

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

THE DISTRICT SCHOOL BOARD
OF HERNANDO COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015





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PREPARED BY:
FINANCE DEPARTMENT



District School Board of Hernando County, Florida
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION





The School District of Hernando County, Florida

919 North Broad Street
Brooksville, FL 34601
Phone: (352) 797-7000
Fax: (352) 797-7010



Superintendent: *Lori M. Romano, Ph.D.*
Board Chairperson: *Matthew A. Foreman*
Vice Chairperson: *Beth Narverud*
Board Members:
Susan Duval
Mark C. Johnson
Gus Guadagnino

February 23, 2016

District School Board of Hernando County
919 North Broad Street
Brooksville, Florida 34601

Dear Chair, Members of the School Board and Citizens of Hernando County:

The Comprehensive Annual Financial Report of the District School Board of Hernando County, Florida (District) for the fiscal year ended June 30, 2015, is submitted herewith. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly, in all materials respects, the financial position and the changes in financial position of the District as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the District's financial affairs have been included. The responsibility for the preparation of the accompanying financial statements and other information contained in this report, based on the above standards, rests with the District's management.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all materials respects.

The Florida Auditor General has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2015. The independent auditor's report on financial statements is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District is part of a broader, federally mandated “Single Audit” designed to meet the special needs of Federal grant agencies. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The standards of governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. Information related to this single audit, including the Schedule of Expenditures of Federal Awards (SEFA), schedule of findings and questioned costs, summary schedule of prior audit findings, and the independent auditor’s reports on the system of internal control and on compliance with applicable requirements, is included in the compliance section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditor.

The accompanying report includes all funds of both the District and the Hernando School Board Leasing Corporation (Leasing Corporation). The Leasing Corporation was formed by the School Board to be the lessor in connection with financing the acquisition and/or construction of certain educational facilities and is considered a blended component unit.

PROFILE OF THE DISTRICT

The District and its governing Board were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered, and supervised by the District school officials in accordance with Chapter 1001.30, Florida Statutes. The Board consists of five elected officials responsible for the adoption of policies, which govern the operation of public schools in Hernando County. The Superintendent of Schools is responsible for the administration and management of the schools within the applicable parameters of Florida Statutes, State Board of Education Rules, and District policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts in the District by State Board of Education Rule 6A-1.001, Florida Administrative Code.

This report contains the audited financial statements for all operations over which the School Board is financial accountable. Various potential component units were evaluated to determine whether they should be considered as part of the District’s reporting entity. Accordingly, included in the reporting entity are the Hernando County Education Direct Support Organization, Inc., (Foundation) a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, and the three charter schools, B.E.S.T. Academy, Inc., Gulf Coast Middle School, Inc., and Gulf Coast Academy of Science and Technology, Inc. The charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. Both the Foundation and the charter schools are included as discretely presented

component units in the accompanying financial statements. Additional information regarding these component units can be found in the notes to the financial statements.

The geographic boundaries of the District are those of Hernando County. Hernando County is located on the central-west coast of Florida, north of Tampa Bay. It is bounded by the Gulf of Mexico on the west, Citrus County to the north, Sumter County to the east, and Pasco County to the south. Hernando County stretches 37 miles east to west, and 18 miles north to south, for a total of approximately 479 square miles.

During the 2014-2015 fiscal year, the District had 26 schools, including 9 elementary schools, 4 middle schools, 5 high schools, 4 K-8 schools (Challenger K-8, Explorer K-8, J.D. Floyd K-8, and Winding Waters K-8), 1 alternative school, and 3 charter schools, and served approximately 22,444 prekindergarten through adult students. The projected prekindergarten through grade 12 student enrollment for fiscal year 2015-2016 is 21,952 unweighted full-time equivalent students. The average age of the schools within the District is approximately 27.5 years.

The District serves students from infants through adults. Students in the District represent a diverse community of learners, including a variety of ethnic and cultural backgrounds. In addition to the various educational programs offered to K-12 students, the District offers pre-kindergarten services including: programs for babies of teen parents who are progressing toward achieving high school diplomas; programs for special education infants and toddlers below the age of three; pre-kindergarten programs for three and four-year-old disabled students; and programs for eligible low-income, at-risk students.

The District also offers programs for adults to learn the necessary skills in order to enter the workforce or increase opportunities for advancement in current positions. Also, students from foreign countries have the opportunity to learn communication skills through the District's English for Speakers of Other Languages (ESOL) programs, and all citizens can take fee-supported courses to increase personal development in various subjects such as computers, photography, and personal financial planning.

The annual budget serves as the foundation for the District's financial planning and control. The District establishes and maintains budgetary controls. The objective is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District. Activities of all governmental fund types are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the object level within each function level for all funds.

Budgetary information is integrated into the accounting system. To facilitate budgetary control, budget balances are encumbered when purchase orders are issued. Appropriations expire at year-end and encumbrances outstanding are honored in the subsequent year's appropriations.

In order to provide budgetary control for salaries, the District utilizes a centralized position control system. The District has adopted a staffing plan that establishes teaching positions based primarily on student populations served. Additionally, support and administrative positions are created based on established criteria.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Economic Conditions

Hernando County has experienced limited population growth, increasing 2.8 percent (4,806) since the 2010 census. The County's current population as of August 31, 2015, is 177,584 with anticipated growth estimated to be 182,200 in the year 2020 and 199,700 in the year 2030. The median age is 47.7 years.

The local area economy continues to be affected by the national and State economic downturn. Unemployment improved during 2014-2015 but still remains high at 7 percent for Hernando County and 5.4 percent for the State as of July 2015. These rates are reportedly higher than the national average of 5.3 percent during the same period.

The final property tax roll for Hernando County increased approximately \$249 million or 3.15 percent, bringing the tax roll to \$8.17 billion. This marks the first year the final tax roll actually increased after two consecutive years of decline. Property taxable values experienced steady growth by double digit growth rates through the 2007-2008 fiscal year. Subsequent to the economic downturn, the tax roll significantly decreased and 2014-15 taxable values are only slightly greater than the 2005-2006 taxable values.

While the District is heavily reliant upon State funding for the core of the educational programs within the District, and while the economic conditions of the nation and State interact with State funding adequacy and availability, the economic outlook for the District is consistent with the national situation. The State of Florida is heavily dependent upon sales tax collections and tourism. Any funding fluctuations will mean new programs, innovative initiatives, and educational enhancements may not be available within the desired time frames, but the positive improvements will continue to occur. In addition, the Board, Superintendent and staff are acutely aware of the perils of interrupted revenue receipts. Prudent business practices, accompanied by statutes mandating balanced budgets, result in a continual review of the financial condition of the District.

The District recognizes that the continued enhancement of the local economy is of mutual benefit to both the District and the County and that an excellent system of public education is a significant factor in attracting new business and industry to the County. The District remains Hernando County's largest employer, employing 2,937 full-time employees, including 1,612 instructional personnel.

Long-Term Financial Planning

Funding for school districts in the State of Florida is set by the Florida Legislature annually through the General Appropriations Act.

Relevant Financial Policies

The District follows procedures established by Board Policy, Florida Statutes and the State Board of Education rules in establishing and adopting annual budgets for each of the governmental fund types.

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds. Appropriations are controlled at the object level (e.g. salaries, benefits and purchased services) within each function activity (e.g. instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.

The District has adopted a comprehensive set of financial policies. In accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District now includes in the government-wide statements its proportionate share of the net pension liability of the cost-sharing pension plans in which it participates. This proportionate amount represents a share of the present value of projected benefit payments to be provided through the cost-sharing pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the cost-sharing pension plan's fiduciary net position. See Note 15 to the financial statements for more information.

ACADEMIC ACCOMPLISHMENTS

One of the ways to judge a school district is to compare the results of its students on national and statewide testing and the accomplishments of its staff. The District believes that its students and staff have performed remarkably well based on various tests and accomplishments as noted below.

- Schools through Florida are held accountable and receive school grades based on the results of the Florida Standards Assessment Test (FSA). The FSA cut scores and A-F percentages have not yet been finalized by the State Board of Education. Based on the 2014-2015 School Grades Simulation, three schools received a grade of 'A', eleven schools received a grade of 'B', and eight schools received a grade of 'C'. The Florida Department of Education will release the final approved grades in February 2016.
- The graduating class of 2015 included 67 Florida Academic Scholars, 94 Florida Medallion Scholars, and 35 Gold Seal Scholars.

More than 32 percent of Hernando County School District teachers have earned Master's degrees or higher. Additionally, the District has 35 teachers who have successfully completed the rigorous and time-intensive program of the National Board of Professional Teaching Standards. To achieve the highly esteemed National Certification, teachers are required to provide a portfolio of information regarding teaching styles, examples of work performed by students, and successfully pass an examination.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the thirteenth consecutive year that the District has received this prestigious award. In order to be awarded the Certificate of Achievement for Excellence in Financial Reporting, the District must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

The Certificate of Achievement is valid for only one year. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation and completion of this Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation and completion of this report.

In closing, we would like to thank the members of the School Board for their leadership and support in planning and conducting the financial operations of the District. We also thank the citizens of Hernando County, whose cooperation, support, and assistance have contributed greatly to the operation of this innovative school system.

Respectfully submitted,

Lori M. Romano, Ph.D.
Superintendent of Schools

Heather Martin
Executive Director of Business Services

Kendra L. Sittig
Director of Budget

District School Board of Hernando County, Florida

List of Principal Officials

School Board Members and Superintendent

(Members are elected for a four-year term; Superintendent is an appointed position)



Mark Johnson
District 1
1st Year
November 2018



Matthew A. Foreman
District 2
3rd Year
November 2016



Beth Narverud
District 3
1st Year
November 2018



Gus Guadagnino
District 4
3rd year
November 2016



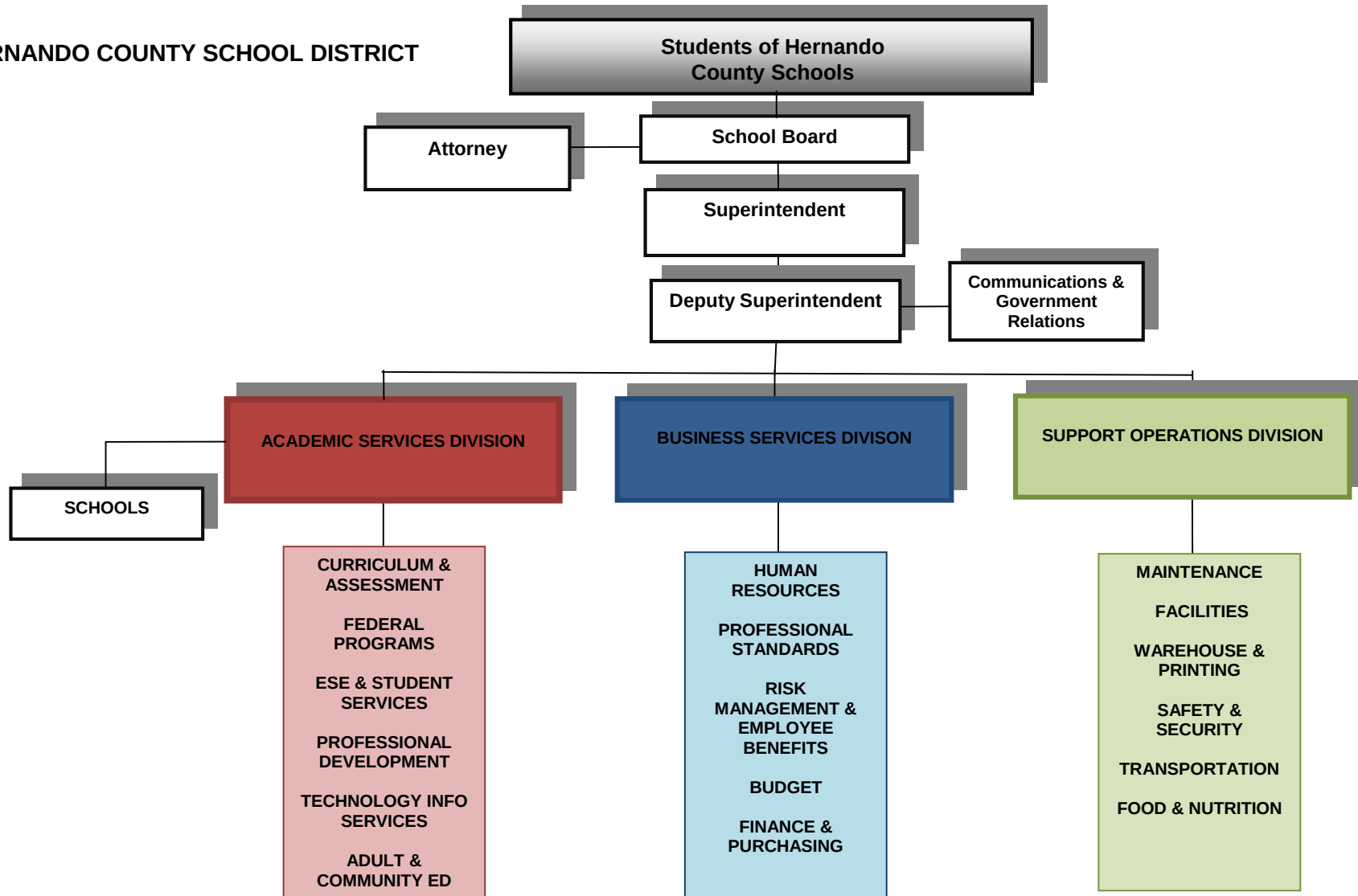
Susan Duval
District 5
1st Year
November 2018



Dr. Lori M. Romano, Ph.D.
Superintendent

ORGANIZATIONAL CHART

HERNANDO COUNTY SCHOOL DISTRICT





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**District School Board
of Hernando County, Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



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FINANCIAL SECTION







Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hernando 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 20 percent of the assets and 88 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 Hernando County District School Board, as of June 30, 2015, and the respective changes in financial position 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 2. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE – GENERAL FUND, BUDGETARY COMPARISON SCHEDULE – OTHER FEDERAL PROGRAMS FUND, BUDGETARY COMPARISON SCHEDULE – FEDERAL ECONOMIC STIMULUS PROGRAMS FUND, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, 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.

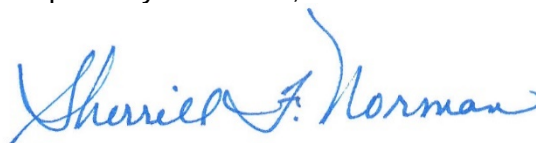
The combining and individual fund statements and schedules and the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules and the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 2, 2016
Audit Report No. 2016-085

District School Board of Hernando County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hernando County District School Board (District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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 2014-2015 fiscal year are as follows:

- Total Net Position is \$197,868,081, which represents a 29.40 percent decrease from the 2013-2014 fiscal year. The primary reason for the decrease is attributable to the implementation of new accounting standards related to the reporting of pensions. The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, 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 of the defined benefit pension plans. The requirements of this Statement are being implemented prospectively, with the District reporting its proportionate share of the actuarially determined FRS and HIS pension liabilities of \$42,443,023 and \$31,066,746, respectively, at July 1, 2014, date of transition. As a result, the beginning net position of the District was reduced by \$73,509,769 due to the adoption of this new accounting standard.
- General revenues totaled \$181,788,005, or 93.64 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital gains and contributions total \$12,355,634, or 6.36 percent of all revenues.
- Expenses total \$203,030,347; only \$12,355,634 of these expenses were offset by program revenues, with the remainder paid from general revenues.
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$197,868,081.
- The total combined assigned and unassigned fund balance of the General Fund representing the net fund balance that is spendable and not restricted, totals \$3,250,295, or 2.16 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The government activities of the District include such functions as instruction, student personnel services, administration, student transportation, maintenance, and other items.

The government-wide financial statements include not only the District itself (known as the primary government), but also the Hernando County Education Direct Support Organization, Inc., , Brooksville Engineering, Science & Technology, Inc., Gulf Coast Middle School, Inc., and Gulf Coast Academy of Science and Technology, Inc., all Charter Schools, all of which the District is required to report as component units. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26 through 28 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be classified under two categories: governmental funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

The District maintains 12 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special

Revenue - Federal Economic Stimulus Programs Funds, Special Revenue - Other Federal Programs Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Funds all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for all the major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements and the budgetary comparison schedules presented as required supplementary information can be found on pages 29 through 34 and 75 through 81 of this report.

- **Fiduciary Funds.** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses private-purpose trust funds to account for scholarship funds established by private donors. The District uses agency funds to account for resources held for student activities and groups.

The basic fiduciary funds financial statements can be found on pages 35 and 36 of this report.

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. The notes to financial statements can be found on pages 37 through 74 of this report.

Other Supplementary Information. In addition to this management's discussion and analysis, this report also presents certain required supplementary information concerning the District's progress in funding its obligations to provide postemployment benefits other than pensions to its employees and regarding its proportionate share and contributions towards its net pension liability. This required supplementary information can be found on pages 82 through 86 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Required Supplementary. Combining and individual fund statements and other schedules can be found on pages 89 through 102 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

Net Position

	Governmental Activities	
	June 30, 2015	June 30, 2014
Current and Other Assets	\$ 47,226,865	\$ 61,727,118
Capital Assets	380,717,720	391,260,133
Total Assets	427,944,585	452,987,251
Deferred Outflows of Resources	12,606,340	
Long-Term Liabilities	210,970,531	170,848,185
Other Liabilities	980,717	1,874,508
Total Liabilities	211,951,248	172,722,693
Deferred Inflows of Resources	30,731,596	
Net Position:		
Net Investment in Capital Assets	247,598,971	252,232,149
Restricted	34,480,595	31,149,082
Unrestricted	(84,211,485)	(3,116,673)
Total Net Position	\$ 197,868,081	\$ 280,264,558

The largest portion of the District's net position reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures and equipment), less any related debt still outstanding net of unspent debt proceeds. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of \$(84,211,485) is significantly lower than in previous years as a result of the implementation of GASB Statement No. 68. The Statement requires employers participating in cost-sharing multi-employer defined benefit plans to report the employer's proportionate share of the defined benefit pension plans. The requirements of this Statement resulted in reporting FRS and HIS pension liabilities of \$16,922,262 and \$35,078,134, respectively, at June 30, 2015.

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

Changes in Net Position

	Governmental Activities	
	June 30, 2015	June 30, 2014
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,382,682	\$ 2,675,687
Operating Grants and Contributions	8,909,622	8,740,134
Capital Grants and Contributions	1,063,330	881,129
General Revenues:		
Property Taxes	56,930,269	57,659,104
Other Taxes	5,284,711	9,007,765
Grants and Contributions Not Restricted to Specific Programs	117,033,440	114,790,011
Unrestricted Investment Earnings	(121,985)	479,244
Miscellaneous	2,661,570	5,641,459
Total Revenues	<u>194,143,639</u>	<u>199,874,533</u>
Functions/Program Expenses:		
Instruction	106,464,738	105,662,000
Student Personnel Services	9,271,687	9,262,052
Instructional Media Services	2,189,442	2,118,740
Instruction and Curriculum Development Services	4,611,206	4,103,785
Instructional Staff Training Services	2,834,048	2,214,563
Instruction Related Technology	1,495,715	1,682,610
Board	480,877	460,573
General Administration	1,391,321	1,286,149
School Administration	11,254,519	11,230,650
Facility Services - Non-Capitalized	2,430,003	2,013,899
Fiscal Services	1,107,565	1,101,844
Food Services	10,428,835	10,901,515
Central Services	1,538,384	1,895,196
Student Transportation Services	7,905,288	8,120,089
Operation of Plant	14,866,067	14,998,980
Maintenance of Plant	4,715,632	4,786,141
Administrative Technology Services	2,140,357	1,944,813
Community Services	20,549	186,817
Unallocated Interest on Long-Term Debt	5,804,308	7,604,707
Unallocated Depreciation Expense	12,079,806	15,209,697
Total Functions/Program Expenses	<u>203,030,347</u>	<u>206,783,822</u>
Decrease in Net Position	(8,886,708)	(6,909,289)
Net Position, Beginning	280,264,558	288,622,127
Adjustment to Net Position (a)	(73,509,769)	(1,448,280)
Net Position, Ending	<u>\$ 197,868,081</u>	<u>\$ 280,264,558</u>

(a) Beginning net position was restated for change in accounting principle discussed in Notes 2, 14 (II) to the financial statements.

