the District.

Because of the financial relationship to the District and oversight responsibility of the District, it was determined they met the misleading to exclude criteria.

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

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices at 5775 Osceola Trail, Naples, Florida, 34109-0919.

The Redlands Christian Migrant Association Immokalee Community School (School) is considered a program of the Redlands Christian Migrant Association, Inc. The School is not a component unit of the District and is not reported in the District's financial statements for the 2014-2015 fiscal year.

Change in Reporting Entity. Mason Classical Academy, Inc., is a new charter school and as such was not reported as a discretely presented component unit in the prior fiscal years. The beginning net position for discretely presented component units is adjusted according. Please see Note III for the impact of this change.

C. Basis of Presentation: Government-wide Financial Statements

Government-wide financial statements, i.e., the statement of net position and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is allocated to functions based upon the specific programs or activities with which the capital assets are associated.

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major

funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.

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

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

E. Basis of Accounting

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

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

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, pension benefits, other

postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

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 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed) with the SBA for participation in the Florida PRIME 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 repurchase agreement and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving weighted-average basis for the maintenance, transportation, and food service inventories, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to

the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution, and that textbooks inventory is stated at last invoice price. The costs of inventories are recorded as expenditures when used rather than purchased for all inventories except donated foods. The inventories at fiscal year-end are reported as nonspendable fund balance.

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

4. Capital Assets

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

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bond and certificates of participation (COPs) premiums and discounts are deferred and amortized over the life of the debt using the interest method. Bonds and COPs liabilities are reported net of the applicable bond premium or discount. Certain costs resulting from debt refundings are reported as deferred outflow of resources.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is the *deferred charge on refunding* reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred amount on pension reported in the government-wide statement of net position. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting in this category. The first is the deferred amount on pension reported only in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five years. The next item is unavailable revenue from the State of Florida for Capital Outlay and Debt Service and a local Collier County grant. The last item is unavailable revenue from a note receivable. However, the deferred revenues related to the notes receivable is shown only on the Government Funds Balance Sheet.

8. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources

are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

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

Board is currently maintaining at least a combined balance of five percent within these two reserves.

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 Florida Department of Education (FDOE) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 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. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

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

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 Collier County Property Appraiser, and property taxes are collected by the Collier County Tax Collector.

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

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

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

The District has a voter-approved additional operating millage levy, which was renewed by voters in 2012, and eligible to continue through the 2016-17 fiscal year. Voters approved a levy of up to a quarter of a mill in operating millage with the understanding that the District would voluntarily reduce the capital outlay millage by the same amount. The District is implementing a plan to phase out reliance on the additional operating millage in the General Fund at the end of fiscal year 2015-16.

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

4. Educational Impact Fees

Collier County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1992. This ordinance was most recently amended in October 2011, when Ordinance 2011-35 established a Collier County Consolidated Impact Fee Ordinance, repealing and superseding all of the County's then existing impact fee regulations, and consolidating all of the County's impact fee regulations into that one Ordinance. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility

design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

5. Federal Revenue Sources

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

6. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

7. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. ACCOUNTING CHANGES

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

III. PRIOR PERIOD ADJUSTMENTS

A. GASB Statement No. 68

The beginning net position of the District School Board of Collier County, was decreased by \$163,071,075 due to the adoption of a new GASB Pronouncement, Statement No. 68, Accounting and Financial Reporting for Pensions. GASB Statement No. 68 requires the District to recognize its

proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

B. Discretely Presented Component Units

The following is a summary of adjustments to beginning net position of the discretely presented component units reported in the statement of revenues, expenses, and changes in net position:

Net Position Beginning of Year, as previously reported	\$ 3,461,355
Beginning Net Position of new component unit	(23,304)
Beginning Net Position is decreased due to recognition of net pension liability resulting from Implementation of New Accounting Standard (GASB 68)	<u>(1,426,304)</u>
Net Position, Beginning of Year, as Restated	<u>\$ 2,011,747</u>

IV. 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.

B. Investments

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	34 Day Average	\$ 10,024,151
Debt Service Accounts	6 Months	62,249
Master Repurchase Agreement with Bank of America (2)	11/18/21	<u>3,315,827</u>
Total Investments, Reporting Entity		<u>\$ 13,402,227</u>

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

(2) Investment is held under a paying agent agreement in connection with the Qualified Zone US Bank in United States Treasury Inflation Protected Securities for \$3,315,827. See Note IV.I.1.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments of current short-term funds to a maximum of 12 months. Investments of bond reserves, construction moneys, and other core funds shall have a term appropriate to the need for moneys, and in accordance with debt covenants, but in no event shall exceed 3 years.

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

Credit Risk

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

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

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

As of June 30, 2015, the District's investment in Florida Prime is rated AAAM by Standard & Poor's.

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

Custodial Credit Risk

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

The District's investment policy requires that securities, with the exception of certificates of deposit, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District be properly designated as an asset of the District. A third party custodian is defined as any bank depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State of Florida. Certificates of deposit shall be placed in the provider's safekeeping department for the term of the deposit.

Concentration of Credit Risk

The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. More than five percent of the District's investments consist of a repurchase agreement associated with its QZABs. These investments are 25 percent of the District's total investments and 98 percent of the investments reported in other nonmajor funds on the governmental funds' balance sheet.

C. Note Receivable

Pursuant to Section 1013.68(6), Florida Statutes, in March 2002, the District entered into an interlocal loan agreement to loan \$29,176,952 of its Classroom First Program allocation from the State of Florida to the Osceola County District School Board. In return, the Osceola County District School Board agreed to repay the amount the District would have otherwise received from the State. The effective interest rate on the loan is 5.26 percent. Repayment of the loan and related interest consists of 105 installments of \$401,693, seven per year, through May 31, 2017. If an installment payment is not made when due, the State of Florida will make payment to the District within 10 days of notification

of nonpayment. As such, the District considers the receivable totally collectible and did not report an allowance for uncollectible accounts.

The note receivable at June 30, 2015, is \$5,276,575, as shown in the schedule below:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$2,811,853	\$2,570,679	\$ 241,174
2017	<u>2,811,853</u>	<u>2,705,896</u>	<u>105,957</u>
Total	<u><u>\$5,623,706</u></u>	<u><u>\$5,276,575</u></u>	<u><u>\$ 347,131</u></u>

D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 85,409,365	\$ 36,297	\$ -	\$ 85,445,662
Land Improvements - Nondepreciable	33,922,905	-	-	33,922,905
Construction in Progress	<u>2,241,132</u>	<u>2,418,651</u>	<u>1,796,230</u>	<u>2,863,553</u>
Total Capital Assets Not Being Depreciated	<u>121,573,402</u>	<u>2,454,948</u>	<u>1,796,230</u>	<u>122,232,120</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	39,520,247	1,454,401	-	40,974,648
Buildings and Fixed Equipment	1,256,985,655	9,374,548	73,747	1,266,286,456
Furniture, Fixtures, and Equipment	75,433,828	9,066,744	4,113,059	80,387,513
Motor Vehicles	32,169,635	6,278,098	2,227,288	36,220,445
Audio Visual Materials	45,853	-	1,499	44,354
Computer Software	<u>14,178,661</u>	<u>59,585</u>	<u>4,868,472</u>	<u>9,369,774</u>
Total Capital Assets Being Depreciated	<u>1,418,333,879</u>	<u>26,233,376</u>	<u>11,284,065</u>	<u>1,433,283,190</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	13,904,820	2,021,447	-	15,926,267
Buildings and Fixed Equipment	396,894,962	31,607,094	63,070	428,438,986
Furniture, Fixtures, and Equipment	57,270,371	6,487,694	3,815,919	59,942,146
Motor Vehicles	26,180,533	2,041,413	2,197,359	26,024,587
Audio Visual Materials	45,389	310	1,500	44,199
Computer Software	<u>13,522,054</u>	<u>233,813</u>	<u>4,855,617</u>	<u>8,900,250</u>
Total Accumulated Depreciation	<u>507,818,129</u>	<u>42,391,771</u>	<u>10,933,465</u>	<u>539,276,435</u>
Total Capital Assets Being Depreciated, Net	<u>910,515,750</u>	<u>(16,158,395)</u>	<u>350,600</u>	<u>894,006,755</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 1,032,089,152</u></u>	<u><u>\$ (13,703,447)</u></u>	<u><u>\$ 2,146,830</u></u>	<u><u>\$ 1,016,238,875</u></u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$17,755,467
Student Personnel Services	34,296
Instructional Media Services	2,726
Instruction and Curriculum Development Services	144,578
Instructional Staff Training Services	50,076
Board	26,646
General Administration	32,877
School Administration	69,602
Facilities, Acquisition, and Construction	23,153,010
Fiscal Services	24,594
Food Services	693,774
Central Services	176,637
Student Transportation Services	146,679
Operation of Plant	12,988
Maintenance of Plant	67,821
Total Depreciation Expense - Governmental Activities	<u>\$42,391,771</u>

E. Retirement Plans

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

General Information about the FRS

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

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

The District's pension expense totaled \$10,125,117 for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (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. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$15,350,307 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$38,601,202 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension

liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.0632654076 percent, which was an increase of 0.024038124 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of \$4,304,802. 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	\$ -	\$ 2,388,758
Change of assumptions	6,685,087	-
Net difference between projected and actual earnings on FRS pension plan investments	-	64,393,214
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	3,481,201	-
District FRS contributions subsequent to the measurement date	15,350,307	-
Total	\$ 25,516,595	\$ 66,781,972

The deferred outflows of resources related to pensions, totaling \$15,350,307, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (14,630,845)
2017	(14,630,845)
2018	(14,630,845)
2019	(14,630,845)
2020	1,467,458
Thereafter	440,238
	<u>\$ (56,615,684)</u>

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

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

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

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

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

Sensitivity of the District's Proportionate Share of the Net Position 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	\$ 165,102,469	\$ 38,601,202	\$ (66,623,714)

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$1,198,994 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

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

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

The District's contributions to the HIS Plan totaled \$3,331,272 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$81,798,347 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension

liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.874825796 percent, which was an increase of 0.011592041 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of \$5,820,315. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -
Change of assumptions	2,910,710.00
Net difference between projected and actual earnings on HIS pension plan investments	39,265.00
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	869,067.00
District contributions subsequent to the measurement date	<u>3,331,272.00</u>
Total	<u>\$ 7,150,314.00</u>

The deferred outflows of resources, totaling \$3,331,272, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 619,458
2017	619,458
2018	619,458
2019	619,458
2020	609,641
Thereafter	<u>731,569</u>
	<u>\$ 3,819,042</u>

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

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

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

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

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	\$ 93,038,996	\$ 81,798,347	\$ 72,415,622

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$203,335 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member

accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

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

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

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

The District's Investment Plan pension expense totaled \$3,488,964 for the fiscal year ended June 30, 2015.