The total governmental net position decreased by \$82,396,477 during the current year, as compared to a net decrease of \$8,357,569 in the previous year. Key components of this change are as follows:

- Local sales tax collections in the District decreased by \$3,723,054. This is due to the expiration of the one-half cent school capital outlay sales tax on sales in Hernando County on December 31, 2014. However a new ten year one-half cent sales tax, commencing on January 1, 2016, was subsequently approved in a special election held on September 8, 2015.
- Miscellaneous revenues decreased by \$2,979,889 primarily due to the loss of revenues related to the gain on refunding for the 2003A Certificates of Participation which were refunded in the prior year.
- Investment earnings are down \$601,229 due primarily losses related to the closing of the State Board of Administration Fund B account and the liquidation of the Reserve Primary Fund.
- Unallocated expenses for interest and depreciation decreased \$4,930,290. The change in depreciation is primarily due to the fact that Furniture, Fixtures, and Equipment and Motor Vehicles were fully depreciated at the conclusion of the prior year. Interest expense was reduced primarily as final payments related to data processing equipment being acquired under capital lease and Sales Tax Revenue bonds were made during the 2014-15 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 financial 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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$41,736,642, a decrease of \$14,695,724 in comparison with the prior year. The following schedule indicates the fund balances and changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2014, and June 30, 2015.

Fund Balance	June 30, 2015	June 30, 2014	Increase (Decrease)	Percentage Change
Major Governmental Funds:				
General Fund	\$ 6,402,667	\$ 14,361,013	\$ (7,958,346)	-55.42%
Capital Projects Funds:				
Local Capital Improvements	10,843,262	6,411,993	4,431,269	69.11%
Other Capital Projects	18,759,179	27,395,238	(8,636,059)	-31.52%
Other Governmental Funds (nonmajor)	5,731,534	8,264,122	(2,532,588)	-30.65%
Total Fund Balance	<u>\$ 41,736,642</u>	<u>\$ 56,432,366</u>	<u>\$ (14,695,724)</u>	<u>-26.04%</u>

Note: Does not include Special Revenue - Federal Economic Stimulus Programs or Special Revenue - Other Federal Program Funds, which revenues are reported to the extent of expenditures and, therefore do not maintain a fund balance.

General Fund. The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,814,821, while total fund balance was \$6,402,667. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total revenues. Unassigned fund balance represents 1.21 percent of General Fund revenues, while total fund balance represents 4.25 percent of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$7,958,346.

The following schedule shows the changes in General Fund revenues and transfers in for fiscal years ended June 30, 2014 and June 30, 2015.

General Fund Revenues and Other Financing Sources	June 30, 2015	June 30, 2014	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 214,600	\$ 211,147	\$ 3,453	1.64%
Federal through State Sources:				
Medicaid	489,114	617,340	(128,226)	-20.77%
State Sources:				
Florida Education Finance Program (FEFP)	77,610,844	75,288,663	2,322,181	3.08%
Categorical Programs	23,865,698	23,834,105	31,593	0.13%
Other State Sources	1,031,368	2,324,307	(1,292,939)	-55.63%
Local Sources:				
Ad Valorem Taxes	45,018,129	45,785,613	(767,484)	-1.68%
Interest Income	28,430	36,979	(8,549)	-23.12%
Other Local Sources	2,294,875	4,750,165	(2,455,290)	-51.69%
	<u>150,553,058</u>	<u>152,848,319</u>	<u>(2,295,261)</u>	<u>-1.50%</u>
Other Financing Sources:				
Transfers In	5,300,000	4,221,974	1,078,026	25.53%
Other Financing Sources	87,923	57,181	30,742	53.76%
Total Revenues and Other Financing Sources	<u>\$ 155,940,981</u>	<u>\$ 157,127,474</u>	<u>\$ (1,186,493)</u>	<u>-0.76%</u>

During the fiscal year, the major impacts to funding were the reductions of other state sources, totaling \$1,292,939, primarily due to a reduction in workforce development funding, and reduction of other local sources, totaling \$2,455,290, which was primarily due to the loss of certain lease revenues and an insurance refund which was received in the prior year. These reductions were partially offset by an increase in Florida Education Finance Program (FEFP) funding of \$2,322,181 due to the increase in the base student allocation.

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2014 and June 30, 2015.

General Fund Expenditures by Major Object	June 30, 2015	June 30, 2014	Increase (Decrease)	Percentage Change
Salaries	\$ 105,437,200	\$103,583,009	\$ 1,854,191	1.79%
Employee Benefits	32,891,081	31,603,270	1,287,811	4.07%
Purchased Services	9,993,774	6,945,858	3,047,916	43.88%
Energy Services	6,991,454	7,138,663	(147,209)	-2.06%
Materials and Supplies	5,421,984	4,662,146	759,838	16.30%
Capital Outlay	1,342,622	1,068,867	273,755	25.61%
Other Expenditures	864,565	2,731,719	(1,867,154)	-68.35%
Total Expenditures by Major Object	<u>\$ 162,942,680</u>	<u>\$157,733,532</u>	<u>\$ 5,209,148</u>	<u>3.30%</u>

As the table above illustrates, the largest portions of General Fund expenditures are for salaries and employee benefits with \$138,328,281 expended or 84.89 percent of total expenditures in the 2014-2015 fiscal year compared to \$135,186,279 or 85.56 percent in the 2013-2014 fiscal year. The District is a service entity and as such is labor intensive.

Total General Fund expenditures are up \$5,209,148 or 3.30 percent higher than the 2013-2014 fiscal year due to the increase in Purchased service expenditures. Purchased service expenditures increased as the District began utilizing a staffing company to provide substitute teachers throughout the District during the 2014-15 fiscal year. Salaries and employee benefits increased a combined 5.86 percent primarily due to a small increase in regular full-time employees and increases in FRS contribution rates and health insurance costs.

Special Revenue – Other Federal Programs Fund. These funds are federally provided grants and entitlements that are received by the District from various federal and state agencies. Special Revenue Funds do not report fund balance because revenues are reported to the extent of expenditures. Revenues and expenditures increased \$985,527 from the previous year primarily as a result of an increase in grant funds received related to the Title I program.

Special Revenue – Federal Economic Stimulus Programs Fund. These funds are federally provided revenues that passed through to the State that provide for the stabilization of jobs and stimulus to the economy. Special Revenue Funds do not report fund balance because revenues are reported to the extent of expenditures. Revenues and expenditures increased \$266,637 from the previous year as the result of an increase in Race-to-the-Top grant funds received.

Capital Projects – Local Capital Improvements Fund. The fund balance of the Capital Projects – Nonvoted Capital Improvements Fund increased by \$4,431,269 to \$10,843,262. This increase was primarily due to a decrease in transfers out for the payment of debt service. It should be noted that \$4,691,469 of fund balance has been encumbered for specific projects.

Capital Projects – Other Fund. The fund balance of the Capital Projects – Other Fund decreased by \$8,636,059 to \$18,759,179 due to the expiration of the one-half cent school capital outlay sales tax on sales in Hernando County on December 31, 2014. Funds from Capital Projects are the primary source of funds to pay debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following schedule shows the changes in General Fund revenues and other financing sources between the original and final budgets for the fiscal year ended June 30, 2015.

General Fund Revenues and Other Financing Sources	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 210,000	\$ 214,600	\$ 4,600	2.19%
Federal through State Sources:				
Medicaid	500,000	489,114	\$ (10,886)	-2.18%
State Sources:				
Florida Education Finance Program (FEFP)	80,086,994	77,610,844	\$ (2,476,150)	-3.09%
Categorical Programs	23,677,537	23,865,698	\$ 188,161	0.79%
Other State Sources	1,396,199	1,031,368	\$ (364,831)	-26.13%
Local Sources:				
Ad Valorem Taxes	44,427,793	45,018,129	\$ 590,336	1.33%
Interest Income	40,000	28,430	\$ (11,570)	-28.93%
Other Local Sources	4,178,341	2,367,401	\$ (1,810,940)	-43.34%
Other Financing Sources:				
Transfers In	5,300,000	5,300,000		0.00%
Other Financing Sources		87,923	\$ 87,923	100.00%
Total Revenues and Other Financing Sources	<u>\$ 159,816,864</u>	<u>\$ 156,013,507</u>	<u>\$ (3,803,357)</u>	<u>-2.38%</u>

Final budgeted revenues and other financing sources for the General Fund when compared to the initial budget were 2.38 percent lower. Reductions in FEFP funding from the State totaling \$2,476,150 were due to decreases in the number of full-time students from the amounts projected and the loss of the Sparsity Supplement. Ad Valorem Tax collections were budgeted at 96 percent as required by Section 1011.62(4)(a), Florida Statutes. However, actual collections were 1.33 percent higher or an increase of \$590,336. Actual Collections from Other Local Sources of \$2,323,305 resulted in a decrease of \$1,855,036 in revenues from what was originally budgeted.

The following schedule shows the changes in General Fund expenditures by function between the original and final budgets for the fiscal year ended June 30, 2015.

General Fund Expenditures and Other Financing Uses	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Current:				
Instruction	\$ 110,910,291	\$ 103,762,249	\$ (7,148,042)	-6.44%
Student Personnel Services	6,578,651	7,160,331	\$ 581,680	8.84%
Instructional Media Services	1,973,111	2,220,292	\$ 247,181	12.53%
Instruction and Curriculum Development	1,469,255	1,584,196	\$ 114,941	7.82%
Instructional Staff Training	565,260	846,289	\$ 281,029	49.72%
Instruction Related Technology	847,891	950,981	\$ 103,090	12.16%
School Board	570,944	489,759	\$ (81,185)	-14.22%
General Administration	575,078	866,229	\$ 291,151	50.63%
School Administration	10,760,951	11,446,555	\$ 685,604	6.37%
Facility Services - Non Capitalized	519,173	459,120	\$ (60,053)	-11.57%
Fiscal Services	1,172,027	1,120,055	\$ (51,972)	-4.43%
Food Services		6,503	\$ 6,503	
Central Services	1,446,543	1,563,721	\$ 117,178	8.10%
Student Transportation Services	8,248,894	7,972,066	\$ (276,828)	-3.36%
Operation of Plant	14,829,880	15,141,503	\$ 311,623	2.10%
Maintenance of Plant	4,863,462	4,783,443	\$ (80,019)	-1.65%
Administrative Related Technology Services	1,797,195	2,179,690	\$ 382,495	21.28%
Community Services	26,932	21,017	\$ (5,915)	-21.96%
Capital Outlay		368,681	\$ 368,681	100.00%
Other Financing Uses:				
Transfers Out	353,298	956,647	\$ 603,349	170.78%
Total Expenditures and Other Financing Uses	<u>\$ 167,508,836</u>	<u>\$ 163,899,327</u>	<u>\$ (3,609,509)</u>	<u>-2.15%</u>

The final budgeted expenditures and other financing uses were lower than the original budget by \$3,609,509 or 2.15 percent. Reductions were realized through the District's conservative spending and through savings initiatives that were implemented during the fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets. The District's investment in capital assets for governmental activities as of June 30, 2015, amounts to \$380,717,720 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; and motor vehicles. The total decrease of \$10,542,413 in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was 2.77 percent.

The only significant capital asset event during the year was the transfer of property under capital lease balances to the furniture, fixture, and equipment account subsequent to making the final payments on such leases.

Capital Assets (net of depreciation)

	Governmental Activities	
	June 30, 2015	June 30, 2014
Land	\$ 10,317,174	\$ 10,317,174
Improvements Other Than Buildings	12,548,535	13,666,263
Buildings and Fixed Equipment	355,863,048	364,888,612
Furniture, Fixtures, and Equipment	1,973,479	
Motor Vehicles	15,484	
Property Under Capital Leases		2,388,084
Total Capital Assets	<u>\$ 380,717,720</u>	<u>\$ 391,260,133</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Debt. At the end of the current fiscal year, the District has total long-term debt outstanding of \$135,751,202. This amount is comprised of a note payable of \$6,097,551; \$123,451,185 in Certificates of Participation; and \$6,202,466 in bonded debt, \$3,877,466 of which is backed by the full faith and credit of the State of Florida.

The District's current rating on outstanding Certificates of Participation (COPs) from Fitch's Rating Services is A+ with a stable outlook.

During the current fiscal year, the District paid \$12,283,682 for principal payments on long-term debt as follows:

State School Bonds	\$ 575,000
Other Debt Service:	
District Revenue Bonds	85,000
Sales Tax Revenue Bonds	6,415,000
Certificates of Participation	3,993,273
Note Payable	1,165,136
Obligations Under Capital Leases	50,273
Total Principal Payments	<u>\$ 12,283,682</u>

Additional information on the District's long-term debt can be found in Notes 5 through 9 of this report.

ECONOMIC FACTORS AND FORECAST

As of June 2015, the unemployment rate for Hernando County is currently 6.9 percent, which is a decrease from the rate of 7.9 percent a year ago. This compares to the State's average unemployment rate of 5.5 percent. These factors were considered in preparing the District budget for the 2015-2016 fiscal year.

During the current fiscal year, the fund balance in the General Fund decreased by \$7,958,346 to \$6,402,667. Included in this total, the District has inventories of \$1,373,299 that are classified as nonspendable, \$1,401,601 and \$177,672 in Workforce Development and State categorical funds, respectively, reported as restricted, and \$322,934 in encumbrances reported as assigned, which are reappropriated in the budget for the 2015-2016 fiscal year. Assigned fund balance also includes \$1,112,540 for the potential return of FEFP funds to the Florida Department of Education in relation to a full-time equivalent student audit and health insurance rebates, which will be held in fund balance until appropriated. The District plans to continue improvements to increase the fund balance in excess of 3 percent of general fund revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Hernando County District School Board, 919 North Broad Street, Brooksville, Florida, 34601.

BASIC FINANCIAL STATEMENTS





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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 29,399,885	\$ 255,148
Investments	11,416,839	
Accounts Receivable	60,819	
Due from Other Agencies	1,160,511	60,844
Inventories	1,483,166	12850
Prepaid Items		28,580
Capital Credits Receivable	3,705,645	
Capital Assets:		
Nondepreciable Capital Assets	10,317,174	
Depreciable Capital Assets, Net	370,400,546	429,777
Total Assets	427,944,585	787,199
DEFERRED OUTFLOWS OF RESOURCES		
Pension	12,606,340	
LIABILITIES		
Salaries and Benefits Payable	170,133	15,402
Accounts Payable	757,017	31,434
Due to Other Agencies	3,074	27,381
Deposits Payable	50,410	
Sales Tax Payable	83	
Long-Term Liabilities:		
Due Within One Year	9,020,120	46,900
Due in More Than One Year	201,950,411	161,777
Total Liabilities	211,951,248	282,894
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	803,861	
Pensions	29,927,735	
Total Deferred Inflows of Resources	30,731,596	
NET POSITION		
Net Investment in Capital Assets	247,598,971	221,100
Restricted for:		
State Required Carryover Programs	1,779,073	
Food Service	2,856,743	
Debt Service	2,598,033	
Capital Projects	27,246,746	
Other Purposes		92,870
Unrestricted	(84,211,485)	190,335
Total Net Position	\$ 197,868,081	\$ 504,305

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Instruction	\$ 106,464,738	\$ 86,746	\$
Student Personnel Services	9,271,687		
Instructional Media Services	2,189,442		
Instruction and Curriculum Development Services	4,611,206		
Instructional Staff Training Services	2,834,048		
Instruction Related Technology	1,495,715		
Board	480,877		
General Administration	1,391,321		
School Administration	11,254,519		
Facility Services - Non-Capitalized	2,430,003		
Fiscal Services	1,107,565		
Food Services	10,428,835	2,143,141	8,909,622
Central Services	1,538,384	152,795	
Student Transportation Services	7,905,288		
Operation of Plant	14,866,067		
Maintenance of Plant	4,715,632		
Administrative Technology Services	2,140,357		
Community Services	20,549		
Unallocated Interest on Long-Term Debt	5,804,308		
Unallocated Depreciation Expense *	12,079,806		
Total Primary Government	\$ 203,030,347	\$ 2,382,682	\$ 8,909,622
Component Units			
Educational Foundation/Charter School	\$ 2,868,364	\$ 206,939	\$ 434,348

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - July 1, 2014

Adjustment to Net Position

Net Position - July 1, 2014 (As Restated)

Net Position - June 30, 2015

* This amount excludes the depreciation that is included in the direct expenses of the various functions

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

(Continued)

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government	Component Units
	Governmental Activities	
\$	\$ (106,377,992)	\$
	(9,271,687)	
	(2,189,442)	
	(4,611,206)	
	(2,834,048)	
	(1,495,715)	
	(480,877)	
	(1,391,321)	
	(11,254,519)	
320,513	(2,109,490)	
	(1,107,565)	
	623,928	
	(1,385,589)	
	(7,905,288)	
	(14,866,067)	
	(4,715,632)	
	(2,140,357)	
	(20,549)	
742,817	(5,061,491)	
	(12,079,806)	
<u>\$ 1,063,330</u>	<u>(190,674,713)</u>	
<u>\$ 40,711</u>		<u>(2,186,366)</u>
	45,018,129	
	11,912,140	
	5,284,711	
	117,033,440	2,254,225
	(121,985)	
	2,661,570	83,127
	<u>181,788,005</u>	<u>2,337,352</u>
	(8,886,708)	150,986
	280,264,558	224,253
	(73,509,769)	129,066
	206,754,789	353,319
	<u>\$ 197,868,081</u>	<u>\$ 504,305</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Programs Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,671,089	\$	\$
Investments	3,080,323		
Accounts Receivable	58,166		
Due from Other Funds	603,915		
Due from Other Agencies	176,795	578,464	208,548
Inventories	1,373,299		
TOTAL ASSETS	<u><u>\$ 6,963,587</u></u>	<u><u>\$ 578,464</u></u>	<u><u>\$ 208,548</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$	\$ 123,541	\$ 46,592
Accounts Payable	556,687	12,964	
Due to Other Funds		441,959	161,956
Due to Other Agencies	3,074		
Deposits Payable	1,076		
Sales Tax Payable	83		
Total Liabilities	<u><u>560,920</u></u>	<u><u>578,464</u></u>	<u><u>208,548</u></u>
Deferred Inflow of Resources			
Unavailable Revenue - Impact Fees			
Unavailable Revenue - Capital Outlay and Debt Service			
Total Deferred Inflows of Resources	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>
Fund Balances:			
Nonspendable	1,373,299		
Spendable:			
Restricted	1,779,073		
Assigned	1,435,474		
Unassigned	1,814,821		
Total Fund Balances	<u><u>6,402,667</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 6,963,587</u></u>	<u><u>\$ 578,464</u></u>	<u><u>\$ 208,548</u></u>

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

(Continued)

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,085,737	\$ 16,298,352	\$ 3,344,707	\$ 29,399,885
2,801,076	3,212,485	2,322,955	11,416,839
		2,653	60,819
			603,915
3,137	30,817	162,750	1,160,511
		109,867	1,483,166
<u>\$ 10,889,950</u>	<u>\$ 19,541,654</u>	<u>\$ 5,942,932</u>	<u>\$ 44,125,135</u>
\$ 46,688	\$	\$ 140,678	\$ 170,133
			757,017
			603,915
			3,074
		49,334	50,410
			83
<u>46,688</u>		<u>190,012</u>	<u>1,584,632</u>
	782,475		782,475
		21,386	21,386
	<u>782,475</u>	<u>21,386</u>	<u>803,861</u>
		109,867	1,483,166
10,843,262	18,759,179	5,621,667	37,003,181
			1,435,474
			1,814,821
<u>10,843,262</u>	<u>18,759,179</u>	<u>5,731,534</u>	<u>41,736,642</u>
<u>\$ 10,889,950</u>	<u>\$ 19,541,654</u>	<u>\$ 5,942,932</u>	<u>\$ 44,125,135</u>