Payables to the Investment Plan. At June 30, 2015, the District reported a payable of \$322,203 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug benefits and life

insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 76 retirees received other postemployment benefits, and 142 retirees received postemployment life insurance benefits. The District provided required contributions of \$226,048 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expense (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$935,398 which represents 0.38 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 one year)	\$ 191,651
Amortization of Unfunded Actuarial Accrued Liability	172,965
Interest on Normal Cost and Amortization	<u>6,684</u>
Annual Required Contribution	371,300
Interest on Net OPEB Obligation	19,469
Adjustment to Annual Required Contribution	<u>(27,065)</u>
Annual OPEB Cost (Expense)	363,704
Contribution Toward the OPEB Cost	<u>(226,048)</u>
Increase in Net OPEB Obligation	137,656
Net OPEB Obligation, Beginning of Year	<u>486,729</u>
Net OPEB Obligation, End of Year	<u><u>\$ 624,385</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 437,316	78.3%	\$ 347,595
2013-14	401,366	65.3%	486,729
2014-15	363,704	62.2%	624,385

Funded Status and Funding Progress. As of July 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$3,110,546, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,110,546 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$249,419,156, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.2 percent.

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

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

The District used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2015, as well as the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2014-15 fiscal year, reduced to an ultimate rate of 5 percent after 5 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years.

G. Construction and Other Significant Commitments

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

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

Major Funds			
General Find	Capital Projects - Local Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$3,490,421</u>	<u>\$12,678,952</u>	<u>\$ 2,128,952</u>	<u>\$ 18,298,325</u>

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

Construction Contracts

June 30, 2015

PROJECT	CONTRACT AMOUNT	COMPLETED TO DATE	BALANCE COMMITTED
EVERGLADES CITY SCHOOLS			
Replace Roof and Renovate Campus			
Direct Materials	\$ 24,247	\$ 23,477	\$ 770
IMMOKALEE MIDDLE			
Addition/Renovation			
Architect	197,560	189,444	8,116
Engineer	19,800	7,295	12,505
Contractor	4,234,371	263,005	3,971,366
Inspector	34,560	25,110	9,450
Direct Material	1,528,681	1,435,153	93,528
Total	6,014,972	1,920,007	4,094,965
MANATEE MIDDLE			
Water Tank and Roof Replacement			
Direct Materials	127,945	48,818	79,127
PEDESTRIAN INTERCONNECTION BETWEEN MARBELLA ISLE & OSCEOLA TRAIL			
Engineer	11,050	10,415	635
IMMOKALEE TRANSPORTATION			
Bus Parking Expansion			
Direct Materials	646,654	646,654	-
BARRON COLLIER HIGH			
Construct Sidewalk			
Contractor	23,044	9,450	13,594
Replace HVAC Equipment			
Direct Materials	169,900	131,666	38,234
Total	192,944	141,116	51,828
EAST NAPLES MIDDLE			
Replace Ice Tank with Water Tank			
Direct Materials	30,509	29,086	1,423
Chiller Replacement			
Direct Materials	62,270	37,404	24,866
Total	92,779	66,490	26,289
MANATEE ELEMENTARY			
Replace Roof, Air Handler Units and Paint Interior/Exterior			
Direct Materials	23,450	6,576	16,874
TOTAL	\$ 7,134,041	\$ 2,863,553	\$ 4,270,488

H. 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 Collier County District

School Board is a member of the Preferred Governmental Insurance Trust (Trust) under which local governmental entities have established a combined limited self-insurance program for property and automobile protection by the participating members of the Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Board of Trustees for the Trust is comprised of elected or appointed officials from the participating members. The Trust is administered by Public Risk Underwriters.

The District has contracted with a third-party administrator (TPA) to manage the health and hospitalization self-insurance program, including the processing, investigating, and payment of claims. The TPA notifies the District of the scheduled claims disbursements, and the District transfers the required funds into the District's Health Care Claims Account. The TPA then draws on this account to pay claims submitted by District employees, their dependents, and participating retirees. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years. A liability for unpaid healthcare claims in the amount of \$4,174,000 was actuarial determined at June 30, 2015.

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

The District also contracts with a TPA to manage its workers' compensation self-insurance program that includes provisions for specific excess loss reinsurance. The TPA handles the processing, investigating, and payment of claims. The District's program is reviewed annually by an actuary to determine the long-term exposure for workers' compensation claims. The trend over the last few years has been stable and claims exposure and related long-term liabilities have remained relatively constant. The liability for workers' compensation at June 30, 2015 of \$3,490,000 was discounted to net present value using an annual rate of 2.5 percent.

A liability in the amount of \$7,664,000 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable for the health and hospitalization and workers' compensation self-insurance programs at June 30, 2015.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	\$ 10,778,000	\$ 33,933,220	\$ (37,099,220)	\$7,612,000
2014-15	7,612,000	37,273,645	(37,221,645)	7,664,000

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

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

I. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2015, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2005, Refunding	\$ 11,950,000	3.75 - 5.0	2016	\$ 40,485,000
Series 2005A, Refunding	106,345,000	5.25	2022	106,345,000
Series 2005-QZAB	4,192,000	None	2021	4,192,000
Series 2006	32,930,000	4.25 - 5.0	2021	221,470,000
Series 2007	8,065,000	4.25 - 5.0	2017	96,205,000
Series 2010, COPS Refunding	13,820,000	2.74	2022	27,675,000
Series 2014A, COPS Refunding	163,365,000	3.05	2026	164,765,000
Series 2015, COPS Refunding	36,225,000	4.0 - 5.0	2020	36,225,000
Subtotal	376,892,000			
Plus: Unamortized Premiums	9,131,924			
Total Certificates of Participation	<u>\$386,023,924</u>			

The District entered into a master financing arrangement on August 1, 1992, which arrangement was characterized as a lease-purchase agreement, with the Collier County School Board Foundation, Inc. (Foundation), whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of certificates of participation, to be repaid from the proceeds of rents paid by the District.