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances - Governmental Funds \$ 41,736,642

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

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

Nondepreciable Capital Assets	\$ 10,317,174	
Depreciable Capital Assets, Net	<u>370,400,546</u>	380,717,720

Capital credits to be received in future years are not available to liquidate liabilities in governmental funds, but are accrued in the government-wide statements.	3,705,645
---	-----------

Deferred outflows/inflows of resources for pensions are not available in the current period and therefore, are not reported in the governmental funds. At fiscal year-end, these are the deferred outflows/inflows of resources for pensions:

Deferred Outflows of Resources	\$ 12,606,340	
Deferred Inflows of Resources	<u>(29,927,735)</u>	(17,321,395)

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

Bonds Payable	\$ 6,202,466	
Certificates of Participation Payable	123,451,185	
Note Payable	6,097,551	
Other Postemployment Benefits Payable	8,775,339	
Net Pension Liability	52,000,396	
Compensated Absences Payable	<u>14,443,594</u>	<u>(210,970,531)</u>

Total Net Position - Governmental Activities \$ 197,868,081

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Programs Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 214,600	\$	\$
Federal Through State and Local	489,114	12,653,029	862,036
State	102,507,910		
Local:			
Property Taxes Levied for Operational Purposes	45,018,129		
Property Taxes Levied for Capital Projects			
Local Sales Taxes			
Charges for Service - Food Services			
Other	2,323,305	2,924	
Total Revenues	<u>150,553,058</u>	<u>12,655,953</u>	<u>862,036</u>
Expenditures			
Current:			
Instruction	103,762,249	3,901,148	569,050
Student Personnel Services	7,160,331	2,263,444	3,270
Instructional Media Services	2,220,292		7,095
Instruction and Curriculum Development Services	1,584,196	2,926,175	183,649
Instructional Staff Training Services	846,289	2,005,368	36,229
Instruction Related Technology	950,981	557,855	9,850
Board	489,759		
General Administration	866,229	517,106	24,985
School Administration	11,446,555		2,707
Facility Services - Non-Capitalized	459,120		
Fiscal Services	1,120,055	7,444	
Food Services	6,503		
Central Services	1,563,721		
Student Transportation Services	7,972,066	48,024	
Operation of Plant	15,141,503		
Maintenance of Plant	4,783,443	10,526	
Administrative Technology Services	2,179,690		
Community Services	21,017		
Debt Service:			
Principal			
Interest and Fiscal Charges			
Dues and Fees			
Capital Outlay:			
Facilities Acquisition and Construction	3,968		
Other Capital Outlay	364,713	418,863	25,201
Total Expenditures	<u>162,942,680</u>	<u>12,655,953</u>	<u>862,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,389,622)</u>		
Other Financing Sources (Uses)			
Issuance of Refunding Bonds			
Premium on Refunding Bonds			
Payments to Refunded Bonds Escrow Agent			
Transfers In	5,300,000		
Insurance Loss Recoveries	87,923		
Transfers Out	(956,647)		
Total Other Financing Sources (Uses)	<u>4,431,276</u>		
Net Change in Fund Balances	(7,958,346)		
Fund Balances, July 1, 2014	<u>14,361,013</u>		
Fund Balances, June 30, 2015	<u>\$ 6,402,667</u>	<u>\$</u>	<u>\$</u>

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

(Continued)

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		8,768,508	214,600
	66,519	1,441,752	22,772,687
			104,016,181
			45,018,129
11,912,140			11,912,140
	5,284,711		5,284,711
		2,143,141	2,143,141
16,271	(157,464)	17,292	2,202,328
11,928,411	5,193,766	12,370,693	193,563,917
			108,232,447
			9,427,045
			2,227,387
			4,694,020
			2,887,886
			1,518,686
			489,759
			1,408,320
			11,449,262
1,981,062	7,673	35,771	2,483,626
			1,127,499
		10,600,143	10,606,646
			1,563,721
			8,020,090
			15,141,503
			4,793,969
			2,179,690
			21,017
		12,283,682	12,283,682
		5,882,626	5,882,626
		13,494	13,494
352,792	7,387	170,116	534,263
37,659		158,414	1,004,850
2,371,513	15,060	29,144,246	207,991,488
9,556,898	5,178,706	(16,773,553)	(14,427,571)
		1,299,000	1,299,000
		123,525	123,525
		(1,778,601)	(1,778,601)
174,371	168,206	14,939,618	20,582,195
			87,923
(5,300,000)	(13,982,971)	(342,577)	(20,582,195)
(5,125,629)	(13,814,765)	14,240,965	(268,153)
4,431,269	(8,636,059)	(2,532,588)	(14,695,724)
6,411,993	27,395,238	8,264,122	56,432,366
\$ 10,843,262	\$ 18,759,179	\$ 5,731,534	\$ 41,736,642

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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 \$ (14,695,724)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.

Capital Outlay - Facilities and Construction - Governmental Funds	\$	534,263	
Capital Outlay - Other Capital Outlay - Governmental Funds		1,004,850	
Less: Depreciation Expense		<u>(12,081,526)</u>	(10,542,413)

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

Bond Proceeds	(1,299,000)		
Bonds Refunded	1,400,000		
Debt Repayments	<u>12,868,678</u>		12,969,678

Premiums are reported in the governmental funds in the year debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities

Unamortized Premium:			
Prior Year	1,213,248		
Less: Current Year	<u>(1,244,961)</u>		(31,713)

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

FRS Contributions	6,715,495		
HIS Contributions	1,427,780		
FRS Expense	(1,476,319)		
HIS Expense	<u>(2,478,975)</u>		4,187,981

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

Current Year Accruals	3,705,645		
Less: Prior Year Accruals	<u>(3,420,244)</u>		285,401

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 used in excess of the amount earned in the current period.

24,317

Other postemployment benefits costs are recorded in the governmental funds under the pay-as-you-go method, but under the full accrual method in the government-wide statements. This is the net increase in the other postemployment benefits liability for the current period.

(1,084,235)

Change in Net Position - Governmental Activities \$ (8,886,708)

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 980	\$ 1,538,653
Investments	61,184	
Accounts Receivable		8,679
TOTAL ASSETS	\$ 62,164	\$ 1,547,332
LIABILITIES		
Accounts Payable		837
Internal Accounts Payable	\$	\$ 1,546,495
Total Liabilities		\$ 1,547,332
NET POSITION		
Held in Trust for Scholarships and Other Purposes	\$ 62,164	

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2015

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings:	
Interest Income	\$ 2,282
DEDUCTIONS	
Scholarship Payments	3,200
Change in Net Position	(918)
Net Position, July 1, 2014	63,082
Net Position, June 30, 2015	\$ 62,164

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

The Hernando County District School Board (Board) has direct responsibility for operation, control, and supervision of Hernando County School District (District) schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education. The governing body of the District is the 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 Hernando County.

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

Based on the application of these criteria, the following component units are included within the Board's reporting entity:

- **Blended Component Unit.** The Hernando School Board Leasing Corporation (Leasing Corporation) was formed in July 2011 to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. The governing board of the Leasing Corporation is the District School Board. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements of the Leasing Corporation are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of The Hernando County Education Direct Support Organization, Inc., (Foundation), and the following charter schools: Brooksville Engineering, Science & Technology, Inc., Gulf Coast Middle School, Inc., and the Gulf Coast Academy of Science and Technology, Inc.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the District. The Foundation is considered to be a component unit of the District because of the nature and significance of its relationship to the District.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operates under a charter of the sponsoring District. The charter schools are considered to be a component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

Annual audits of the Foundation's and the charter schools' financial statements are conducted by independent certified public accountants and are filed in the District's administrative office at 919 North Broad Street, Brooksville, Florida, 34601.

- **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government 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 associated with the District's motor vehicles is allocated to the applicable functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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.

Fund Financial Statements - Fund financial statements provide detailed information about the District in the governmental and fiduciary funds. The focus of

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 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 – Other Federal Programs Fund – to account for certain Federal Grant program revenue sources that are legally restricted for specified purposes. This Special Revenue Fund tracks Federal grants and entitlements that are received by the District from various Federal and State agencies.
- Special Revenue – Federal Economic Stimulus Programs Fund – to account for revenues received as part of the American Recovery and Reinvestment Act (ARRA).
- Capital Project – 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 project, and debt service payments on lease-purchase agreements for educational facilities.
- Capital Projects – Other Fund – to account for the financial resources generated by the local voted sales tax and the impact fees levied by the Hernando County Board of County Commissioners. The sales tax is to be used for new school construction. The impact fees may be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Fund – to account for resources of the Hernando High School Renaissance Scholarship Endowment Fund which are used for student scholarships.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the various schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements to report only the net amount of transfers.

- **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting, as are the 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.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered 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 property taxes, sales taxes, and interest to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

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

Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value and (b) non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange. Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Revenues resulting from non-exchange transactions are further classified into (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government-mandated non-exchange transactions, and (d) voluntary non-exchange transactions. Derived tax revenues (e.g., sales tax) are recorded when the exchange transaction occurs. Imposed non-exchange transactions (e.g., property taxes) are recorded when use of the resource is required or first permitted by time requirements (e.g., for property taxes, the period for which they are levied). Government-mandated and voluntary non-exchange transactions, (e.g., Federal mandates, grants, and donations) are recorded when all eligibility requirements have been met. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The three charter schools, shown as discretely presented component units, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The Hernando County Education Direct Support Organization, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

- **Deposits and Investments**

The District's cash and cash equivalents are considered to be demand deposits. On June 30, 2015, the carrying amount of the District's bank deposit accounts was \$29,399,885.

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

Investments consist of amounts placed in State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys and amounts placed with the SBA for participation in Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund Investment Pool) investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pools operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME and the Florida Education Investment Trust Fund (FEIT), which SBA and FEIT indicate are Securities and Exchange Commission Rule 2a7-like external investment pools, as of June 30, 2015, 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.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Investments made locally consist of money market mutual funds and United States Treasury securities, and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

- **Inventories**

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

- **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 composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	50 years
Improvements Other than Buildings	25 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years

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

- **Pensions**

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For

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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's and the HIS's 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.

- **Long-Term Liabilities**

Long-term obligations that will be paid from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable premium or discount. As a result of the implementation of GASB Statement No. 65, debt issuance costs are no longer treated as deferred charges.

Governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued, and premiums on debt issuances, are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, for example, unused reimbursable leave still outstanding following employee resignations and retirements.

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

- **Deferred Outflows/Inflows of Resources**

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

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In addition to liabilities, the statement of net position and the governmental funds balance sheet report 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 two types of 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 second item is unavailable revenue from Hernando County impact fees and the State of Florida for Capital Outlay and Debt Service.

- **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education (Department) 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 Department. The Department 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 nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years.

The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for 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 year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical 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 Department.

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

- **District Property Taxes**

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

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

The School Board adopted the 2014 tax levy on September 16, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

- **Local Sales Tax**

On March 9, 2004, the voters of Hernando County approved a one-half cent school capital outlay sales tax on sales in Hernando County for ten years, commencing January 1, 2005 and ending December 31, 2014, to pay for the construction of certain educational facilities and other related costs, in accordance with Section 212.055(6), Florida Statutes. An extension of the one half cent school capital outlay sales tax was not approved by the voters on November 4, 2014, however a new ten year one-half cent sales tax, commencing on January 1, 2016, was subsequently approved in a special election held on September 8, 2015.

- **Educational Impact Fees**

The District receives residual educational impact fees based on an ordinance adopted by the Hernando County Commission (County) on October 28, 1986; however, the County currently has a moratorium prohibiting the collection of such impact fees. The fees are collected by the County and each municipality within the

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County for most new residential construction based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include 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. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements. The District anticipates reinstatement of the impact fees in the future.

- **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs, including American Recovery and Reinvestment Act (ARRA) funds. 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.

2. ACCOUNTING CHANGES

The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$73,509,769 due to the adoption of this Statement.

Additionally the financial activities of the Foundation were not reflected on the District's Statement of Net Position or Statement of Activities within the District's 2013-2014 Comprehensive Annual Financial Report. Therefore the component unit's beginning net position was increased by \$129,066 to reflect the Foundation's net position as of July 1, 2014.

3. INVESTMENTS

Cash and Cash Equivalents and Investment Portfolio. On February 15, 2000, the District formally adopted a comprehensive investment policy, as revised on January 14, 2014, pursuant to Section 218.415, Florida Statutes, that established permitted investments, asset allocation and issuer limits, credit rating requirements, and maturity limits to protect the District's cash and investment assets. The District maintains a common cash and investment pool for the use of all funds. In addition, cash and investments are separately held by the District's special revenue, debt service, capital projects, enterprise and trust funds.

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Investment Portfolio. Investment holdings, totaling \$11,478,023, consist of amounts placed in a Local Government Surplus Funds Trust Fund, Registered Investment Companies (Money Market Mutual Funds), an Intergovernmental Investment Pool, and U.S. Treasury Bonds, and are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Section 218.415, Florida Statutes, limits the types of investments that the District can invest in unless specifically authorized in the District's investment policy. The District's formal investment policy allows for the following investments: United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-Negotiable Interest Bearing Time Certificates of Deposit, Commercial Paper, Bankers Acceptances, Corporate Notes, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), Local Government Surplus Funds Trust Fund ("Florida PRIME"), and Intergovernmental Investment Pools.

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

Security Type	Fair Value	Weighted Average Duration
State Board of Administration:		
Florida PRIME (1)	\$10,144,434	34 days
Debt Service Accounts	84,949	6 months
Money Market Mutual Funds:		
First American Prime Obligations (2)	22,121	42 days
Intergovernmental Investment Pool:		
FEIT	1,165,459	32 days
U.S. Treasury Bonds	61,060	7.64 years
Total	\$11,478,023	

Notes: (1) At June 30, 2015, investments totaling \$2,765,638 are held under trust agreements in connection with Certificates of Participation, Series 2005 and 2013, financing agreements.

(2) At June 30, 2015, investments totaling \$22,121 are held under trust agreements in connection with Certificates of Participation, Series 2005 and 2013, financing agreements.

The SBA's June 30, 2015, report was the source for of the weighted average maturity and credit rating for Florida Prime. <https://www.sbafla.com/prime/>

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The Fund Fact Sheet as of June 30, 2015, was the source for the Florida Education Investment Trust Fund's credit rating and weighted average maturity. <http://www.feitfund.com/>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than 24 months. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants. The purchase of investments for core funds with maturities longer than 5 years requires Board approval prior to purchase.

The money market mutual funds and Florida Prime use a weighted average days to maturity (WAM).

The District also uses WAM as a measurement of interest rate risk and as of June 30, 2015, the investment portfolio had a weighted average duration of 0.17 years. 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. The District's investment policy permits for investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper).

Bankers' acceptances which are issued by a domestic bank which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" by Moody's or "A-1" by Standard & Poor's.

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum single "A" category by any two nationally recognized statistical rating organizations.

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "A" by Moody's or "A" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's or "SP-2" by Standard & Poor's for short-term debt.

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Registered Investment Companies (Money Market Mutual Funds) shall be rated "AAAm" by Standard & Poor's or the equivalent by another national rating agency.

Investment pools shall be rated "AAA" by Standard & Poor's or the equivalent by another rating agency.

As of June 30, 2015, \$11,309,893 of the District's investment securities were individually rated "AAAm" by Standard & Poor's, \$61,060 rated "AA+" by Standard & Poor's, and \$22,121 were rated A-1+ / A-1 by Standard & Poor's.

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

As of June 30, 2015, the District had the following credit quality:

Security Type	Standard & Poor's Credit Rating
State Board of Administration:	
Florida PRIME	AAAm
Debt Service Accounts	N/A
Money Market Mutual Funds:	
First American Prime Obligations	A-1+ / A-1
Intergovernmental Investment Pool:	
FEIT	AAAm
U.S. Treasury Bonds	AA+

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute

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trusts and is doing business in the State of Florida. Certificates of Deposit will be placed in the provider's safekeeping department for the term of the deposit.

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

Concentration of Credit Risk

The District's investment policy has established asset allocation and issuer limits, which are designed to reduce concentration of credit risk of the District's investment portfolio, for the following investments:

A maximum of 100% of available funds may be invested in the United States Government Securities, 50% of available funds may be invested in United States Government agencies with a 25% limit on individual issuers, 75% of available funds may be invested in Federal Instrumentalities with a 25% limit on individual issuers, 75% of available funds may be invested in non-negotiable interest bearing time certificates of deposit with a 50% limit on individual issuers, 25% of available funds may be invested in commercial paper with a 10% limit on individual issuers, 25% of available funds may be invested in corporate notes with a 5% limit on individual issuers, 25% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt with a 10% limit on individual issuers, 50% of available funds may be invested in Registered Investment Companies (Money Market Mutual Funds) with a 40% limit of individual issuers, and 50% of available funds may be invested in Intergovernmental Investment Pools.

As of June 30, 2015, the District had the following issuer concentration based on fair value:

Security Type	Fair Value	Portfolio Asset Allocation
State Board of Administration:		
Florida PRIME	\$10,144,434	88.38%
Debt Service Accounts	84,949	0.74%
Money Market Mutual Funds:		
First American Prime Obligations	22,121	0.19%
Intergovernmental Investment Pool		
FEIT	1,165,459	10.16%
U.S. Treasury Bonds	61,060	0.53%
Total	\$11,478,023	100.00%

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Foreign Currency Risk

The District investment policy does not allow for investments in foreign currency therefore the District has no exposure to foreign currency risk.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land (660)	\$ 10,317,174	\$ -	\$ -	\$ -	\$ 10,317,174
Total Capital Assets Not Being Depreciated	10,317,174	-	-	-	10,317,174
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	28,499,868	23,194	-	-	28,523,062
Buildings and Fixed Equipment	476,296,842	510,585			476,807,427
Furniture, Fixtures, and Equipment	28,214,607	988,130	-	8,828,066	38,030,803
Motor Vehicles	15,116,637	17,204	-	-	15,133,841
Property Under Capital Leases	8,828,066	-	-	(8,828,066)	-
Total Capital Assets Being Depreciated	556,956,020	1,539,113	-	-	558,495,133
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	14,833,605	1,140,922			15,974,527
Buildings and Fixed Equipment	111,408,230	9,536,149	-		120,944,379
Furniture, Fixtures, and Equipment	28,214,607	141,204	-	7,701,513	36,057,324
Motor Vehicles	15,116,637	1,720	-		15,118,357
Property Under Capital Leases	6,439,982	1,261,531		(7,701,513)	-
Total Accumulated Depreciation	176,013,061	12,081,526	-	-	188,094,587
Total Capital Assets Being Depreciated, Net	380,942,959	(10,542,413)	-	-	370,400,546
Governmental Activities Capital Assets, Net	\$ 391,260,133	\$ (10,542,413)	\$ -	\$ -	\$ 380,717,720

Depreciation expense was charged to functions as follows:

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Function	Amount
Governmental Activities	
Instruction	\$ 1,145
Student Personnel Services	100
Facilities Services - Non-Capitalized	27
Food Services	112
Central Services	17
Student Transportation Services	85
Operation of Plant	160
Maintenance of Plant	51
Administrative Technology Services	23
Unallocated	12,079,806
Total Depreciation Expense - Governmental Activities	<u>\$ 12,081,526</u>

5. NOTES PAYABLE

Notes payable is comprised of the following:

	Balance at June 30, 2015
<u>Banc of America Public Capital Corp</u>	
\$14,419,695, was borrowed on 3-16-07, under provisions of Section 1013.23, Florida Statutes at an Interest rate of 3.83 percent. Proceeds were used to refinance the purchase of energy savings equipment. On 3-17-15, the note, totaling \$6,403,131, was refinanced with the same borrower to obtain a lower interest rate of 1.95 percent. The new maturity date is 3-20-20.	
	<u>\$ 6,097,551</u>

Amounts payable for the planned extended repayment of the Section 1013.23, Florida Statutes, financing agreement are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2016	\$ 1,347,189	\$ 1,237,295	\$ 109,894
2017	1,347,189	1,261,601	85,588
2018	1,347,189	1,286,383	60,806
2019	1,347,190	1,311,652	35,537
2020	1,010,392	1,000,620	9,772
Total	<u>\$ 6,399,148</u>	<u>\$ 6,097,551</u>	<u>\$ 301,597</u>

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6. CERTIFICATES OF PARTICIPATION

The District entered into various financing arrangements each of which was characterized as a lease-purchase agreement, with the Florida School Boards Association, Inc., whereby the District secured financing of various educational facilities in the total amount of \$30,000,000 for the Certificates of Participation, Series 2003A; \$106,670,000 for the Certificates of Participation, Series 2005 and \$29,162,000 for the Certificates of Participation, Series 2013A. The Certificates of Participation, Series 2013A were used to advance refund the outstanding Certificates of Participation, Series 2003A. The financings were accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

On August 10, 2011, the Florida School Boards Association, Inc., irrevocably assigned to the Hernando School Board Leasing Corporation (Leasing Corporation) all of its rights, title and interest under the Master Trust Agreement and the Ground Lease Agreements.