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

The District properties included in the various ground leases under this arrangement include Immokalee Middle School, Lely Elementary School, Lake Trafford Elementary School, Vineyards Elementary School, Laurel Oak Elementary School, Oakridge Middle School, Barron Collier High

School, Pine Ridge Middle School, Highlands Elementary School, Manatee Middle School, Manatee Elementary School, Gulfview Middle School, Immokalee High School, Lorenzo Walker Institute of Technology, Everglades City School, Gulf Coast High School, Pelican Marsh Elementary School, Calusa Park Elementary School, Sabal Palm Elementary School, North Naples Middle School, Palmetto Ridge High School, Golden Gate High School, Pinecrest Elementary School, Golden Gate Middle School, Village Oaks Elementary School, Mike Davis Elementary School, Marco Charter Middle School, Immokalee High School Renovations, Immokalee Technical Center, Naples High School Gymnasium, and Lorenzo Walker Technical High School.

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

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 44,508,250	\$ 29,895,000	\$ 14,613,250
2017	45,181,873	31,315,000	13,866,873
2018	51,240,435	38,820,000	12,420,435
2019	51,257,070	40,775,000	10,482,070
2020	41,674,108	33,205,000	8,469,108
2021-2025	188,822,079	166,917,000	21,905,079
2026	<u>37,061,933</u>	<u>35,965,000</u>	<u>1,096,933</u>
Total Minimum Lease Payments	459,745,748	376,892,000	82,853,748
Plus: Unamortized Premiums	<u>9,131,924</u>	<u>9,131,924</u>	<u>-</u>
Total	<u><u>\$ 468,877,672</u></u>	<u><u>\$ 386,023,924</u></u>	<u><u>\$ 82,853,748</u></u>

Certificates of Participation Series 2007 was partially defeased in-substance by placing proceeds of a new certificates of participation series in an irrevocable Trust to provide for all future debt service payments. Accordingly, the Trust assets and the liability for in-substance defeased certificates of participation are not included in the District's financial statements. On

June 30, 2015, a portion of the Certificates of Participation Series 2007, totaling \$61,995,000, are outstanding and are considered defeased.

2. Bonds Payable

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2014B, Refunding	\$ 2,131,000	2.0 - 5.0	2020
Plus: Unamortized Premiums	<u>145,753</u>		
Total Bonds Payable	<u>\$ 2,276,753</u>		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	\$ 1,269,971	\$ 1,156,000	\$ 113,971
2017	654,670	607,000	47,670
2018	314,320	297,000	17,320
2019	37,470	35,000	2,470
2020	<u>36,720</u>	<u>36,000</u>	<u>720</u>
Total State School Bonds	<u>2,313,151</u>	<u>2,131,000</u>	<u>182,151</u>
Plus: Unamorized Premiums	<u>145,753</u>	<u>145,753</u>	<u>-</u>
Total	<u><u>\$ 2,458,904</u></u>	<u><u>\$ 2,276,753</u></u>	<u><u>\$ 182,151</u></u>

3. Defeased Debt

On June 11, 2015, the Board issued \$36,225,000 in Refunding Certificates of Participation, Series 2015, with an average interest rate of 4.962 percent to advance-refund a portion of the District's Certificates of Participation, Series 2007, maturing on and after February 15, 2018. In addition, the District contributed \$27,665,000 in cash from available resources towards this refunding. The net proceeds of \$67,340,480 were placed in an irrevocable trust to provide for a portion of future debt service payments on the refunded Series 2007 Certificates. As a result, \$61,995,000 of the Series 2007 Certificates are considered to be defeased and the liability for

these certificates has been removed from the government-wide financial statements. The partial refunding of Series 2007 Certificates, when combined with the cash from the District, will reduce total debt service payments over the next 12 years by approximately \$45,823,513. The District achieved an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$11,364,487 net of the \$27,665,000 in cash provided by the District.

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, with an average interest rate of 5 percent, to advance-refund callable portions of the District's State School Bonds, Series 2005A and Series 2005B. The Refunding Bonds are being issued to advance-refund the \$1,280,000 principal amount of the District's State School Bonds, Series 2005A, that mature on or after January 1, 2017 and the \$980,000 principal amount of the District's State School Bonds, Series 2005B, that mature on or after January 1, 2018. The District's pro rata share of net proceeds totaling \$2,338,399 (after deduction of \$3,657 by the Florida Department of Education for the District's pro rata share of underwriting fees, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result, State School Bonds, Series 2005A and Series 2005B, totaling \$2,260,000, are considered to be in-substance defeased, and the liability for these bonds has been removed from the government-wide financial statements. The Series 2014B bonds were issued to reduce the total debt service payments over the remaining 5 years by approximately \$198,099 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$196,217.

4. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of Participation					
Payable, net	\$ 436,235,643	\$ 40,057,014	\$ 90,268,733	\$ 386,023,924	\$ 29,895,000
Bonds Payable, net	3,246,189	2,294,972	3,264,408	2,276,753	1,156,000
Other Postemployment					
Benefits Payable	486,729	363,704	226,048	624,385	-
Estimated Insurance					
Claims Payable	7,612,000	37,273,645	37,221,645	7,664,000	5,861,000
Compensated Absences Payable	31,263,964	16,351,652	15,950,634	31,664,982	15,950,634
Net Pension Liability (1)	<u>179,925,741</u>	<u>24,110,446</u>	<u>83,636,638</u>	<u>120,399,549</u>	<u>2,745,994</u>
Total Governmental Activities	<u>\$ 658,770,266</u>	<u>\$ 120,451,433</u>	<u>\$ 230,568,106</u>	<u>\$ 548,653,593</u>	<u>\$ 55,608,628</u>