As a condition of the financing arrangement, the District has given ground leases on District property to the Leasing Corporation, with terms ranging from 20 to 30 years.

The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangements.

The District properties included in the ground leases under this arrangement include land on which the projects have been constructed. The projects related to the ground leases are as follows:

Series 2005 Certificates

Explorer K-8 School
Winding Waters K-8 School
Grade Specific Additions at Pine Grove Elementary School,
West Hernando Middle School, and Central High School
Improvements and Additions to Hernando High School
Improvements and Additions to Springstead High School
Improvements and Additions to Spring Hill Elementary School

Series 2013 Certificates

Challenger K-8 School Science and Mathematics

The lease payments for the 2005 and 2013A Series are payable by the District, semiannually, on July 1 and January 1, at interest rates ranging from 2.08 to 5 percent. The payment of principal and interest on the bonds underlying the lease agreements are due on July 1 and January 1 of each year. The July 1 payment is typically made on or around June 15 and is considered to be a reduction of bond principal as of June 30.

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The following is a schedule by years of future minimum lease payments under the lease agreements 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	\$ 9,252,976	\$ 4,097,022	\$ 5,155,954
2017	9,249,326	4,212,152	5,037,174
2018	9,251,726	4,329,429	4,922,297
2019	9,254,089	4,450,260	4,803,829
2020	9,249,239	4,567,543	4,681,696
2021-2025	47,089,761	25,780,284	21,309,477
2026-2030	48,326,075	33,150,000	15,176,075
2031-2035	48,323,375	42,050,000	6,273,375
Total Minimum Lease Payments	189,996,567	122,636,690	67,359,877
Unamortized COP Premiums	814,495	814,495	
Total	<u>\$ 190,811,062</u>	<u>\$ 123,451,185</u>	<u>\$ 67,359,877</u>

7. BONDS PAYABLE

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

<u>Bond Type</u>	<u>Original Debt Issue Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:				
Series 2009A, Refunding	\$ 370,000	\$ 125,000	5.0	2019
Series 2010A, Refunding	1,435,000	1,205,000	3.50 - 5.0	2030
Series 2011A, Refunding	365,000	315,000	3.0 - 5.0	2023
Series 2014A, Refunding	523,000	503,000	3.0 - 5.0	2025
Series 2014B, Refunding	1,299,000	1,299,000	2.0-5.0	2020
Subtotal	3,992,000	3,447,000		
Unamortized Premium	792,352	430,466		
State School Bonds	<u>4,784,352</u>	<u>3,877,466</u>		
District Revenue Bonds:				
Series 2001, Refunding	<u>3,290,000</u>	<u>2,325,000</u>	4.75 - 5.125	2031
Total Bonds Payable	<u>\$ 8,074,352</u>	<u>\$ 6,202,466</u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

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- **State School Bonds**

These bonds are issued by the State Board of Education (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.

- **District Revenue Bonds**

Refunding and Capital Improvement Revenue Bonds, Series 2001. These bonds were issued in June 2001 to refund the Refunding and Improvement Revenue Bonds, Series 1992, and to finance the costs of various capital improvements within the school district. These bonds were authorized by Chapter 79-471, Laws of Florida, which provides that the bonds be secured from racetrack funds and jai alai fronton funds accruing annually to the District from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2014). The annual distribution is remitted by the Florida Department of Financial Services to the District. The District has pledged as sole security for the bonds, the entire annual pari-mutuel tax proceeds of \$209,750, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2031. Approximately 98 percent of this revenue stream has been pledged in connection with the debt service on the revenue bonds. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The Series 2001 bonds, totaling \$3.3 million, were issued to provide funds, together with other available funds of the Board, sufficient to refund the District's outstanding Refunding Revenue Bonds, Series 1990 and finance the costs of acquisition, construction, and installation of, and renovation to, certain capital improvements and educational facilities within the District, and pay costs associated with the issuance of the bonds.

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

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<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	690,329	527,000	163,329
2017	695,670	563,000	132,670
2018	698,940	594,000	104,940
2019	308,240	233,000	75,240
2020	272,240	208,000	64,240
2021-2025	1,008,350	812,000	196,350
2026-2030	573,500	510,000	63,500
	4,247,269	3,447,000	800,269
Unamortized Bond Premium	430,466	430,466	
Total State School Bonds	4,677,735	3,877,466	800,269
District Revenue Bonds:			
2016	204,825	90,000	114,825
2017	205,372	95,000	110,372
2018	205,619	100,000	105,619
2019	205,622	105,000	100,622
2020	205,313	110,000	95,313
2021-2025	1,017,063	630,000	387,063
2026-2030	1,016,703	810,000	206,703
2031-2032	404,859	385,000	19,859
Total District Revenue Bonds	3,465,375	2,325,000	1,140,375
Total	<u>\$ 8,143,110</u>	<u>\$ 6,202,466</u>	<u>\$ 1,940,644</u>

8. DEFEASED DEBT

In prior years, the Board defeased in substance certain outstanding bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements.

On December 2, 2014, bond proceeds totaling \$1,299,000 received for the issuance of the SBE Capital Outlay Bonds, 2014 Series B, refunded certain callable portions of the SBE Capital Outlay Bonds, 2005 Series A and 2005 Series B. Accordingly, \$55,000 of the Series A and \$1,400,000 of the Series B is considered defeased. As a result of this

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refunding, the District will see a decrease in Debt Service payments of \$174,897 and economic gain of \$174,919.

On June 30, 2015, bonds considered defeased in substance are as follows:

Bond Issues	Amount Outstanding
Refunding and Capital Improvement Revenue Bonds, Series 1992	\$ 775,000

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 13,533,000	\$ 1,299,000	\$ 9,060,000	\$ 5,772,000	\$ 617,000
Unamortized Premium	358,028	123,525	51,087	430,466	50,495
Total Bonds Payable	13,891,028	1,422,525	9,111,087	6,202,466	667,495
Certificates of Participation Payable	126,629,963		3,993,273	122,636,690	4,097,022
Unamortized Premium	855,220		40,725	814,495	40,725
Total Certificates of Participation Payable	127,485,183		4,033,998	123,451,185	4,137,747
Obligations Under Capital Leases	50,273		50,273		
Note Payable	7,262,686	6,403,131	7,568,266	6,097,551	1,237,295
Other Postemployment Benefits	7,691,104	1,354,956	270,721	8,775,339	
Net Pension Liability (1)	80,870,014	7,766,969	36,636,587	52,000,396	1,177,583
Compensated Absences Payable	14,467,911	1,889,305	1,913,622	14,443,594	1,800,000
Total Governmental Activities	\$ 251,718,199	\$ 18,836,886	\$ 59,584,554	\$ 210,970,531	\$ 9,020,120

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.

10. FUND BALANCE REPORTING

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) provides a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because

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they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventory items that are considered nonspendable. The District has no nonspendable funds related to endowment.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of the spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: Fund balances that contain constraints imposed by formal action of the government from its highest level of decision making authority. At the end of the fiscal year, there were no commitments.
- Assigned: Fund balances that contain self-imposed constraints by the governing body to be used for a particular purpose.
- Unassigned: Fund balance of the General Fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

Nonspendable: The District has inventories totaling \$1,483,166 that are classified as nonspendable.

Spendable: The District has classified the spendable fund balances as *Restricted, Assigned, and Unassigned* and considered each to have been spent when expenditures are incurred. The District currently has no fund balances classified as *Committed*.

- Restricted for State Categorical Programs, Workforce Development, Food Services, Debt Service, and Capital Projects:

Federal Laws, Florida Statutes, and local ordinances require that specifically designated for the purposes of capital and debt service requirements and for certain designated State categorical spending. These funds have been included in the restricted category of fund balance. The restricted fund balance totaled \$37,003,181 and represented \$177,672 for State categorical programs, \$1,601,401 for workforce development programs, \$2,746,876 for food services, \$2,598,033 for debt service, and \$29,879,199 for capital projects.

- Assigned for School Operations, Department Of Education (Department) Obligations, Health Insurance Rebates:

In accordance with Fund Balance Policy 7.11, the assigned fund balance includes amounts which are assigned for a specific purpose by the Board or by delegation to the Superintendent or his or her designee. The School Board has set aside certain spendable fund balance for school operations. At year end, the assigned general fund balance of \$1,435,474 consists of \$322,934 assigned for outstanding encumbrances for school operations, \$341,249 assigned for the potential return of FEFP funds to the Department based on the results of a recent full-time equivalent

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student audit, and \$771,291 assigned for health insurance rebates received to be used for premium increases.

Unassigned:

The unassigned fund balance for the General Fund is \$1,814,821.

	Major Funds						
	General	Other Federal Programs	Federal Stimulus Programs	Local Capital Improvement	Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Inventory	\$ 1,373,299	\$	\$	\$	\$	\$ 109,867	\$ 1,483,166
Restricted:							
State Categoricals	177,672						177,672
Workforce Development	1,601,401						1,601,401
Debt Service						2,598,033	2,598,033
Capital Projects				10,843,262	18,759,179	276,758	29,879,199
Food Services						2,746,876	2,746,876
Assigned:							
School Operations:							
Purchase Obligations	322,934						322,934
FLDOE Obligations	341,249						341,249
Health Insurance Rebates	771,291						771,291
Unassigned:	1,814,821						1,814,821
Total Fund Balances	<u>\$ 6,402,667</u>	<u>\$</u>	<u>\$</u>	<u>\$10,843,262</u>	<u>\$18,759,179</u>	<u>\$ 5,731,534</u>	<u>\$41,736,642</u>

At the end of the fiscal year, the assigned/unassigned general fund balance was \$3,250,295 or 2.16 percent of general fund revenues.

11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 603,915	\$
Special Revenue:		
Other Federal Programs		441,959
Federal Economic Stimulus Programs		161,956
Nonmajor Governmental		
Total Governmental Funds	<u>\$ 603,915</u>	<u>\$ 603,915</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 5,300,000	\$ 956,647
Capital Projects:		
Local Capital Improvement	174,371	5,300,000
Other Capital Outlay	168,206	13,982,971
Nonmajor Governmental	14,939,618	342,577
Total Governmental Funds	<u>\$ 20,582,195</u>	<u>\$ 20,582,195</u>

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from the General Fund and Capital Projects Funds to the Debt Service Funds for annual debt payments and from the Capital Projects Funds to the General Fund to assist in financing maintenance operations of the District and payment of property-casualty insurance premiums.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2014-2015 fiscal year:

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Source	Amount
Florida Education Finance Program:	
Transportation	\$ 4,682,558
Instructional Materials	2,165,765
Florida Teachers Lead	363,963
School Recognition	588,486
Other	70,398,558
Categorical Educational Program - Class Size Reduction	23,277,212
Motor Vehicle License Tax (Capital Outlay and Debt Service)	885,505
Workforce Development Program	731,935
Food Service Supplement	141,114
Discretionary Lottery Funds	76,689
Charter School Capital Outlay	40,711
Miscellaneous	663,685
Total	<u>\$ 104,016,181</u>

Accounting policies relating to certain State revenue sources are described in Note 1.

13. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.876	\$ 39,857,747
Required Local Effort -Prior Period Adj.	0.043	351,494
Basic Discretionary Local Effort	0.748	6,114,355
 <u>CAPITAL PROJECT FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	12,261,407
Total	<u>7.167</u>	<u>\$ 58,585,003</u>

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14. RETIREMENT PLANS

A. 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 HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's pension expense totaled \$3,955,294 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

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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. Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five 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>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
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
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
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
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00

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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 \$6,715,495 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 \$16,922,262 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 2013-2014 fiscal year contributions relative to the 2013-2014 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.277347267 percent, which was a decrease of 0.004497945 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 \$1,476,319. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 1,047,200
Change of assumptions	2,930,654	
Net difference between projected and actual earnings on FRS pension plan investments		28,229,143
Changes in proportion and differences between District FRS contributions and proportionate share of contributions		651,392
District FRS contributions subsequent to the measurement date	6,715,495	
Total	<u><u>\$ 9,646,149</u></u>	<u><u>\$ 29,927,735</u></u>

The deferred outflows of resources related to pensions, totaling \$6,715,495, 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	\$ (6,864,765)
2017	(6,864,765)
2018	(6,864,765)
2019	(6,864,765)
2020	355,369
Thereafter	106,610
Total	<u><u>\$ (26,997,081)</u></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.

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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 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:

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	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 72,378,762	\$ 16,922,262	\$ (29,206,964)

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

HIS Pension Plan

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

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

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

The District's contributions to the HIS Plan totaled \$1,427,780 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 \$35,078,134 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within one year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was

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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 2013-2014 fiscal year contributions relative to the total 2013-2014 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.375157423 percent, which was an increase of 0.003566118 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$2,478,975 related to the HIS Plan. 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	\$ 1,248,219
Net difference between projected and actual earnings on HIS pension plan investments	16,838
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	267,354
District contributions subsequent to the measurement date	1,427,780
Total	\$ 2,960,191

The deferred outflows of resources totaling \$1,427,780, resulting from District contributions 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	\$ 248,657
2017	248,657
2018	248,656
2019	248,657
2020	244,447
Thereafter	293,337
	\$ 1,532,411

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

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

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

While an experience study had not been completed for the plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

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

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

	<u>Decrease</u> <u>(3.29%)</u>	<u>Discount Rate</u> <u>(4.29%)</u>	<u>Increase</u> <u>(5.29%)</u>
District's proportionate share of the net pension liability	\$39,898,537	\$ 35,078,134	\$31,054,478

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.

B. FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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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.

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The District's Investment Plan pension expense totaled \$1,192,330 for the fiscal year ended June 30, 2015.

15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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, former employees who retire from the District and eligible dependents, may continue to participate in the District's fully insured group health plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at 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 Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Benefit provisions for the Plan are pursuant to provisions of Section 112.081, Florida Statutes, and are amended through negotiations between the District and the respective unions.

The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2014-2015 fiscal year, 103 retirees received postemployment group healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$270,721. Plan members receiving benefits contributed \$895,320 through their required contributions ranging from \$576 to \$617 per month for retiree-only coverage and from \$1,103 to \$1,173 for retiree and spouse coverage, depending on health plan selected.

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 the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that is 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 plan, and changes in the District's net OPEB obligation for Postemployment Healthcare Benefits:

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<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 851,980
Amortization of Unfunded Actuarial Accrued Liability	<u>489,228</u>
Annual Required Contribution	1,341,208
Interest on Net OPEB Obligation	307,644
Adjustment to Annual Required Contribution	<u>293,896</u>
Annual OPEB Cost (Expense)	<u>1,354,956</u>
Contribution Toward the OPEB Cost	<u>(270,721)</u>
Increase in Net OPEB Obligation	1,084,235
Net OPEB Obligation, Beginning of Year	<u>7,691,104</u>
Net OPEB Obligation, End of Year	<u><u>\$ 8,775,339</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the 2 preceding 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>
2012-2013	\$1,188,756	19.8%	\$ 6,572,464
2013-2014	1,352,957	17.4%	7,691,104
2014-2015	1,354,956	20.0%	8,775,339

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date accrued liability for benefits was \$12,802,856, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$12,802,856 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$102,912,805 for the 2013-2014 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.44 percent.

Actuarial valuations of an ongoing 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 the healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of the OPEB Plan assets is

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress can be found on page 82 of this report.

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

The District's OPEB actuarial valuation as of July 1, 2014, used the projected unit credit actuarial cost method to estimate the unfunded actuarial accrued liability as of June 30, 2015, and to estimate the District's 2014-2015 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumption included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3 percent annually and an annual healthcare cost trend of 7.75 percent for the 2014-15 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after 6 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis over a 30-year period. The remaining amortization period at June 30, 2014, was 30 years.

16. COMMITMENTS

The District uses encumbrance accounting for recording purchase order commitments for goods and services. At June 30, 2015, encumbrances totaled \$5,955,839 consisting of \$760,908 within the General Fund, \$4,691,469 within the Local Capital Improvement Fund, and \$503,462 within non-major governmental funds.

17. MEMBERSHIP IN NONPROFIT CORPORATION

The District participated in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc., established under the provisions of Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless determined by a vote of the membership, are distributed by the Cooperative on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2015, the accumulated credits to the District's account are \$3,705,645. During the 2014-2015 fiscal year, the District received \$122,638 in capital credits.

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a participating district of the North East Florida Educational Consortium

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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June 30, 2015

(Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members and participants of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member and participant assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess property coverage of up to \$75 million during the 2014-2015 fiscal year, which is the same excess property coverage provided during the 2013-2014 fiscal year. The Board of Directors for the Consortium is composed of superintendents of all member districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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

Health and hospitalization coverage 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 3 fiscal years.

19. LITIGATION AND CONTINGENCIES

The District is subject to potential litigation in the normal course of business. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liability on uninsured risks, that the amount of losses resulting from litigation, which exceed the above-mentioned limits, would not be material to the financial position of the District.

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by grantors, cannot be determined at this time. In the opinion of the management of the District, no material refunds will be required as a result of expenditures disallowed by grantors.

OTHER
REQUIRED SUPPLEMENTARY
INFORMATION





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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL 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	\$ 210,000	\$ 214,600	\$ 214,600	\$
Federal Through State and Local	500,000	489,114	489,114	
State	105,160,730	102,507,910	102,507,910	
Local:				
Property Taxes Levied for Operational Purposes	44,427,793	45,018,129	45,018,129	
Miscellaneous	4,218,341	2,395,831	2,323,305	(72,526)
Total Revenues	154,516,864	150,625,584	150,553,058	(72,526)
Expenditures				
Current:				
Instruction:				
Salaries	79,493,409	72,534,211	72,534,211	
Employee Benefits	20,158,443	22,103,228	22,103,228	
Purchased Services	4,879,524	4,801,787	4,801,787	
Materials and Supplies	5,389,150	3,468,626	3,468,626	
Capital Outlay	350,576	518,847	518,847	
Other Expenses	639,189	335,550	335,550	
Total Instruction	<u>110,910,291</u>	<u>103,762,249</u>	<u>103,762,249</u>	<u>-</u>
Student Personnel Services:				
Salaries	4,955,892	5,491,973	5,491,973	
Employee Benefits	1,499,285	1,555,594	1,555,594	
Purchased Services	26,398	15,226	15,226	
Energy Services	7,230	6,512	6,512	
Materials and Supplies	68,006	63,167	63,167	
Capital Outlay	1,165	1,128	1,128	
Other Expenses	20,675	26,731	26,731	
Total Student Personnel Services	<u>6,578,651</u>	<u>7,160,331</u>	<u>7,160,331</u>	
Instructional Media Services:				
Salaries	1,436,813	1,491,042	1,491,042	
Employee Benefits	443,588	446,426	446,426	
Purchased Services	31,093	151,573	151,573	
Energy Services	200	156	156	
Materials and Supplies	10,485	13,096	13,096	
Capital Outlay	47,996	115,584	115,584	
Other Expenses	2,936	2,415	2,415	
Total Instructional Media Services	<u>1,973,111</u>	<u>2,220,292</u>	<u>2,220,292</u>	
Instruction and Curriculum Development Services:				
Salaries	854,540	1,051,840	1,051,840	
Employee Benefits	258,545	290,795	290,795	
Purchased Services	33,129	214,546	214,546	
Energy Services	300	209	209	
Materials and Supplies	120,333	20,070	20,070	
Capital Outlay	199,797	2,872	2,872	
Other Expenses	2,611	3,864	3,864	
Total Instruction and Curriculum Development Services	<u>1,469,255</u>	<u>1,584,196</u>	<u>1,584,196</u>	
Instructional Staff Training Services:				
Salaries	388,006	566,324	566,324	
Employee Benefits	124,551	160,173	160,173	
Purchased Services	32,517	92,285	92,285	
Materials and Supplies	2,748	2,524	2,524	
Capital Outlay	13,550	12,053	12,053	
Other Expenses	3,888	12,930	12,930	
Total Instructional Staff Training Services	<u>565,260</u>	<u>846,289</u>	<u>846,289</u>	
Instruction Related Technology:				
Salaries	650,052	721,664	721,664	
Employee Benefits	197,839	222,255	222,255	
Purchased Services		966	966	
Materials and Supplies		6,096	6,096	
Total Instruction Related Technology	<u>847,891</u>	<u>950,981</u>	<u>950,981</u>	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Board of Education:				
Salaries	206,439	205,631	205,631	
Employee Benefits	120,019	127,513	127,513	
Purchased Services	202,376	130,636	130,636	
Materials and Supplies	27,090	2,706	2,706	
Other Expenses	15,020	23,273	23,273	
Total Board of Education	570,944	489,759	489,759	
General Administration:				
Salaries	395,083	617,097	617,097	
Employee Benefits	120,034	164,993	164,993	
Purchased Services	14,777	49,327	49,327	
Materials and Supplies	8,962	14,026	14,026	
Capital Outlay	4,261	4,510	4,510	
Other Expenses	31,961	16,276	16,276	
Total General Administration	575,078	866,229	866,229	
School Administration:				
Salaries	8,104,843	8,650,808	8,650,808	
Employee Benefits	2,546,310	2,587,136	2,587,136	
Purchased Services	49,830	64,655	64,655	
Materials and Supplies	29,601	55,163	55,163	
Capital Outlay	7,879	26,423	26,423	
Other Expenses	22,488	62,370	62,370	
Total School Administration	10,760,951	11,446,555	11,446,555	
Facility Services - Non-Capitalized:				
Salaries	311,721	316,828	316,828	
Employee Benefits	91,706	91,909	91,909	
Purchased Services	106,725	45,165	45,165	
Materials and Supplies	3,553	3,760	3,760	
Capital Outlay	4,898	619	619	
Other Expenses	570	839	839	
Total Facility Services - Non-Capitalized	519,173	459,120	459,120	
Fiscal Services:				
Salaries	557,664	585,905	585,905	
Employee Benefits	159,510	181,491	181,491	
Purchased Services	228,433	124,757	124,757	
Materials and Supplies	8,470	6,202	6,202	
Capital Outlay	1,300	1,263	1,263	
Other Expenses	216,650	220,437	220,437	
Total Fiscal Services	1,172,027	1,120,055	1,120,055	
Food Services:				
Salaries		6,030	6,030	
Employee Benefits		473	473	
Total Food Services	-	6,503	6,503	
Central Services:				
Salaries	900,444	1,019,611	1,019,611	
Employee Benefits	306,008	313,799	313,799	
Purchased Services	152,596	108,829	108,829	
Materials and Supplies	59,960	102,862	102,862	
Capital Outlay	11,222	1,927	1,927	
Other Expenses	16,313	16,693	16,693	
Total Central Services	1,446,543	1,563,721	1,563,721	
Student Transportation Services:				
Salaries	3,774,979	4,033,962	4,033,962	
Employee Benefits	1,537,577	1,694,863	1,694,863	
Purchased Services	381,702	270,328	270,328	
Energy Services	1,705,915	1,244,645	1,244,645	
Materials and Supplies	574,911	646,147	646,147	
Capital Outlay	23,300	33,400	33,400	
Other Expenses	250,510	48,721	48,721	
Total Student Transportation Services	8,248,894	7,972,066	7,972,066	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Operation of Plant:				
Salaries	3,561,707	4,234,120	4,234,120	
Employee Benefits	1,477,348	1,699,662	1,699,662	
Purchased Services	3,490,267	3,050,602	3,050,602	
Energy Services	5,707,424	5,625,832	5,625,832	
Materials and Supplies	409,555	381,051	381,051	
Capital Outlay	86,811	57,520	57,520	
Other Expenses	96,768	92,716	92,716	
Total Operation of Plant	14,829,880	15,141,503	15,141,503	-
Maintenance of Plant:				
Salaries	2,579,193	2,684,348	2,684,348	
Employee Benefits	898,350	901,204	901,204	
Purchased Services	567,704	440,911	440,911	
Energy Services	172,031	114,054	114,054	
Materials and Supplies	624,872	609,439	609,439	
Capital Outlay	20,554	32,317	32,317	
Other Expenses	758	1,170	1,170	
Total Maintenance of Plant	4,863,462	4,783,443	4,783,443	
Administrative Technology Services:				
Salaries	1,038,177	1,225,806	1,225,806	
Employee Benefits	316,487	349,567	349,567	
Purchased Services	414,564	412,082	412,082	
Energy Services		46	46	
Materials and Supplies	27,217	26,131	26,131	
Capital Outlay	500	165,478	165,478	
Other Expenses	250	580	580	
Total Administrative Technology Services	1,797,195	2,179,690	2,179,690	
Community Services:				
Salaries	12,100			
Employee Benefits	2,118			
Purchased Services	11,976	20,099	20,099	
Materials and Supplies	738	918	918	
Total Community Services	26,932	21,017	21,017	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		3,968	3,968	
Other Capital Outlay		364,713	364,713	
Total Fixed Capital Outlay		368,681	368,681	
Total Expenditures	167,155,538	162,942,680	162,942,680	-
Excess (Deficiency) of Revenues Over(Under) Expenditures	(12,638,674)	(12,317,096)	(12,389,622)	(72,526)
Other Financing Sources (Uses)				
Transfers In	5,300,000	5,300,000	5,300,000	
Insurance Loss Recoveries		87,923	87,923	
Transfers Out	(353,298)	(956,647)	(956,647)	
Total Other Financing Sources (Uses)	4,946,702	4,431,276	4,431,276	
Net Change in Fund Balances	(7,691,972)	(7,885,820)	(7,958,346)	
Fund Balances, July 1, 2014	14,361,013	14,361,013	14,361,013	
Fund Balances, June 30, 2015	\$ 6,669,041	\$ 6,475,193	\$ 6,402,667	\$ (72,526)

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS FUND
For the Fiscal Year Ended June 30, 2015

Special Revenue Fund - Other Federal Programs Fund				Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 12,079,491	\$ 12,653,029	\$ 12,653,029	\$
Local:				
Miscellaneous		2,924	2,924	
Total Revenues	<u>12,079,491</u>	<u>12,655,953</u>	<u>12,655,953</u>	
Expenditures				
Current:				
Instruction:				
Salaries	1,558,692	1,694,513	1,694,513	
Employee Benefits	672,028	588,422	588,422	
Purchased Services	249,218	381,481	381,481	
Materials and Supplies	2,146,749	427,908	427,908	
Capital Outlay	369,465	745,313	745,313	
Other Expenses	65,576	63,511	63,511	
Total Instruction	<u>5,061,728</u>	<u>3,901,148</u>	<u>3,901,148</u>	-
Student Personnel Services:				
Salaries	1,621,843	1,664,021	1,664,021	
Employee Benefits	544,444	510,945	510,945	
Purchased Services	27,188	34,870	34,870	
Energy Services	500			
Materials and Supplies	22,820	43,869	43,869	
Capital Outlay	59,777	7,699	7,699	
Other Expenses	2,275	2,040	2,040	
Total Student Personnel Services	<u>2,278,847</u>	<u>2,263,444</u>	<u>2,263,444</u>	
Instruction & Curriculum Development Services:				
Salaries	1,594,396	2,201,318	2,201,318	
Employee Benefits	513,118	602,258	602,258	
Purchased Services	34,976	60,109	60,109	
Materials and Supplies	3,200	20,380	20,380	
Capital Outlay	26,560	30,541	30,541	
Other Expenses	4,850	11,569	11,569	
Total Instruction & Curriculum Development Services	<u>2,177,100</u>	<u>2,926,175</u>	<u>2,926,175</u>	
Instructional Staff Training Services:				
Salaries	732,303	1,177,423	1,177,423	
Employee Benefits	198,653	280,502	280,502	
Purchased Services	454,302	352,520	352,520	
Materials and Supplies	26,864	46,658	46,658	
Capital Outlay	17,176	134,326	134,326	
Other Expenses	12,000	13,939	13,939	
Total Instructional Staff Training Services	<u>1,441,298</u>	<u>2,005,368</u>	<u>2,005,368</u>	
Instruction Related Technology:				
Salaries	348,688	401,930	401,930	
Employee Benefits	172,155	142,654	142,654	
Materials and Supplies		10,427	10,427	
Capital Outlay		2,844	2,844	
Total Instruction Related Technology	<u>520,843</u>	<u>557,855</u>	<u>557,855</u>	
General Administration:				
Other Expenses	587,035	517,106	517,106	
Total General Administration	<u>587,035</u>	<u>517,106</u>	<u>517,106</u>	-
Fiscal Services:				
Purchased Services		7,444	7,444	
Total Fiscal Services	<u>-</u>	<u>7,444</u>	<u>7,444</u>	
Central Services				
Salaries	2,500			
Employee Benefits	421			
	<u>2,921</u>	<u>-</u>	<u>-</u>	
Student Transportation Services				
Salaries	4,500	22,335	22,335	
Employee Benefits	757	3,764	3,764	
Energy Services	2,200	21,709	21,709	
Other Expenses		216	216	
Total Student Transportation Services	<u>7,457</u>	<u>48,024</u>	<u>48,024</u>	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS FUND (continued)
For the Fiscal Year Ended June 30, 2015

	Special Revenue Fund - Other Federal Programs Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Maintenance of Plant				
Capital Outlay		10,526	10,526	
Total Maintenance of Plant	-	10,526	10,526	
Administrative Technology Services				
Capital Outlay	2,262			
	2,262			
Fixed Capital Outlay:				
Other Capital Outlay		418,863	418,863	
		418,863	418,863	
Total Expenditures	12,079,491	12,655,953	12,655,953	
Net Change in Fund Balances				
Fund Balances, July 1, 2014				
Fund Balances, June 30, 2015	\$	\$	\$	\$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FEDERAL ECONOMIC STIMULUS PROGRAMS FUND
For the Fiscal Year Ended June 30, 2015

	Special Revenue Fund - Federal Economic Stimulus Programs Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 388,938	\$ 862,036	\$ 862,036	\$
Total Revenues	<u>388,938</u>	<u>862,036</u>	<u>862,036</u>	
Expenditures				
Current:				
Instruction:				
Salaries	183,955	255,209	255,209	
Employee Benefits	20,777	26,183	26,183	
Purchased Services		580	580	
Materials and Supplies		28	28	
Capital Outlay		287,050	287,050	
Total Instruction	<u>204,732</u>	<u>569,050</u>	<u>569,050</u>	
Student Personnel Services:				
Salaries		3,040	3,040	
Employee Benefits		230	230	
Total Student Personnel Services		<u>3,270</u>	<u>3,270</u>	
Instructional Media Services:				
Salaries		5,796	5,796	
Employee Benefits		1,299	1,299	
Total Instructional Media Services		<u>7,095</u>	<u>7,095</u>	
Instruction & Curriculum Development Services:				
Salaries	89,155	75,236	75,236	
Employee Benefits	36,269	11,853	11,853	
Purchased Services		2,125	2,125	
Materials and Supplies	44,866	89,935	89,935	
Capital Outlay		4,500	4,500	
Total Instruction & Curriculum Development Services	<u>170,290</u>	<u>183,649</u>	<u>183,649</u>	
Instructional Staff Training Services:				
Salaries		6,099	6,099	
Employee Benefits		1,105	1,105	
Purchased Services			-	
Capital Outlay		29,025	29,025	
Total Instructional Staff Training Services		<u>36,229</u>	<u>36,229</u>	
Instruction Related Technology:				
Salaries	9,520	9,030	9,030	
Employee Benefits	820	820	820	
Total Instruction Related Technology	<u>10,340</u>	<u>9,850</u>	<u>9,850</u>	
General Administration:				
Salaries		1,867	1,867	
Employee Benefits		782	782	
Other Expenses	3,576	22,336	22,336	
Total General Administration	<u>3,576</u>	<u>24,985</u>	<u>24,985</u>	
School Administration:				
Salaries		2,525	2,525	
Employee Benefits		182	182	
Total School Administration	<u>-</u>	<u>2,707</u>	<u>2,707</u>	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FEDERAL ECONOMIC STIMULUS PROGRAMS FUND (continued)
For the Fiscal Year Ended June 30, 2015

	Special Revenue Fund - Federal Economic Stimulus Programs Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Fixed Capital Outlay:				
Facilities Acquisition and Construction			-	
Other Capital Outlay		25,201	25,201	
Total Fixed Capital Outlay		25,201	25,201	
Total Expenditures	388,938	862,036	862,036	
Net Change in Fund Balances				
Fund Balances, July 1, 2014				
Fund Balances, June 30, 2015	\$	\$	\$	\$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
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]
July 1, 2010	\$ -	\$ 8,635,415	\$ 8,635,415	0.0%	\$ 107,619,848	8.0%
July 1, 2012	-	11,102,322	11,102,322	0.0%	104,694,262	10.6%
July 1, 2014	-	12,802,856	12,802,856	0.0%	102,912,805	12.4%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability	0.277347267%	0.281845212%
District's proportionate share of the FRS net pension liability	\$ 16,922,262	\$ 48,518,105
District's covered-employee payroll	\$ 95,928,404	\$ 93,570,073
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	17.64%	51.85%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 6,715,495	\$ 6,075,082
FRS contributions in relation to the contractually required contribution	<u>(6,715,495)</u>	<u>(6,075,082)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 97,642,573	\$ 95,928,404
FRS contributions as a percentage of covered-employee payroll	6.88%	6.33%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.375157423%	0.371591305%
District's proportionate share of the HIS net pension liability	\$ 35,078,134	\$ 32,351,909
District's covered-employee payroll	\$ 111,491,590	\$ 108,014,295
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.46%	29.95%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 1,427,780	\$ 1,285,163
HIS contributions in relation to the contractually required contribution	<u>(1,427,780)</u>	<u>(1,285,163)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 113,452,195	\$ 111,491,590
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

1. GAAP TO BUDGET COMPARISON

There is no GAAP reconciliation required between budgetary inflows and outflows and generally accepted accounting principles revenues and expenditures since both reflect the modified accrual basis of accounting.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds except that no budget appropriation is made for capital leases in the year of inception.
- 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.

3. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN

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

4. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY PENSION PLAN

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



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OTHER SUPPLEMENTARY INFORMATION





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Nonmajor Governmental Funds

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Food Service Fund – To account for and report on the activities of the food service program in serving breakfast and lunch at the schools. These activities are primarily funded through local charges and Federal awards.

Debt Service Funds

The Debt Service Funds are used to account for the payment of principal and interest of the current portion of long-term debt.

SBE/COBI Bonds Fund – To account for and report on payment of principal, interest, and related costs of the state school bonds issued by the State Board of Education on behalf of the District. These bonds are payable from the District's portion of the state-assessed motor vehicle license tax.

Special Act Bonds Fund – To account for and report on payment of principal, interest, and related costs on the Special Acts bonds. These bonds are authorized by Chapter 79-471, Laws of Florida, which provide that the bonds be secured from racetrack funds and jai alai fronton funds accruing annually to the District from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes).

Other Debt Service Fund - To account for and report on payment of principal, interest and related costs on the District's Note Payable, Certificates of Participation issued in 2003, 2005 and 2013, and Sales tax Revenue Bonds, Series 2006.

Capital Projects Funds

Capital Projects Funds are used to account for the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings, or for major renovation projects.

State Board of Education Bonds Fund – To account for and report on proceeds received from the bonds issued by the State Board of Education on behalf of the District.

Public Education Capital Outlay (PECO) Fund – To account for and report on funds received from the State for the construction and maintenance of schools.