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

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

J. Fund Balance Reporting

The following is a schedule of fund balances by category at June 30, 2015:

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Federal Economic Stimulus Funds	Capital Projects - Local Capital Improvement Fund	Nonmajor Governmental Funds	
Fund Balances					
Nonspendable:					
Prepaid Items	\$ 780,380	\$ -	\$ -	\$ -	\$ 780,380
Inventories	957,461	-	-	1,406,316	2,363,777
Restricted:					
State Categoricals	68,685	-	-	-	68,685
Food Service	-	-	-	8,329,703	8,329,703
Debt Service	-	-	-	10,421,403	10,421,403
Capital Projects	-	-	131,409,791	1,157,266	132,567,057
Workforce Programs	2,211,496	-	-	-	2,211,496
School Improvement	322,097	-	-	-	322,097
Assigned:					
Purchases Outstanding at Year End	3,368,101	-	-	-	3,368,101
School Carry Forwards	2,149,372	-	-	-	2,149,372
FTE Audit	90,000	-	-	-	90,000
Low Perform Schools	880,000	-	-	-	880,000
Capital Projects	-	-	-	1,675,860	1,675,860
Unassigned					
Reserve for Future Budget Shortfalls	34,365,462	-	-	-	34,365,462
Strategic Reserve	16,440,000	-	-	-	16,440,000
Contingency Reserve	4,060,000	-	-	-	4,060,000
Total Fund Balances	\$ 65,693,054	\$ 0	\$ 131,409,791	\$ 22,990,548	\$ 220,093,393

Minimum Fund Balance Policy. Pursuant to Board Policy 6210, the Board has set a goal of 4 percent of annual resources designated as a strategic reserve. The strategic reserve shall only be utilized by a supermajority vote from members of the Board. As of June 30, 2015, the Board had designated \$16.4 million of the unassigned fund balance as a strategic reserve. Pursuant to Board Policy 6210, the Board has set a goal of 1 percent of annual resources designated as a contingency reserve. The Superintendent has the authority to utilize the contingency reserve, and is required to report such use to the Board at a subsequent Board meeting. As of June 30, 2015, the District had \$4.1 million of unassigned fund balance designated for contingencies to meet any unanticipated needs.

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

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.

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

K. Interfund Receivables, Payables, and Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$1,310,872	\$ -
Nonmajor Governmental:		
Capital Projects:		
Capital Outlay and Debt Service Program	-	698,372
Special Revenue:		
Other	-	612,500
Total	<u>\$1,310,872</u>	<u>\$1,310,872</u>

At fiscal year-end, the District had expenditures in its nonmajor governmental funds for special revenue projects that had not yet been reimbursed by the grantor agencies and for capital outlay related to roofing projects completed prior to receiving State funds. These expenditures were paid from the General Fund.

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	\$ 30,390,077	\$ -
Capital Projects:		
Local Capital Improvement	-	89,777,612
Nonmajor Governmental:		
Capital Projects: Capital Projects - Other	-	9,879,846
Debt Service: Debt Service - Other	69,267,381	-
Total	<u>\$ 99,657,458</u>	<u>\$99,657,458</u>

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

L. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Categorical Educational Program - Class Size Reduction	\$ 50,883,088
Florida Education Finance Program	23,329,799
Workforce Development Program	8,291,946
School Recognition	2,582,672
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,764,541
Voluntary Prekindergarten Program	1,329,550
Gross Receipts Tax (Public Education Capital Outlay)	888,733
Racing Commission Funds	446,500
Food Service Supplement	310,541
Charter School Capital Outlay Funding	174,985
Discretionary Lottery Funds	166,059
Workforce Performance Based Initiative	142,943
State License Tax	106,362
Adults with Disabilities	42,500
Miscellaneous	237,449
Total	<u><u>\$ 90,697,668</u></u>

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

2. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	3.332	\$ 226,052,469
Basic Discretionary Local Effort	0.748	50,746,473
Voted School Tax:		
Additional Operating	0.120	8,141,145
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.380	93,623,171
Total	<u><u>5.580</u></u>	<u><u>\$ 378,563,258</u></u>

V. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2014-15 fiscal year:

	<u>Total</u>	<u>Group Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Employee Benefit Plan</u>
Total Assets	<u>\$50,915,977</u>	<u>\$37,330,632</u>	<u>\$13,291,929</u>	<u>\$ 293,416</u>
Liabilities and Net Position:				
Accrued Salaries and Benefits	\$ 11,887	\$ 10,038	\$ 1,849	\$ -
Payroll Deductions and Withholdings	6,623	5,230	1,393	-
Accounts Payable	22,213	8,085	14,128	-
Due to Other Agencies	5,472	4,564	907	1
Estimated Insurance Claims Payable	7,664,000	4,174,000	3,490,000	-
Unrestricted Net Position	<u>43,205,782</u>	<u>33,128,715</u>	<u>9,783,652</u>	<u>293,415</u>
Total Liabilities and Net Position	<u>\$50,915,977</u>	<u>\$37,330,632</u>	<u>\$13,291,929</u>	<u>\$ 293,416</u>
Revenues:				
Premium Contributions	\$49,922,796	\$47,236,759	\$ 1,379,496	\$1,306,541
Interest	<u>136,272</u>	<u>94,919</u>	<u>41,018</u>	<u>335</u>
Total Revenues	50,059,068	47,331,678	1,420,514	1,306,876
Total Expenses	<u>(42,709,778)</u>	<u>(40,038,587)</u>	<u>(1,336,388)</u>	<u>(1,334,803)</u>
Change in Net Position	<u>\$ 7,349,290</u>	<u>\$ 7,293,091</u>	<u>\$ 84,126</u>	<u>\$ (27,927)</u>