Capital Outlay and Debt Service Fund – To account for and report on the dollars received through the State's Capital Outlay and Debt Service (CO & DS) program, used for construction and maintenance of schools.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Fund	Debt Service Funds		
	Food Service 410	SBE/COBI Bonds 210	Special Act Bonds 220	Other Debt Service 290
ASSETS				
Cash and Cash Equivalents	\$ 2,862,279	\$	\$ 294,627	\$
Investments	14,240	84,949	5,305	2,213,152
Accounts Receivable	2,653			
Due from Other Agencies	5,929			
Inventories	109,867			
TOTAL ASSETS	<u>\$ 2,994,968</u>	<u>\$ 84,949</u>	<u>\$ 299,932</u>	<u>\$ 2,213,152</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 88,891	\$	\$	\$
Deposits Payable	49,334			
Total Liabilities	<u>138,225</u>			
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues				
Total Deferred Inflows of Resources				
Fund Balances:				
Nonspendable:				
Inventory	109,867			
Total Nonspendable Fund Balance	<u>109,867</u>			
Restricted for:				
Debt Service		84,949	299,932	2,213,152
Capital Projects				
Special Revenue - Food Service	2,746,876			
Total Restricted Fund Balance	<u>2,746,876</u>	<u>84,949</u>	<u>299,932</u>	<u>2,213,152</u>
Total Fund Balances	<u>2,856,743</u>	<u>84,949</u>	<u>299,932</u>	<u>2,213,152</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,994,968</u>	<u>\$ 84,949</u>	<u>\$ 299,932</u>	<u>\$ 2,213,152</u>

(Continued)

Capital Projects Funds			
State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Governmental Funds
\$ 1,245	\$ 91,804	\$ 95,997 4,064 156,821	\$ 3,344,707 2,322,955 2,653 162,750 109,867
<u>\$ 1,245</u>	<u>\$ 91,804</u>	<u>\$ 256,882</u>	<u>\$ 5,942,932</u>
\$	\$ 51,787	\$	\$ 140,678 49,334
	<u>51,787</u>		<u>190,012</u>
		21,386	21,386
		<u>21,386</u>	<u>21,386</u>
			109,867
			<u>109,867</u>
1,245	40,017	235,496	2,598,033 276,758 2,746,876
<u>1,245</u>	<u>40,017</u>	<u>235,496</u>	<u>5,621,667</u>
<u>1,245</u>	<u>40,017</u>	<u>235,496</u>	<u>5,731,534</u>
<u>\$ 1,245</u>	<u>\$ 91,804</u>	<u>\$ 256,882</u>	<u>\$ 5,942,932</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds	Debt Service Funds		
	Food Service 410	SBE/COBI Bonds 210	Special Act Bonds 220	Other Debt Service 290
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 8,768,508	\$	\$	\$
State	141,114	742,817	209,750	
Local:				
Property Taxes Levied for Capital Projects				
Charges for Service - Food Services	2,143,141			
Other Local Revenue	15,235		865	1,163
Total Revenues	<u>11,067,998</u>	<u>742,817</u>	<u>210,615</u>	<u>1,163</u>
Expenditures				
Current - Education:				
Food Services	10,600,143			
Debt Service:				
Principal		575,000	85,000	11,623,682
Interest and Fiscal Charges		148,726	118,917	5,614,983
Dues and Fees		2,582	575	10,337
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	158,414			
Total Expenditures	<u>10,758,557</u>	<u>726,308</u>	<u>204,492</u>	<u>17,249,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>309,441</u>	<u>16,509</u>	<u>6,123</u>	<u>(17,247,839)</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued		1,299,000		
Premium on Refunding Bonds Issued		123,525		
Payments to Refunded Bond Escrow Agent		(1,778,601)		
Insurance Loss Recoveries				
Transfers In	24,574			14,915,044
Transfers Out				(342,577)
Total Other Financing Sources (Uses)	<u>24,574</u>	<u>(356,076)</u>		<u>14,572,467</u>
Net Change in Fund Balances	334,015	(339,567)	6,123	(2,675,372)
Fund Balances, July 1, 2014	2,522,728	424,516	293,809	4,888,524
Fund Balances, June 30, 2015	<u>\$ 2,856,743</u>	<u>\$ 84,949</u>	<u>\$ 299,932</u>	<u>\$ 2,213,152</u>

(Continued)

Capital Projects Funds			
State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Governmental Funds
\$	\$	\$	\$
	212,636	135,435	8,768,508 1,441,752
			2,143,141
29			17,292
29	212,636	135,435	12,370,693
			10,600,143
			12,283,682
			5,882,626
			13,494
32,514	172,619	754	205,887
			158,414
32,514	172,619	754	29,144,246
(32,485)	40,017	134,681	(16,773,553)
			1,299,000
			123,525
			(1,778,601)
			14,939,618
			(342,577)
			14,240,965
(32,485)	40,017	134,681	(2,532,588)
33,730		100,815	8,264,122
\$ 1,245	\$ 40,017	\$ 235,496	\$ 5,731,534

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash and Cash Equivalents	\$ 1,505,570	\$ 4,606,456	\$ 4,573,373	\$ 1,538,653
Accounts Receivable	7,816	863		8,679
Total Assets	<u>\$ 1,513,386</u>	<u>\$ 4,607,319</u>	<u>\$ 4,573,373</u>	<u>\$ 1,547,332</u>
Liabilities				
Accounts Payable and Other Current Liabilities	<u>\$ 1,513,386</u>	<u>\$ 4,607,319</u>	<u>\$ 4,573,373</u>	<u>\$ 1,547,332</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE - FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2015

	Special Revenue - Food Service Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 7,936,825	\$ 8,768,508	\$ 8,768,508	\$
State	145,200	141,114	141,114	
Local:				
Investment Income				
Charges for Service - Food Services	2,553,500	2,143,141	2,143,141	
Other Local Revenue	3,066	15,235	15,235	
Total Revenues	<u>10,638,591</u>	<u>11,067,998</u>	<u>11,067,998</u>	
Expenditures				
Current:				
Facility Service - Non-Capitalized				
Furniture, Fixtures and Equipment		25,562	25,562	
Computer Hardware		10,209	10,209	
Food Services:				
Salaries	3,240,395	3,404,599	3,404,599	
Employee Benefits	1,622,446	1,489,035	1,489,035	
Purchased Services	323,383	191,088	191,088	
Energy Services	411,350	400,123	400,123	
Materials and Supplies	4,959,982	4,663,489	4,663,489	
Capital Outlay	407,444	102,985	102,985	
Other Expenses	317,000	348,824	348,824	
Total Food Services	<u>11,282,000</u>	<u>10,635,914</u>	<u>10,635,914</u>	
Fixed Capital Outlay:				
Other Capital Outlay		122,643	122,643	
Total Fixed Capital Outlay		<u>122,643</u>	<u>122,643</u>	
Total Expenditures	<u>11,282,000</u>	<u>10,758,557</u>	<u>10,758,557</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(643,409)</u>	<u>309,441</u>	<u>309,441</u>	
Other Financing Sources				
Transfers In		24,574	24,574	
Total Other Financing Sources		<u>24,574</u>	<u>24,574</u>	
Net Change in Fund Balances	<u>(643,409)</u>	<u>334,015</u>	<u>334,015</u>	
Fund Balances, July 1, 2014	<u>2,522,728</u>	<u>2,522,728</u>	<u>2,522,728</u>	
Fund Balances, June 30, 2015	<u>\$ 1,879,319</u>	<u>\$ 2,856,743</u>	<u>\$ 2,856,743</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE- SBE/COBI BONDS FUND
For the Fiscal Year Ended June 30, 2015

	Debt Service - SBE/COBI Bonds Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 768,300	\$ 742,817	\$ 742,817	\$
Total Revenues	<u>768,300</u>	<u>742,817</u>	<u>742,817</u>	
Expenditures				
Debt Service:				
Principal	580,000	575,000	575,000	
Interest and Fiscal Charges	194,301	148,726	148,726	
Dues and Fees	5,500	2,582	2,582	
Total Expenditures	<u>779,801</u>	<u>726,308</u>	<u>726,308</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,501)</u>	<u>16,509</u>	<u>16,509</u>	
Other Financing Sources (Uses)				
Refunding Bonds Issued		1,299,000	1,299,000	
Premium on Refunding Bonds		123,525	123,525	
Payments to Refunded Bond Escrow Agent		(1,778,601)	(1,778,601)	
Total Other Financing Sources (Uses)		<u>(356,076)</u>	<u>(356,076)</u>	
Net Change in Fund Balances	<u>(11,501)</u>	<u>(339,567)</u>	<u>(339,567)</u>	
Fund Balances, July 1, 2014	<u>424,516</u>	<u>424,516</u>	<u>424,516</u>	
Fund Balances, June 30, 2015	<u><u>\$ 413,015</u></u>	<u><u>\$ 84,949</u></u>	<u><u>\$ 84,949</u></u>	<u><u>\$</u></u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE- SPECIAL ACT BONDS FUND
For the Fiscal Year Ended June 30, 2015

	Debt Service - Special Act Bonds Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 209,750	\$ 209,750	\$ 209,750	\$
Local:				
Other Local Revenue	900	865	865	
Total Revenues	<u>210,650</u>	<u>210,615</u>	<u>210,615</u>	
Expenditures				
Debt Service:				
Principal	85,000	85,000	85,000	
Interest and Fiscal Charges	118,918	118,917	118,917	
Dues and Fees	500	575	575	
Total Expenditures	<u>204,418</u>	<u>204,492</u>	<u>204,492</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,232</u>	<u>6,123</u>	<u>6,123</u>	
Net Change in Fund Balances	6,232	6,123	6,123	
Fund Balances, July 1, 2014	<u>293,809</u>	<u>293,809</u>	<u>293,809</u>	
Fund Balances, June 30, 2015	<u>\$ 300,041</u>	<u>\$ 299,932</u>	<u>\$ 299,932</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - OTHER DEBT SERVICE
For the Fiscal Year Ended June 30, 2015

	Debt Service Fund - Other Debt Service			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Local:				
Other Local Revenue	\$ 9,100	\$ 1,163	\$ 1,163	\$
Total Revenues	<u>9,100</u>	<u>1,163</u>	<u>1,163</u>	
Expenditures				
Debt Service:				
Principal	11,610,120	11,623,682	11,623,682	
Interest and Fiscal Charges	5,642,323	5,614,983	5,614,983	
Dues and Fees	12,400	10,337	10,337	
Total Expenditures	<u>17,264,843</u>	<u>17,249,002</u>	<u>17,249,002</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,255,743)</u>	<u>(17,247,839)</u>	<u>(17,247,839)</u>	
Other Financing Sources (Uses)				
Refunding Bonds Issued				
Payments to Refunded Bond Escrow Agent				
Transfers In	17,269,842	14,915,044	14,915,044	
Transfers Out		(342,577)	(342,577)	
Total Other Financing Sources (Uses)	<u>17,269,842</u>	<u>14,572,467</u>	<u>14,572,467</u>	
Net Change in Fund Balances	14,099	(2,675,372)	(2,675,372)	
Fund Balances, July 1, 2014	<u>4,888,524</u>	<u>4,888,524</u>	<u>4,888,524</u>	
Fund Balances, June 30, 2015	<u>\$ 4,902,623</u>	<u>\$ 2,213,152</u>	<u>\$ 2,213,152</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - STATE BOARD OF EDUCATION BONDS
For the Fiscal Year Ended June 30, 2015

	Capital Projects Fund - State Board of Education Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Other Local Revenue	\$ 60	\$ 29	\$ 29	\$
Total Revenues	60	29	29	
Expenditures				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Remodeling and Renovations	32,541	32,514	32,514	
Total Facilities Acquisition and Construction	32,541	32,514	32,514	
Total Expenditures	32,541	32,514	32,514	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,481)	(32,485)	(32,485)	
Net Change in Fund Balances	(32,481)	(32,485)	(32,485)	
Fund Balances, July 1, 2014	33,730	33,730	33,730	
Fund Balances, June 30, 2015	\$ 1,249	\$ 1,245	\$ 1,245	\$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - PUBLIC EDUCATION CAPITAL OUTLAY (PECO)
For the Fiscal Year Ended June 30, 2015

	Capital Projects Fund - Public Education Capital Outlay (PECO)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	\$ 481,336	\$ 212,636	\$ 212,636	\$
Total Revenues	<u>481,336</u>	<u>212,636</u>	<u>212,636</u>	
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Remodeling and Renovations	481,336	172,619	172,619	
Total Facility Services - Non-Capitalized	<u>481,336</u>	<u>172,619</u>	<u>172,619</u>	
Total Expenditures	<u>481,336</u>	<u>172,619</u>	<u>172,619</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>40,017</u>	<u>40,017</u>	
Net Change in Fund Balances		<u>40,017</u>	<u>40,017</u>	
Fund Balances, July 1, 2014				
Fund Balances, June 30, 2015	<u>\$</u>	<u>\$ 40,017</u>	<u>\$ 40,017</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - CAPITAL OUTLAY AND DEBT SERVICE
For the Fiscal Year Ended June 30, 2015

	Capital Projects Fund - Capital Outlay and Debt Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	\$ 114,000	\$ 135,435	\$ 135,435	\$
Local:				
Other Local Revenue				
Total Revenues	<u>114,000</u>	<u>135,435</u>	<u>135,435</u>	
Expenditures				
Current:				
Facility Services - Non-Capitalized				
Furniture, Fixtures and Equipment	754	754	754	
Remodeling and Renovations				
Total Facility Services - Non-Capitalized	<u>754</u>	<u>754</u>	<u>754</u>	
Debt Service:				
Dues and Fees				
Total Expenditures	<u>754</u>	<u>754</u>	<u>754</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>113,246</u>	<u>134,681</u>	<u>134,681</u>	
Net Change in Fund Balances	<u>113,246</u>	<u>134,681</u>	<u>134,681</u>	
Fund Balances, July 1, 2014	<u>100,815</u>	<u>100,815</u>	<u>100,815</u>	
Fund Balances, June 30, 2015	<u>\$ 214,061</u>	<u>\$ 235,496</u>	<u>\$ 235,496</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - LOCAL CAPITAL IMPROVEMENT
For the Fiscal Year Ended June 30, 2015

	Capital Projects Fund - Local Capital Improvement			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Local:				
Property Taxes Levied for Capital Projects	\$ 11,730,199	\$ 11,912,140	\$ 11,912,140	\$
Other Local Revenue	6,500	16,271	16,271	
Total Revenues	<u>11,736,699</u>	<u>11,928,411</u>	<u>11,928,411</u>	
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Furniture, Fixtures, and Equipment	612,137	517,736	517,736	
Improvements Other than Buildings		83,116	83,116	
Remodeling and Renovations	6,487,457	1,146,201	1,146,201	
Computer Hardware		76,765	76,765	
Computer Software	172,713	157,244	157,244	
Total Facility Services - Non-Capitalized	<u>7,272,307</u>	<u>1,981,062</u>	<u>1,981,062</u>	
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment		13,011	13,011	
Improvements Other than Buildings	154,888			
Remodeling and Renovations	952,079	339,781	339,781	
Total Facilities Acquisition and Construction	<u>1,106,967</u>	<u>352,792</u>	<u>352,792</u>	
Other Capital Outlay:				
Furniture, Fixtures, and Equipment				
Computer Hardware		37,659	37,659	
Total Other Capital Outlay		<u>37,659</u>	<u>37,659</u>	
Total Expenditures	<u>8,379,274</u>	<u>2,371,513</u>	<u>2,371,513</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,357,425</u>	<u>9,556,898</u>	<u>9,556,898</u>	
Other Financing Sources (Uses)				
Inception of Capital Leases				
Transfers In		174,371	174,371	
Transfers Out to General Fund	(5,300,000)	(5,300,000)	(5,300,000)	
Transfers Out to Debt Service Fund	(4,352,269)			
Total Other Financing Sources (Uses)	<u>(9,652,269)</u>	<u>(5,125,629)</u>	<u>(5,125,629)</u>	
Net Change in Fund Balances	<u>(6,294,844)</u>	<u>4,431,269</u>	<u>4,431,269</u>	
Fund Balances, July 1, 2014	<u>6,411,993</u>	<u>6,411,993</u>	<u>6,411,993</u>	
Fund Balances, June 30, 2015	<u>\$ 117,149</u>	<u>\$ 10,843,262</u>	<u>\$ 10,843,262</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - OTHER
For the Fiscal Year Ended June 30, 2015

	Capital Projects Fund - Other			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
State	\$	\$ 66,519	\$ 66,519	\$
Local:				
Local Sales Tax	4,050,000	5,284,711	5,284,711	
Other Local Revenue	93,440	(117,219)	(157,464)	(40,245)
Total Revenues	<u>4,143,440</u>	<u>5,234,011</u>	<u>5,193,766</u>	<u>(40,245)</u>
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Improvements Other than Buildings		7,673	7,673	
Total Facility Services - Non-Capitalized		<u>7,673</u>	<u>7,673</u>	
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	96,000	7,387	7,387	
Improvements Other than Buildings				
Total Facilities Acquisition and Construction	<u>96,000</u>	<u>7,387</u>	<u>7,387</u>	
Total Expenditures	<u>96,000</u>	<u>15,060</u>	<u>15,060</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,047,440</u>	<u>5,218,951</u>	<u>5,178,706</u>	<u>(40,245)</u>
Other Financing Uses				
Transfers In		168,206	168,206	
Transfers Out	(12,564,275)	(13,982,971)	(13,982,971)	
Total Other Financing Uses	<u>(12,564,275)</u>	<u>(13,814,765)</u>	<u>(13,814,765)</u>	
Net Change in Fund Balances	<u>(8,516,835)</u>	<u>(8,595,814)</u>	<u>(8,636,059)</u>	
Fund Balances, July 1, 2014	<u>27,395,238</u>	<u>27,395,238</u>	<u>27,395,238</u>	
Fund Balances, June 30, 2015	<u>\$ 18,878,403</u>	<u>\$ 18,799,424</u>	<u>\$ 18,759,179</u>	<u>\$ (40,245)</u>



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Nonmajor Component Units

Component units are legally separate organizations that the primary government must include as part of its financial reporting entity for fair presentation in conformity with generally accepted accounting principles.

Gulf Coast Academy of Science and Technology, Inc. – A charter school which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring School District and is considered a component unit since it is fiscally dependent on the District to levy taxes for its support.

Brooksville Engineering, Science & Technology, Inc. – A charter school which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring School District and is considered a component unit since it is fiscally dependent on the District to levy taxes for its support.

Gulf Coast Middle School, Inc. – A charter school which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring School District and is considered a component unit since it is fiscally dependent on the District to levy taxes for its support.

Hernando County Education Direct Support Organization, Inc. (Foundation) – A separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the District. The Foundation is considered to be a component unit of the District because of the nature and significance of its relationship to the District.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FL
 COMBINING SCHEDULE OF NET POSITION - NONMAJOR COMPONENT UNITS
 6/30/2015
 (With comparative totals for June 30, 2014)

	BEST Academy (Charter School)	Gulf Coast Middle (Charter School)	Gulf Coast Academy of Science and Technology, Inc. (Charter School)
ASSETS			
Cash and Cash Equivalents	\$ 53,952	\$ 19,475	\$ 87,843
Due from Other Agencies	2,463	31,000	27,381
Inventory			
Prepaid Items		25,500	
Other Current Assets			
Capital Assets:			
Leasehold Improvements, Net			31,978
Furniture, Fixtures, and Equipment, Net	73,728	75,572	
Motor Vehicles, Net	86,743	73,810	87,946
Property Under Capital Lease, Net			
Total Assets	<u>216,886</u>	<u>225,357</u>	<u>235,148</u>
LIABILITIES			
Salaries and Benefits Payable	\$ 211	\$ 3,639	\$ 7,734
Accounts Payable	1,129	30,305	
Due to Other Agencies	16,447	10,934	
Long-Term Liabilities:			
Due Within One Year:			
Note Payable	15,201	17,230	14,469
Due in More Than One Year:			
Note Payable	55,881	39,181	66,715
Total Liabilities	<u>88,869</u>	<u>101,289</u>	<u>88,918</u>
NET POSITION			
Net Investment in Capital Assets	89,389	92,971	38,740
Restricted for:			
Other Purposes			
Unrestricted	38,628	31,097	107,490
Total Net Position	<u>\$ 128,017</u>	<u>\$ 124,068</u>	<u>\$ 146,230</u>

(Continued)

Hernando County Education Direct Support Organization, Inc. (Foundation)	Totals	
	2015	2014
\$ 93,878	\$ 255,148	\$ 245,974
	60,844	9,853
12,850	12,850	
3,080	28,580	26,456
		4,500
	31,978	39,030
	149,300	43,778
	248,499	82,493
<u>109,808</u>	<u>787,199</u>	<u>452,084</u>
\$ 3,818	\$ 15,402	\$ 24,681
	31,434	1,389
	27,381	
	46,900	16,284
	161,777	56,411
<u>3,818</u>	<u>282,894</u>	<u>98,765</u>
	221,100	92,606
92,870	92,870	106,955
13,120	190,335	153,758
<u>\$ 105,990</u>	<u>\$ 504,305</u>	<u>\$ 353,319</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 COMBINING SCHEDULE OF ACTIVITIES - NONMAJOR COMPONENT UNITS
 For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Charter Schools				
Governmental Activities:				
Instruction	\$ 1,578,927	\$ 199,866	\$ 173,818	\$
Instructional Staff Training Services	2,953			
Board	65,865			
General Administration	79,445			
School Administration	426,563			
Facility Services - Non-Capitalized	219,112			40,711
Fiscal Services	21,079			
Food Services	11,292	7,073		
Student Transportation Services	72,313			
Operation of Plant	51,388			
Interest on Long-Term Debt	7,024			
Unallocated Depreciation	48,797			
Total Charter Schools	2,584,758	206,939	173,818	40,711
Hernando Education Foundation	283,606		260,530	
Total Component Units	\$ 2,868,364	\$ 206,939	\$ 434,348	\$ 40,711

General Revenues:

Grants and Contributions Not Restricted to Specific Programs
 Miscellaneous

Total General Revenues

Change in Net Position

Net Position - July 1, 2014

Adjustment to Net Position

Net Position - July 1, 2014

Net Position - June 30, 2015

(Continued)

Total Charter Schools	Hernando Education Foundation	Total Component Units
\$ (1,205,243)	\$	\$ (1,205,243)
(2,953)		(2,953)
(65,865)		(65,865)
(79,445)		(79,445)
(426,563)		(426,563)
(178,401)		(178,401)
(21,079)		(21,079)
(4,219)		(4,219)
(72,313)		(72,313)
(51,388)		(51,388)
(7,024)		(7,024)
(48,797)		(48,797)
(2,163,290)		(2,163,290)
	(23,076)	(23,076)
(2,163,290)	(23,076)	(2,186,366)
2,254,225		2,254,225
83,127		83,127
2,337,352		2,337,352
174,062	(23,076)	150,986
224,253		224,253
	129,066	129,066
224,253	129,066	353,319
\$ 398,315	\$ 105,990	\$ 504,305



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STATISTICAL SECTION





Statistical Section

This part of the District School Board of Hernando County, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the School District's overall financial health.