VI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

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

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 500,000	\$ 469,418	\$ 469,418	\$ -
Federal Through State and Local State	2,000,000 87,598,723	2,306,866 87,486,095	2,306,866 87,486,095	- -
Local:				
Property Taxes	273,813,414	275,444,652	275,444,652	-
Local Sales Taxes				-
Miscellaneous	10,343,927	11,595,207	11,595,207	-
Total Local Revenues	284,157,341	287,039,859	287,039,859	-
Total Revenues	374,256,064	377,302,238	377,302,238	-
Expenditures				
Current - Education:				
Instruction	258,537,349	262,807,184	257,659,871	5,147,313
Student Personnel Services	15,447,141	15,890,958	15,847,135	43,823
Instructional Media Services	5,983,989	5,882,063	5,834,482	47,581
Instruction and Curriculum Development Services	7,485,234	7,060,336	7,034,629	25,707
Instructional Staff Training Services	2,691,856	3,178,717	2,984,990	193,727
Instructional - Related Technology	1,989,132	1,419,965	1,419,893	72
Board	1,394,394	1,247,589	1,187,444	60,145
General Administration	961,129	940,290	940,290	-
School Administration	28,318,612	30,314,295	29,731,692	582,603
Facilities Acquisition and Construction	1,568,034	1,257,732	1,174,286	83,446
Fiscal Services	2,489,433	2,464,008	2,411,499	52,509
Central Services	7,623,466	8,024,247	7,907,694	116,553
Student Transportation Services	18,228,745	18,681,242	18,635,671	45,571
Operation of Plant	34,951,587	34,491,810	34,037,557	454,253
Maintenance of Plant	16,219,538	15,916,253	15,848,701	67,552
Administrative Technology Services	2,868,644	2,569,407	2,546,281	23,126
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	99,142	99,142	-
Other Capital Outlay	-	7,120,609	7,120,609	-
Total Expenditures	406,758,283	419,365,847	412,421,866	6,943,981
Excess (Deficiency) of Revenues Over Expenditures	(32,502,219)	(42,063,609)	(35,119,628)	6,943,981
Other Financing Sources				
Sale of Capital Assets	75,000	71,788	71,788	-
Transfers In	26,608,039	30,390,077	30,390,077	-
Total Other Financing Sources	26,683,039	30,461,865	30,461,865	-
Net Change in Fund Balances	(5,819,180)	(11,601,744)	(4,657,763)	6,943,981
Fund Balances, Beginning	70,350,817	70,350,817	70,350,817	-
Fund Balances, Ending	\$ 64,531,637	\$ 58,749,073	\$ 65,693,054	\$ 6,943,981

Special Revenue - Federal Economic Stimulus Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
80,963	542,392	542,392	-
-	-	-	-
-	-	-	-
-	1,942	1,942	-
-	1,942	1,942	-
80,963	544,334	544,334	-
-	388,370	388,370	-
-	-	-	-
-	-	-	-
-	-	-	-
80,963	153,944	153,944	-
-	-	-	-
-	2,020	2,020	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
80,963	544,334	544,334	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 0	\$ 0	\$ 0	\$ 0

**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]
07/01/12	\$ -	\$ 3,861,410	\$ 3,861,410	0%	\$ 240,233,017	1.6%
07/01/13	-	3,464,457	3,464,457	0%	250,091,050	1.4%
07/01/14	-	3,110,546	3,110,546	0%	249,419,156	1.2%

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

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

	2014	2013
District's proportion of the net pension liability	0.632654076%	0.608615952%
District's proportionate share of the net pension liability	\$ 38,601,202	\$ 104,769,893
District's covered-employee payroll	\$ 206,787,822	\$ 188,772,598
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	18.67%	55.50%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

	2015	2014
Contractually required contribution	\$ 15,350,307	\$ 13,857,809
Contributions in relation to the contractually required contribution	15,350,307	13,857,809
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 208,719,036	\$ 206,787,822
Contributions as a percentage of covered-employee payroll	7.35%	6.70%

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

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

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.874825796%	0.863233755%
District's proportionate share of the net pension liability	\$ 81,798,347	\$ 75,155,848
District's covered-employee payroll	\$ 260,243,604	\$ 236,841,725
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.43%	31.73%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,331,272	\$ 2,996,859
Contributions in relation to the contractually required contribution	3,331,272	2,996,859
Contribution deficiency (excess)	-	-
District's covered-employee payroll	264,464,333	260,243,604
Contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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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 – Florida Retirement System Pension Plan