Contents	Page
Financial Trend Information <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over-time.</i>	109
Revenue Capacity Information <i>These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax.</i>	119
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	125
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	133
Operating Information <i>These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	136

TABLE 1

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NET POSITION BY COMPONENT - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Primary Government:				
Governmental Activities:				
Net Investment in Capital Assets (1)	\$ 175,100,895	\$ 200,321,945	\$ 211,125,761	\$ 244,788,425
Restricted	44,111,824	74,156,527	106,441,480	74,596,072
Unrestricted	(3,404,223)	(1,598,307)	(522,035)	1,903,139
Total Governmental Activities Net Position	<u>215,808,496</u>	<u>272,880,165</u>	<u>317,045,206</u>	<u>321,287,636</u>
Total Primary Government Net Position	<u>\$ 215,808,496</u>	<u>\$ 272,880,165</u>	<u>\$ 317,045,206</u>	<u>\$ 321,287,636</u>

(1) Prior to 2011, the growth in net position was due primarily to the increase in property taxes, increase in impact fees, and inception of the second voter approved local option half cent sales tax. These revenues were used to payoff debt and to construct or purchase capital assets that will be expensed in future years through depreciation. The recent decline in net position is primarily due to the implementation of GASB 68 which required the District to report a proportionate share pension liabilities, reduction of State education funding, Federal ARRA funding and the collection of property taxes.

Source: District records

TABLE 1 (Continued)

Fiscal Year Ending					
June 30, 2010 (Restated)	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
\$ 261,589,398	\$ 272,982,528	\$ 266,338,102	\$ 245,324,633	\$ 252,232,149	\$ 247,598,971
57,039,558	31,888,578	30,470,226	42,909,843	31,149,082	34,480,595
2,988,133	4,312,371	59,489	387,651	(3,116,673)	(84,211,485)
<u>321,617,089</u>	<u>309,183,477</u>	<u>296,867,817</u>	<u>288,622,127</u>	<u>280,264,558</u>	<u>197,868,081</u>
<u>\$ 321,617,089</u>	<u>\$ 309,183,477</u>	<u>\$ 296,867,817</u>	<u>\$ 288,622,127</u>	<u>\$ 280,264,558</u>	<u>\$ 197,868,081</u>

TABLE 2

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
CHANGES IN NET POSITION - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Expenses:				
Governmental Activities				
Instruction	\$ 84,165,241	\$ 97,956,943	\$ 104,620,004	\$ 103,745,430
Student Personnel Services	8,169,248	8,676,491	9,358,470	9,659,517
Instructional Media Services	1,932,166	2,096,047	2,228,490	2,405,268
Instruction and Curriculum Development Services	3,738,300	3,575,078	3,597,622	3,416,775
Instructional Staff Training Services	1,852,367	1,790,904	2,912,419	3,172,689
Instruction Related Technology	1,466,525	1,428,024	1,559,473	1,056,421
Board of Education	571,481	516,018	483,014	481,247
General Administration	685,915	805,161	694,464	751,679
School Administration	8,840,345	9,201,708	9,653,650	10,317,777
Facility Services - Non-Capitalized	5,774,968	3,769,071	6,927,176	7,902,932
Fiscal Services	854,026	809,663	797,447	810,278
Food Services	6,964,646	7,426,980	8,632,568	9,802,355
Central Services	1,577,345	1,781,400	1,831,782	1,938,922
Student Transportation Services	9,249,176	9,896,289	9,077,198	9,230,050
Operation of Plant	12,100,415	13,714,898	14,779,400	14,714,540
Maintenance of Plant	4,674,804	4,697,022	4,688,615	4,548,453
Administrative Technology Services	1,155,807	1,326,400	1,564,077	1,804,846
Community Services	171,320	130,879	124,926	67,495
Interest and Fiscal Charges	6,108,573	9,397,699	9,863,723	9,341,317
Unallocated Deprecation	9,229,864	9,891,881	11,560,613	12,442,492
Total Governmental Activities Expenses	<u>169,282,532</u>	<u>188,888,556</u>	<u>204,955,131</u>	<u>207,610,483</u>
Program Revenues:				
Governmental Activities				
Charges for Services				
Food Service	2,807,464	3,013,294	3,048,305	2,957,657
Transportation	55,706	85,480	96,819	74,241
Instruction	7,702	13,618	6,240	3,216
Operating Grants and Contributions	9,436,410	10,687,997	11,510,662	11,545,815
Capital Grants and Contributions	20,279,296	35,174,765	28,693,243	6,732,775
Total Governmental Activities Program Revenues	<u>32,586,578</u>	<u>48,975,154</u>	<u>43,355,269</u>	<u>21,313,704</u>
Net Expenses Governmental Activities	<u>(136,695,954)</u>	<u>(139,913,402)</u>	<u>(161,599,862)</u>	<u>(186,296,779)</u>
Total Primary Government Net Expenses	<u>(136,695,954)</u>	<u>(139,913,402)</u>	<u>(161,599,862)</u>	<u>(186,296,779)</u>
General Revenues and Other Changes in Net Assets:				
Governmental Activities				
Property Taxes				
Levied for Operational Purposes	44,417,019	55,935,944	62,911,292	63,936,956
Levied for Debt Service	4,080,174	4,100,210	3,761,480	2,571,651
Levied for Capital Projects	14,829,187	19,336,480	21,909,025	19,325,518
Local Sales Tax	8,492,036	8,526,614	7,950,810	7,558,751
Grants and Contributions not restricted to specific purposes	90,837,458	97,639,807	100,724,798	94,316,939
Unrestricted Investment Earnings	4,284,359	9,916,074	6,493,112	(931,032)
Miscellaneous	1,679,554	1,529,942	2,014,386	3,760,426
Total Governmental Activities	<u>168,619,787</u>	<u>196,985,071</u>	<u>205,764,903</u>	<u>190,539,209</u>
Total Primary Government General Revenues and Other Changes in Net Assets	<u>168,619,787</u>	<u>196,985,071</u>	<u>205,764,903</u>	<u>190,539,209</u>
Change in Net Assets:				
Governmental Activities	<u>31,923,833</u>	<u>57,071,669</u>	<u>44,165,041</u>	<u>4,242,430</u>
Total Primary Government	<u>\$ 31,923,833</u>	<u>\$ 57,071,669</u>	<u>\$ 44,165,041</u>	<u>\$ 4,242,430</u>

Source: District records

TABLE 2 (Continued)

Fiscal Year Ending					
June 30, 2010 (Restated)	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
\$ 103,169,236	\$ 109,286,283	\$ 98,717,026	\$ 100,345,605	\$ 105,662,000	\$ 106,464,738
10,523,787	11,190,219	9,550,196	9,481,173	9,262,052	9,271,687
2,257,766	2,158,115	1,962,166	1,944,186	2,118,740	2,189,442
3,505,308	3,607,898	3,661,358	4,153,389	4,103,785	4,611,206
3,326,018	3,695,145	3,122,643	2,742,317	2,214,563	2,834,048
1,013,023	1,078,892	1,283,515	1,466,935	1,681,610	1,495,715
473,107	470,422	371,024	460,031	460,573	480,877
1,224,187	1,173,733	944,946	1,036,546	1,286,149	1,391,321
10,628,079	11,630,524	11,041,666	11,209,818	11,230,650	11,254,519
5,654,963	7,223,486	18,555,981	3,125,424	2,013,899	2,430,003
842,412	1,043,193	919,336	784,117	1,101,844	1,107,565
9,975,167	10,123,836	10,458,339	10,639,194	10,901,515	10,428,835
1,749,237	1,906,293	1,905,301	1,784,314	1,895,196	1,538,384
9,138,394	9,464,261	7,675,794	7,396,420	8,120,089	7,905,288
14,975,932	15,095,661	14,319,724	14,386,258	14,998,980	14,866,067
4,704,812	5,073,419	4,554,190	4,749,690	4,786,141	4,715,632
1,725,352	1,884,354	1,722,324	1,950,483	1,944,813	2,140,357
72,223	51,574	52,954	33,324	186,817	20,549
9,067,113	8,446,040	8,088,488	7,596,032	7,604,707	5,804,308
14,390,404	15,360,681		12,641,415	15,209,697	12,079,806
208,416,520	219,964,029	198,906,971	197,926,671	206,783,822	203,030,347
2,508,261	2,530,839	2,473,071	2,455,483	2,453,338	2,143,141
95,330	91,506	9,774	-	157,721	152,795
3,880	7,796	56,592	57,567	64,628	86,746
7,546,609	7,846,239	8,156,319	8,334,627	8,740,134	8,909,622
1,848,617	2,149,168	866,466	888,495	881,129	1,063,330
12,002,697	12,625,548	11,562,222	11,736,172	12,296,950	12,355,634
(196,413,823)	(207,338,481)	(187,344,749)	(186,190,499)	(194,486,872)	(190,674,713)
(196,413,823)	(207,338,481)	(187,344,749)	(186,190,499)	(194,486,872)	(190,674,713)
61,263,111	51,986,840	48,807,293	48,159,073	45,785,613	45,018,129
34,753					
15,358,825	13,189,912	12,242,466	12,136,449	11,873,491	11,912,140
7,470,501	7,828,758	7,832,909	8,206,074	9,007,765	5,284,711
108,040,457	118,663,422	101,639,556	105,093,241	114,790,011	117,033,440
1,732,003	652,985	459,580	443,527	479,244	(121,985)
2,624,192	2,802,386	4,047,285	3,906,445	5,641,459	2,661,570
196,523,842	195,124,303	175,029,089	177,944,809	187,577,583	181,788,005
196,523,842	195,124,303	175,029,089	177,944,809	187,577,583	181,788,005
110,019	(12,214,178)	(12,315,660)	(8,245,690)	(6,909,289)	(8,886,708)
\$ 110,019	\$ (12,214,178)	\$ (12,315,660)	\$ (8,245,690)	\$ (6,909,289)	\$ (8,886,708)

TABLE 3

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Property Taxes:				
Levied for Operational Purposes	\$ 44,417,019	\$ 55,935,944	\$ 62,911,292	\$ 63,936,956
Levied for Debt Service (2)	4,080,174	4,100,210	3,761,480	2,571,651
Levied for Capital Projects	14,829,187	19,336,480	21,909,025	19,325,518
Local Sales Taxes (1)	8,492,036	8,526,614	7,950,810	7,558,751
Total	<u>\$ 71,818,416</u>	<u>\$ 87,899,248</u>	<u>\$ 96,532,607</u>	<u>\$ 93,392,876</u>

(1) Fiscal year ending June 30, 2005, the District began receiving a new 10-year local option half cent sales tax that was approved by voters on March 9, 2004. The half cent sales tax expired on December 31, 2014, however a new ten year half cent sales tax, commencing on January 1, 2016, was subsequently approved in a special election held in September 8, 2015 .

(2) The property tax for Debt Service steadily declined over the years because the debt service requirement also declined. In prior years, the combination of an increase in taxable property values and the decline in millage necessary to meet the debt service, reduced the amount levied for debt service. However, in the 2009-2010 fiscal year, sufficient funds were available to meet the debt service requirement thereby eliminating the need to levy a specific debt service millage. Collections represent collections from prior years.

Source: District records

TABLE 3 (Continued)

Fiscal Year Ending					
June 30, 2010 (Restated)	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
\$ 61,263,111	\$ 51,986,840	\$ 48,807,293	\$ 48,159,073	\$ 45,785,613	\$ 45,018,129
34,753					
15,358,825	13,189,912	12,242,466	12,136,449	11,873,491	11,912,140
7,470,501	7,828,758	7,832,909	8,206,074	9,007,765	5,284,711
<u>\$ 84,127,190</u>	<u>\$ 73,005,510</u>	<u>\$ 68,882,668</u>	<u>\$ 68,501,596</u>	<u>\$ 66,666,869</u>	<u>\$ 62,214,980</u>

TABLE 4

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending				
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
	Restated (1)	Restated (1)	Restated (1)	Restated (1)	Restated (1)
General Fund					
Fund Balances:					
Nonspendable	\$ 1,596,279	\$ 1,396,442	\$ 1,946,610	\$ 2,217,341	\$ 1,529,590
Spendable:					
Restricted	78,282	308,080	678,600	265,638	2,268,658
Assigned	395,311	912,781	859,400	708,550	925,935
Unassigned (2)	3,747,441	4,809,512	4,633,247	8,906,593	14,222,563
Total General Fund	<u>\$ 5,817,313</u>	<u>\$ 7,426,815</u>	<u>\$ 8,117,857</u>	<u>\$ 12,098,122</u>	<u>\$ 18,946,746</u>
All Other Governmental Funds					
Fund Balances:					
Nonspendable	\$ 130,238	\$ 195,696	\$ 6,265,896	\$ 9,130,163	\$ 3,781,823
Spendable:					
Restricted	149,442,886	189,821,116	189,296,868	141,446,480	97,876,944
Assigned	93,200	86,924	87,007	88,907	78,263
Unassigned (2)					
Total All Other Governmental Funds	<u>\$ 149,666,324</u>	<u>\$ 190,103,736</u>	<u>\$ 195,649,771</u>	<u>\$ 150,665,550</u>	<u>\$ 101,737,030</u>
Total Combined All Governmental funds	<u>\$ 155,483,637</u>	<u>\$ 197,530,551</u>	<u>\$ 203,767,628</u>	<u>\$ 162,763,672</u>	<u>\$ 120,683,776</u>

(1) The District implemented GASB 54 for the fiscal year ended June 30, 2011. The fund balances from the prior fiscal years were restated for comparison purposes.

(2) The District reported a negative unassigned fund balance for the All Other Governmental Funds for fiscal year ending June 30, 2011. This was the result of a Section 1011, Florida Statutes, loan .

Source: District records

TABLE 4 (Continued)

Fiscal Year Ending				
June 30, 2011 Restated (1)	June 30, 2012 Restated (1)	June 30, 2013	June 30, 2014	June 30, 2015
\$ 1,536,754	\$ 1,440,561	\$ 1,490,830	\$ 1,434,975	\$ 1,373,299
1,119,658	978,496	478,153	30,755	1,779,073
13,572,025	10,216,038	9,455,599	5,957,272	1,435,474
4,476,866	4,224,837	4,849,807	6,938,011	1,814,821
<u>\$ 20,705,303</u>	<u>\$ 16,859,932</u>	<u>\$ 16,274,389</u>	<u>\$ 14,361,013</u>	<u>\$ 6,402,667</u>
\$ 2,784,619	\$ 2,452,182	\$ 1,601,859	\$ 969,525	\$ 109,867
59,268,493	46,419,030	40,924,387	41,101,828	35,224,108
80,059				
(1,878,472)				
<u>\$ 60,254,699</u>	<u>\$ 48,871,212</u>	<u>\$ 42,526,246</u>	<u>\$ 42,071,353</u>	<u>\$ 35,333,975</u>
<u>\$ 80,960,002</u>	<u>\$ 65,731,144</u>	<u>\$ 58,800,635</u>	<u>\$ 56,432,366</u>	<u>\$ 41,736,642</u>

TABLE 5

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending				
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)
Federal Direct Sources:					
Reserve Officers Training Corps (ROTC)	\$ 196,832	\$ 208,251	\$ 162,034	\$ 260,685	\$ 217,776
Miscellaneous Federal Direct				455,475	123,106
Total Federal Direct	196,832	208,251	162,034	716,160	340,882
Federal Through State and Local Sources					
Food Service	3,882,765	4,177,343	5,343,737	6,278,739	7,289,956
Donated Foods and Cash in Lieu of	352,824	436,799			
Other Federal Through State and Local Grants	11,464,799	10,466,907	11,183,726	11,197,717	24,122,698
Total Federal Through State and Local Sources	15,700,388	15,081,049	16,527,463	17,476,456	31,412,654
State Sources:					
Florida Education Finance Program (FEFP)	59,094,920	63,346,022	60,785,801	53,730,728	53,387,105
Other Categoricals	3,366,443	2,761,577	2,764,163	4,065,892	
Class Size Reduction	11,525,626	17,019,169	21,980,256	22,839,350	24,105,224
Transportation	5,102,187	5,975,878	6,061,757	5,122,307	5,005,490
District Discretionary Lottery Funds	1,912,792	1,949,968	1,970,029	545,122	62,403
Motor Vehicle License Tax (Capital Outlay and Debt Service)	850,094	888,962	895,482	884,388	849,718
Gross Receipts Tax (Public Education Capital Outlay)	4,667,215	5,984,938	8,523,072	4,537,560	319,256
Class Size Reduction Construction	1,641,946	23,205,539	16,756,747		
Food Services	98,634	100,290	105,168	143,886	133,173
Other State Sources and State Grants	1,112,269	1,890,826	1,905,803	1,231,802	1,186,744
Total State Sources	89,372,126	123,123,169	121,748,278	93,101,035	85,049,113
Local Sources:					
Ad Valorem Taxes	63,326,380	79,372,634	88,581,797	85,834,125	76,656,689
Food Services Sales	2,818,508	3,030,322	3,048,305	2,957,657	2,727,695
Sales Taxes	8,492,036	8,526,614	7,950,810	7,558,751	7,470,501
Impact Fees	15,283,818	5,090,100	2,490,928	1,301,878	413,600
Investment Income	4,284,359	9,916,074	6,493,112	(931,032)	1,732,003
Local Grants and Other Local Sources	1,381,236	1,396,269	1,792,548	2,973,128	2,594,348
Total Local Sources	95,586,337	107,332,013	110,357,500	99,694,507	91,594,836
Total Revenues	200,855,683	245,744,482	248,795,275	210,988,158	208,397,485
Expenditures:					
Current:					
Instruction	83,887,361	97,690,359	102,447,519	101,380,908	101,243,638
Student Personnel Services	8,138,977	8,649,355	9,175,754	9,484,456	10,345,671
Instructional Media	1,923,339	2,087,854	2,184,830	2,352,336	2,218,152
Instruction & Curriculum Development Services	3,727,170	3,566,349	3,562,404	3,388,001	3,480,918
Instructional Staff Training Services	1,846,852	1,786,532	2,895,189	3,158,549	3,315,294
Instruction Related Technology	1,462,158	1,424,538	1,541,064	1,041,472	1,000,352
Board	569,779	514,758	479,387	477,287	470,756
General Administration	683,911	803,195	690,566	747,894	1,221,328
School Administration	8,814,025	9,179,242	9,543,008	10,202,828	10,547,741
Facility Services - Non-Capitalized	5,796,038	3,778,561	6,911,177	8,129,034	5,585,133
Fiscal Services	851,484	807,686	790,765	803,075	837,880
Food Services	6,940,272	7,405,207	8,469,157	9,754,764	9,812,031
Central Services	1,557,239	1,760,556	1,798,695	1,898,484	1,720,285
Student Transportation Services	8,102,138	8,521,112	8,892,943	9,020,767	8,972,334
Operation of Plant	12,059,274	13,676,296	14,506,048	14,398,158	14,726,793
Maintenance of Plant	4,548,953	4,572,314	4,603,035	4,450,916	4,627,275
Administrative Technology Services	1,148,864	1,319,658	1,537,591	1,769,627	1,699,381
Community Services	170,810	130,559	124,329	67,009	71,956
Fixed Capital Outlay					
Facilities Acquisition & Construction	20,706,823	59,032,314	37,472,530	40,894,834	44,704,012
Other Capital Outlay	2,713,418	4,439,330	2,914,648	11,624,051	2,214,117
Debt Service					
Principal	7,309,954	8,148,145	13,025,474	15,849,019	12,755,702
Interest	6,024,319	9,208,025	9,674,887	9,160,593	8,912,777
Dues and Fees	1,613,414	966,924	107,148	99,036	47,979
Total Expenditures	190,596,572	249,468,869	243,348,148	260,153,098	250,531,505
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,259,111	(3,724,387)	5,447,127	(49,164,940)	(42,134,020)
Other Financing Sources (Uses)					
Refunding Note Payable Issued		14,419,695			
Refunding Bonds Issued					370,000
Premium on Refunding Bonds					32,698
Sale of Bonds	3,885,000	45,000,000			
Insurance Loss Recoveries	154,713	76,537	789,950	162,664	50,764
Certificates of Participation	106,670,000				
Payments to Refunding Bonds Escrow Agent	(4,248,548)				(399,338)
Payment to Refund Note Payable		(13,730,235)	5,304		
Premium on Long Term Debt Issued	1,599,911				
Discount on Long Term Debt Issued		5,304			
Inception of Capital Leases				7,998,320	
Proceeds from Sale of Capital Assets					
Transfers In	10,897,065	17,249,400	28,808,674	17,844,559	22,498,420
Transfers Out	(10,897,065)	(17,249,400)	(28,808,674)	(17,844,559)	(22,498,420)
Total Other Financing Sources (Uses)	108,061,076	45,771,301	789,950	8,160,984	54,124
Net Change in Fund Balance	118,320,187	42,046,914	6,237,077	(41,003,956)	(42,079,896)
Debt Service as a percentage of noncapital expenditures	8.0%	9.3%	11.2%	12.0%	10.6%
Beginning Fund Balance	37,163,450	155,483,637	197,530,551	203,767,628	162,763,672
Ending Fund Balance	\$ 155,483,637	\$ 197,530,551	\$ 203,767,628	\$ 162,763,672	\$ 120,683,776