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

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

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

Collier County District School Board

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14002	\$ 3,707,789
National School Lunch Program	10.555 (2)	14001, 14003	13,150,031
Summer Food Service Program for Children	10.559	13006, 13007, 14006, 14007	403,739
Total Child Nutrition Cluster			17,261,559
Team Nutrition Grants	10.574	None	4,500
Fresh Fruit and Vegetable Program	10.582	371	214,914
Florida Department of Health:			
Child and Adult Care Food Program	10.558	None	5,200
Total United States Department of Agriculture			17,486,173
United States Department of Labor:			
Indirect:			
Florida Department of Education:			
National Farmworker Jobs Program	17.264	405	390,305
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	6,825
Federal Pell Grant Program	84.063	N/A	1,230,859
Total Student Financial Aid Cluster			1,237,684
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	9,812,576
Special Education - Preschool Grants	84.173	267	329,071
Total Special Education Cluster			10,141,647
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	797,377
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	12,502,544
Migrant Education - State Grant Program	84.011	217	3,607,826
Career and Technical Education - Basic Grants to States	84.048	161	575,038
Education of Homeless Children and Youth	84.196	127	95,000
English Language Acquisition Grants	84.365	102	771,601
Improving Teacher Quality State Grants	84.367	224	1,167,492
School Improvement Grants	84.377	126	731,753
ARRA - State Fiscal Stabilization Fund (SFSF) -			
Race-to-the-Top Incentive Grants, Recovery Act	84.395	RG311, RA111	542,392
Southwest Florida Workforce Development Board:			
Twenty-First Century Community Learning Centers	84.287	None	332,878
Washington County District School Board:			
Reading First State Grants	84.357	None	1,200
Total Indirect			31,266,748
Total United States Department of Education			32,504,432
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (3)	N/A	2,938,258
Indirect:			
Florida Department of Children and Families:			
Refuges and Entrant Assistance - State Administered Programs	93.566	None	358,591
Florida Department of Health:			
Assistance Program for Chronic Disease Prevention and Control	93.945	None	9,819
Total United States Department of Health and Human Services			3,306,668
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	469,418
Total Expenditures of Federal Awards			\$ 54,156,996

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance:

National School Lunch Program - Includes \$1,399,061 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Head Start. Expenditures include \$2,938,258 for grant number/program year 04CH4718/01.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Collier County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2015, 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 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 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

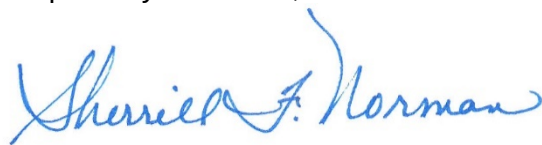
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
December 16, 2015



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and a distinct "F" before the last name.

Sherrill F. Norman, CPA
Tallahassee, Florida
December 16, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.007 and 84.063	Student Financial Assistance Cluster
84.011	Migrant Education – State Grant Program
Dollar threshold used to distinguish between type A and type B programs:	\$1,624,709
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Bus Drivers – Driving History and Licenses

State Board of Education (SBE) rules¹ require the District to at least annually ensure that personnel, prior to transporting students on school buses, hold valid commercial driver licenses with passenger and school bus endorsements. In addition, SBE rules² require the District to obtain and review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver's history record for school bus drivers prior to initial employment and the first day of the Fall Semester and thereafter using automated weekly updates. State law³ also requires school bus drivers to possess valid commercial driver licenses and provides the FDHSMV with the authority to suspend or revoke driver licenses for various reasons. For example, pursuant to State law,⁴ the FDHSMV is to suspend the driver licenses of motor vehicle owners if FDHSMV records do not evidence that the vehicle owner maintained the required insurance coverage.

During the 2014-15 fiscal year, the District employed 319 school bus drivers. As part of our audit, we evaluated District procedures and examined District records related to the verification of school bus driver licenses. We found that District personnel periodically reviewed school bus driver history records to verify that the drivers were appropriately licensed. However, we also compared District records to FDHSMV records for all 319 school bus drivers and found that District monitoring procedures could be improved. Specifically, we noted that 3 of the District's 319 school bus drivers drove regularly scheduled bus routes, for periods ranging from 50 to 283 days, while their licenses were suspended for lack of required insurance coverage. Prior to our inquiry, the 3 school bus drivers obtained and provided proof of insurance to the FDHSMV and had their license restored.

In response to our inquiry, District personnel indicated that the school bus drivers did not self-report the suspensions to the District, contrary to the District's Safe Driver Plan. However, our tests also disclosed that the District did not always timely request and review driver history records. To promote school bus safety and reduce the risk of accidents caused by school bus drivers, it is essential for District personnel to timely and appropriately monitor bus driver history records to ensure the drivers continue to meet the requirements to operate school buses.

Recommendation: The District should enhance procedures to ensure that school bus drivers continuously meet the requirements to operate school buses.

Finding 2: Virtual Instruction Program – Policies and Procedures

State law⁵ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such

¹ SBE Rule 6A-3.0141(4), Florida Administrative Code.

² SBE Rule 6A-3.0141(6), Florida Administrative Code.

³ Sections 322.27 and 1012.45(1), Florida Statutes.

⁴ Section 324.021, Florida Statutes.

⁵ Section 1001.41(3), Florida Statutes.

standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law⁶ establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 73 full-time VIP students. The District had written procedures addressing various VIP requirements including student eligibility, VIP student progression requirements, and VIP student mandated testing. However, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations.

In response to our inquiry, District personnel indicated that their departmental policies and procedures that address student attendance, promotion, and other processes were sufficient without comprehensive, written VIP policies and procedures. Notwithstanding this response, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of District noncompliance and control deficiencies discussed in Findings 3 through 5.

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

Finding 3: Virtual Instruction Program – Provider Contracts

The District contracted with two Florida Department of Education (FDOE) approved VIP providers and the Florida Virtual School during the 2014-15 fiscal year. State law⁷ requires that each contract with an FDOE-approved VIP provider contain certain provisions. In addition, to ensure appropriate controls over data quality, security measures, and provider contract compliance, the contracts need to contain other necessary provisions to establish the District's expectations for these providers. Our review of these three contracts disclosed that:

- Contrary to State law,⁸ one FDOE-approved VIP provider contract did not contain student-teacher ratios, while the contract with other FDOE-approved VIP provider established student-teacher ratios that appeared disproportionate as the ratios ranged from 30:1 to 65:1 for grades kindergarten through 8 and from 50:1 to 250:1 for grades 9 through 12. Further, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios. Without established student-teacher ratios, the District cannot demonstrate compliance with statutory contract requirements, and without records that document the reasonableness of the established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and impact the quality of the provider's virtual instruction.

⁶ Section 1002.45, Florida Statutes.

⁷ Section 1002.45(4), Florida Statutes.

⁸ Section 1002.45(2)(a)8.e., Florida Statutes.

- Contrary to State law,⁹ one FDOE-approved VIP provider contract did not specify a method for resolving conflicts or the authorized reasons for termination of the contract and also lacked a provision requiring the provider to be responsible for all debts of the VIP if the contract was not renewed or was terminated. The inclusion of these statutorily required provisions would better protect the interests of the District.
- The two FDOE-approved VIP provider contracts did not include data quality requirements. Providers are to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.¹⁰ Accordingly, it is essential that accurate and complete data maintained by the providers on behalf of the District be available in a timely manner. Inclusion of data quality requirements in the provider contracts would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to providers.
- The contracts did not include requirements for the provider to implement, maintain, and use appropriate, administrative, technical, or physical security measures, to the full extent required by Federal law,¹¹ to maintain the confidentiality of education records. Also, the contracts did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. Without specified minimum required security controls, there is an increased risk that provider information security and other information technology controls may not be sufficient to protect the education data.
- The contracts did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

Recommendation: The District should ensure that VIP provider contracts include all statutorily required provisions as well as provisions necessary to promote quality instruction and education data integrity and for monitoring provider compliance. In addition, District records should document the reasonableness of the student-teacher ratios established in the contracts.

Finding 4: Virtual Instruction Program – Written Parental Notifications

State law¹² requires each school district to provide information to parents and students about a student's right and choice to participate in a VIP. In addition, State law¹³ requires the District to provide parents with timely, written notifications of open enrollment periods for its VIP.

For the 2014-15 school year, District personnel indicated that the District's Web site provided parents and students information about the VIP and the VIP open enrollment periods. While this communication method demonstrates District efforts to inform parents and students about the VIP, District records did not evidence that the District provided written notifications directly to parents of students regarding the VIP and the VIP open enrollment periods.

⁹ Section 1002.45(4)(c), (d), and (e), Florida Statutes.

¹⁰ Section 1008.31, Florida Statutes.

¹¹ The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

¹² Section 1002.45(10), Florida Statutes.

¹³ Section 1002.45(1)(b), Florida Statutes.

District personnel indicated that use of the District's Web site was the most efficient method of providing information to parents and students regarding the VIP; however, without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail.

Recommendation: The District should ensure that parents are timely and directly notified in writing about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding 5: Virtual Instruction Program – Provider Background Screenings

State law¹⁴ requires VIP providers to conduct background screenings for all employees as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees have obtained the required background screenings and the required assurances indicate that lists of the background-screened employees are to be provided to each applicable school district. However, the District's contracted FDOE-approved VIP providers did not initially provide the District a list of the providers' employees that obtained the required background screenings. In response to our inquiry, the District verified that the providers' employees obtained the required background screenings.

District personnel indicated that the background screenings are the providers' responsibility; however, absent effective controls to ensure that background screenings of VIP provider employees are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be interacting with students. In addition, individuals with unsuitable backgrounds may also be granted access to confidential or sensitive District data and information technology resources.

Recommendation: The District should enhance procedures to ensure that the required background screenings are performed for all VIP provider employees.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB Circular A-133, Section 510.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the findings included our report No. 2013-053.

¹⁴ Section 1002.45(2)(a)3, Florida Statutes.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Cherry, Bekaert LLP		There were no prior audit findings.		

MANAGEMENT'S RESPONSE



Office of the Superintendent
Collier County Public Schools

"Today's Learners - Tomorrow's Leaders"

December 8, 2015

Honorable Sherrill F. Norman
Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

We are in receipt of your preliminary and tentative audit findings for the year ended June 30, 2015. Pursuant to the provisions of Section 11:45 (4)(d), Florida Statutes, we respectfully submit the following statements concerning the preliminary and tentative findings.

Response No 1: Bus Drivers – Driving History and Licenses

The District agrees to and has developed a written procedure on Driver's License Record Checks to strengthen existing controls.

Response No 2: Virtual Instruction Program – Policies and Procedures

The District agrees and has updated the procedures manual that is posted to the District's website. Other documents on the website include:

- Online learning procedures
- Technology workflow request
- Technology request application
- Virtual school parent agreement
- Overview sheet
- Frequently Asked Questions

Response No 3: Virtual Instruction Program – Provider Contracts

The District agrees and has created a checklist based upon statutory requirements to monitor VIP contracts. VIP contracts for the 2015-16 school year meet statutory requirements.

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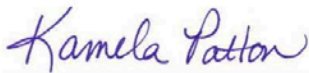
Response No 4: Virtual Instruction Program – Written Parental Notifications

The District believes we have met this requirement through multiple means of communication platforms. Informational posts were included on the District's Learning Management System, website and gradebook. In Spring 2015, the District notified parents in writing via a hard copy flyer of virtual instructional program opportunities for the 2015-16 school year as interpreted in the "written notification" phrase by the auditors.

Response No 5: Virtual Instruction Program – Provider Background Screenings

The District believes the provider background screenings requirement was met. All State approved VIP providers must conduct background screenings for all employees as a condition of approval. The contracted VIP providers in the District were State approved. To exceed requirements, subsequent to the auditor's inquiry, the District obtained lists of instructor screening clearances from the VIP providers. At each semester, the District will obtain lists from each VIP provider to confirm instructor screening clearances.

Sincerely,

A handwritten signature in blue ink that reads "Kamela Patton". The signature is fluid and cursive, with the first name "Kamela" being more prominent than the last name "Patton".

Kamela Patton, Ph.D.
Superintendent

KP/RCS:cII