Source: District records

TABLE 5 (Continued)

June 30, 2011	Fiscal Year Ending			
	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
\$ 225,623	\$ 212,982	\$ 181,480	\$ 211,147	\$ 214,600
225,623	212,982	181,480	211,147	214,600
6,971,515	7,358,101	7,538,918	7,948,367	7,980,511
726,851	647,480	650,756	646,529	787,997
28,318,563	15,354,876	14,223,225	12,883,165	14,004,179
36,016,929	23,360,457	22,412,899	21,478,061	22,772,687
63,220,906	60,448,872	65,005,531	75,288,663	77,610,844
1,093,016	480,823	785,735	338,778	588,486
24,438,240	24,160,280	23,768,179	23,768,179	23,277,212
83,024	71,021		209,627	76,689
868,853	857,309	885,165	881,096	890,774
942,885				171,925
147,873	148,847	144,953	145,238	141,114
1,292,207	916,672	1,094,671	2,156,177	1,259,137
92,087,004	87,083,824	91,684,234	102,787,758	104,016,181
65,176,752	61,049,759	60,295,522	57,659,104	56,930,269
2,530,839	2,473,071	2,455,483	2,453,338	2,143,141
7,828,758	7,832,909	8,206,074	9,007,765	5,284,711
327,925	156,980	17,400		
652,985	459,580	443,527	479,244	(121,985)
2,423,840	3,738,298	3,780,410	4,763,741	2,324,313
78,941,099	75,710,597	75,198,416	74,363,192	66,560,449
207,270,655	186,367,860	189,477,029	198,840,158	193,563,917
107,247,996	98,066,676	98,589,783	104,389,399	108,232,447
10,986,694	9,511,114	9,318,507	9,152,498	9,427,045
2,117,279	1,953,328	1,929,947	2,095,267	2,227,387
3,580,302	3,652,268	4,122,970	4,063,373	4,694,020
3,670,248	3,113,823	2,722,233	2,198,139	2,887,886
1,068,551	1,191,584	1,456,191	1,661,574	1,518,686
467,180	370,010	456,661	456,414	489,759
1,167,900	943,700	1,028,954	1,297,673	1,408,320
11,525,178	10,939,393	11,108,102	11,132,690	11,449,262
7,160,263	4,906,994	536,955	2,014,145	2,483,626
1,035,147	916,353	778,374	1,091,962	1,127,499
9,977,413	10,165,772	10,455,762	10,777,737	10,606,646
1,871,409	1,807,463	1,753,480	1,874,395	1,563,721
9,265,825	7,614,044	7,268,604	8,013,177	8,020,090
14,829,965	14,278,025	14,132,010	14,591,305	15,141,503
4,992,144	4,482,917	4,668,408	4,728,859	4,793,969
1,837,435	1,713,875	1,936,198	1,923,355	2,179,690
51,065	52,702	33,081	185,766	21,017
29,595,893	4,601,562	4,061,686	491,326	534,263
4,030,948	2,697,848	631,706	871,600	1,004,850
10,651,500	11,182,245	11,930,409	12,338,922	12,283,682
8,264,159	7,951,530	7,527,482	6,692,404	5,882,626
54,839	42,831	22,270	113,267	13,494
245,449,333	202,156,057	196,469,773	202,155,247	207,991,488
(38,178,678)	(15,788,197)	(6,992,744)	(3,315,089)	(14,427,571)
	365,000		29,685,000	1,299,000
	55,865		82,496	123,525
1,554,601				
127,921	75,157	62,235	57,181	87,923
(3,574,267)	(419,780)		(28,877,849)	(1,778,601)
346,649	483,097			
31,476,798	23,871,497	20,641,428	21,214,610	20,582,195
(31,476,798)	(23,871,497)	(20,641,428)	(21,214,610)	(20,582,195)
(1,545,096)	559,339	62,235	946,828	(268,153)
(39,723,774)	(15,228,858)	(6,930,509)	(2,368,261)	(14,695,724)
8.9%	9.8%	10.1%	9.5%	8.8%
120,683,776	80,960,002	65,731,144	58,800,627	56,432,366
\$ 80,960,002	\$ 65,731,144	\$ 58,800,635	\$ 56,432,366	\$ 41,736,642

TABLE 6

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
GENERAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

Fiscal Year	Property Tax			Sales Tax Capital Projects Funds	Total Governmental Activities
	General Fund	Debt Service Funds	Capital Projects Funds		
2014-2015	\$ 45,018,129		\$ 11,912,140	\$ 5,284,711	\$ 62,214,980
2013-2014	45,785,613		\$ 11,873,491	9,007,765	66,666,869
2012-2013	48,159,073		12,136,449	8,206,074	68,501,596
2011-2012	48,807,293		12,242,466	7,832,909	68,882,668
2010-2011	51,986,840		13,189,912	7,828,758	73,005,510
2009-2010	61,263,111	34,753	15,358,825	7,470,501	84,127,190
2008-2009	63,936,956	2,571,651	19,325,518	7,558,751	93,392,876
2007-2008	62,911,292	3,761,480	21,909,025	7,950,810	96,532,607
2006-2007	55,935,944	4,100,210	19,336,480	8,526,614	87,899,248
2005-2006	44,417,019	4,080,174	14,829,187	8,492,036	71,818,416

Note: The District's first local option half-cent sales tax (5-Years) approved by the voters on November 3, 1998, began January 1, 1999, and ended December 31, 2003. The District's second local option half-cent sales tax (10-Years) approved by the voters on March 9, 2004, began January 1, 2005, and ended December 31, 2014.

Source: District records

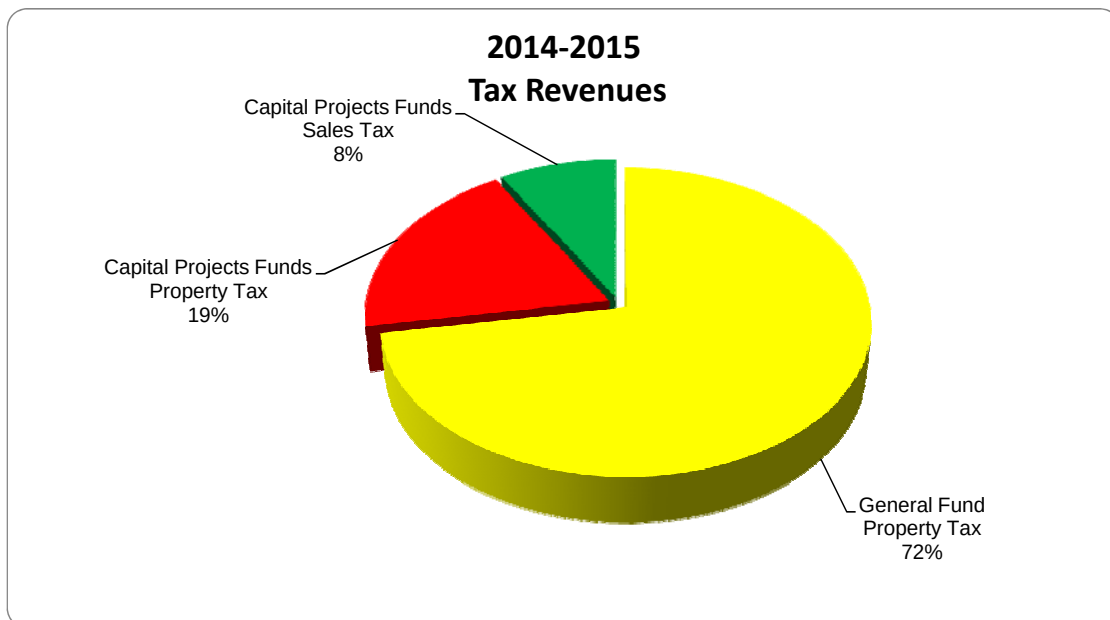


TABLE 7

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
FAIR MARKET VALUE, ASSESSED VALUE, AND TAXABLE VALUE OF PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)
(Unaudited)

Fiscal Year	Fair Market Value (1)		Assessed Value (2)		Exemptions (3)		Taxable Value (4)				Ratio of Taxable Value to Assessed Value	Base Millage Rate (6)
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Centrally Assessed (5)	Total		
2014-2015	10,349,863	1,606,000	9,507,309	1,604,589	2,399,670	608,798	7,170,639	995,791	7,842	8,174,271	73.56%	15.3433
2013-2014	9,989,311	1,602,911	9,368,594	1,594,242	2,417,252	627,891	6,951,343	966,351	7,626	7,925,320	72.29%	15.4480
2012-2013	9,949,202	1,691,643	9,351,346	1,645,987	2,437,024	339,564	6,914,323	1,306,423	7,325	8,228,070	74.82%	14.6674
2011-2012	10,600,374	1,629,933	9,949,584	1,585,617	2,417,670	325,372	7,531,914	1,260,245	7,445	8,799,604	76.28%	14.4324
2010-2011	11,572,263	1,669,623	10,731,692	1,652,662	3,593,658	336,472	7,138,035	1,316,191	6,499	8,460,725	68.32%	14.1371
2009-2010	13,488,242	1,427,069	12,000,601	1,407,365	3,750,459	338,717	8,250,142	1,068,648	6,924	9,325,714	69.55%	14.2087
2008-2009	15,836,287	1,185,886	13,371,281	1,167,054	3,920,192	325,882	9,451,089	841,172	6,398	10,298,659	70.84%	14.5087
2007-2008	16,518,236	1,105,701	13,238,586	1,085,763	2,695,549	244,027	10,543,037	841,735	13,699	11,398,471	79.57%	14.5966
2006-2007	14,737,836	961,199	11,719,661	942,889	2,566,896	177,754	9,152,765	765,135	6,506	9,924,406	78.38%	16.4216
2005-2006	11,004,597	959,181	9,098,120	939,176	2,193,314	182,425	6,904,806	756,751	6,579	7,668,136	76.40%	17.2466

(1) Fair Market Value of property is amount it could sell for in a competitive open market, assuming that the buyer and seller both acted knowledgeably and without duress.

(2) Assessed value of property is different than fair market value for those properties that have assessment limitations on them, such as the Save Our Homes (SOH) limitation, "greenbelt" for properties which have an agricultural use classification, and pollution control devices.

(3) There are a number of property tax exemptions which include, but are not limited to; homestead, low income seniors, widow/widowers, blind, disabled, veterans, government, and institutional.

(4) Taxable value of property is the resulting value after all applicable exemptions have been deducted from the assessed value of the property. The taxable value is what the millage rates are applied to develop the ad valorem property tax. The 2011 Values based on Final Certification dated October 4, 2011. All other years based on re-certification values after the Value Adjustment Board.

(5) Centrally assessed property are the railroad tracks and train cars which cross county lines and are assessed by the Florida Department of Revenue, who provides the assessed values to the respective Property Appraiser.

(6) Base Millage Rate comprised of total County, total School and Southwest Florida Management District countywide levy. Specific basins, special ad valorem districts, and municipalities are not included. See calculation of base millage rate on Table 8 page 109.

Source: Hernando County Property Appraiser

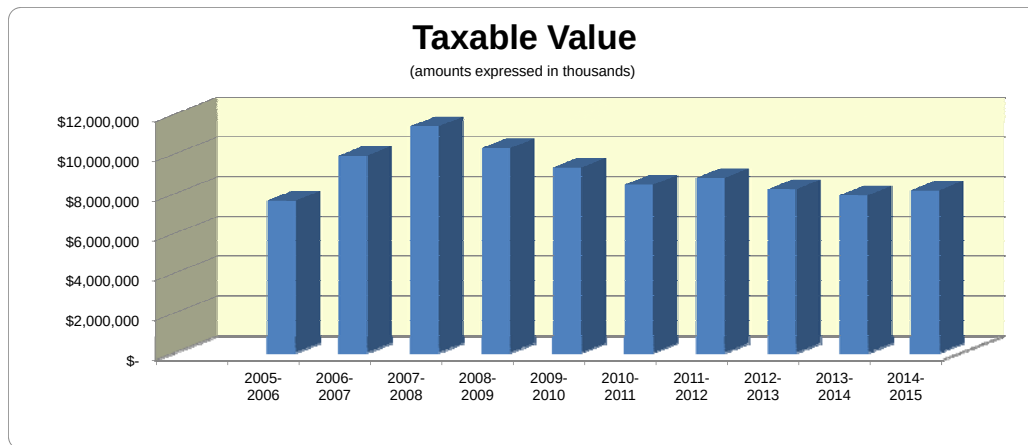


TABLE 8

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(per \$1,000 Assessed Valuation)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
District Direct Rates:				
District School Board:				
Local Required Effort	5.2070	5.0100	4.9960	5.0860
Discretionary Local	0.5100	0.5100	0.5100	0.4980
Supplemental Discretionary	0.2500	0.2470	0.2160	0.2130
Voted Debt Service	0.5470	0.4220	0.3430	0.2320
Local Capital Improvement	2.0000	2.0000	2.0000	1.7500
Total District School Board Direct Rates	<u>8.5140</u>	<u>8.1890</u>	<u>8.0650</u>	<u>7.7790</u>
Overlapping Rates:				
Other Hernando County:				
General Fund	7.2400	6.7400	5.4394	5.4394
Public Health	0.1306	0.1306	0.1102	0.1102
Road & Bridge	0.8400	0.8400	0.7091	0.7091
Recreation/Sensitive Lands	0.1000	0.1000	0.0844	0.0844
Special Ad Valorem Districts	3.4550	3.3550	2.9664	2.9423
Total Other Hernando County Rates	<u>11.7656</u>	<u>11.1656</u>	<u>9.3095</u>	<u>9.2854</u>
Southwest Florida Water Management Districts (SWFWMD):				
SWFWMD County Wide	0.4200	0.4220	0.1885	0.3866
Hillsborough Basin				
Withlacoochee Basin	0.2650	0.2650	0.2308	0.2308
Coastal Basin	0.2350	0.2050	0.3866	0.1885
Total Southwest Florida Water Management Districts	<u>0.9200</u>	<u>0.8920</u>	<u>0.8059</u>	<u>0.8059</u>
Municipalities:				
City of Brooksville	7.5000	7.5000	6.3230	6.0690
City of Weeki Wachee	2.4856	2.3898	2.1744	2.1173
Total Municipalities	<u>9.9856</u>	<u>9.8898</u>	<u>8.4974</u>	<u>8.1863</u>
Total Overlapping Rates (1)	<u>22.6712</u>	<u>21.9474</u>	<u>18.6128</u>	<u>18.2776</u>
Base Millage Rate (2)	17.2446	16.4216	14.5966	14.5087

(1) Total Overlapping Rates comprised of Total Other Hernando County Rates, Total Southwest Florida Water Management Districts, and Total Municipalities.

(2) Base Millage Rate comprised of Total County, Total School, and Southwest Florida Management District Countywide levy. It excludes specific basins, special ad valorem districts, and municipalities. See Table 7 for use of Base Millage Rate on page 116.

Source: Hernando County Property Appraiser

TABLE 8 (Continued)

Fiscal Year Ending					
June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
5.2310	5.1690	5.2600	5.2060	5.0320	4.9190
0.7480	0.7480	0.7480	0.7480	0.7480	0.7480
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
<u>7.4790</u>	<u>7.4170</u>	<u>7.5080</u>	<u>7.4540</u>	<u>7.2800</u>	<u>7.1670</u>
5.4394	5.4394	5.6279	5.9169	6.8669	6.9912
0.1102	0.1102	0.1102	0.1102	0.1102	0.1102
0.7091	0.7091	0.7091	0.7091	0.7091	0.7091
0.0844	0.0844	0.0844	0.0844	0.1000	0.0000
2.9423	3.1737	3.1737	3.1737	0.6673	0.6673
<u>9.2854</u>	<u>9.5168</u>	<u>9.7053</u>	<u>9.9943</u>	<u>8.4535</u>	<u>8.4778</u>
0.3866	0.3770	0.3928	0.3928	0.3818	0.3658
0.2308	0.2308	0.0000	0.0000	0.0000	0.0000
0.1885	0.1885	0.0000	0.0000	0.0000	0.0000
<u>0.8059</u>	<u>0.7963</u>	<u>0.3928</u>	<u>0.3928</u>	<u>0.3818</u>	<u>0.3658</u>
6.0690	6.3700	6.3700	6.6000	6.7317	6.6962
2.5769	2.6587	2.7838	2.7137	2.7654	2.6267
<u>8.6459</u>	<u>9.0287</u>	<u>9.1538</u>	<u>9.3137</u>	<u>9.4971</u>	<u>9.3229</u>
<u>18.7372</u>	<u>19.3418</u>	<u>19.2519</u>	<u>19.7008</u>	<u>18.3324</u>	<u>18.1665</u>
14.2087	14.1371	14.4324	14.6674	15.4480	15.3433

TABLE 9

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2014-2015				2005-2006			
	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)
Cemex, Inc.	Cement Manufacturing	\$ 284,834,378	1	3.96%	Cement Manufacturing	52,670,766	5	0.69%
Withlacoochee River Electric Co-op	Public Utility	176,804,201	2	2.46%	Public Utility	\$ 106,321,607	2	1.38%
Wal-Mart Stores, Inc.	Retail Sales	115,458,182	3	1.61%	Retail Sales	113,162,298	1	1.47%
Duke Energy (Florida Power Corporation)	Public Utility	74,457,309	4	1.04%	Public Utility	35,231,107	7	0.46%
Florida Gas Transmission Co.	Public Utility	49,076,101	5	0.68%				
HCA Health Services of Florida, Inc.	Hospital/ Health Care	46,812,722	6	0.65%	Hospital/ Health Care	52,600,571	6	0.68%
AT&T Florida	Telecommunications	42,574,559	7	0.59%	Telecommunications	67,120,784	3	0.87%
Bright House Networks	Cable Utility	31,323,378	8	0.44%	Cable Utility	28,569,487	8	0.37%
Millennium Venture Limited	Senior Care	22,279,542	9	0.31%				
MIC SCV LLC	Apartments	21,983,596	10	0.31%				
Central Power & Lime Inc.	Utilities				Utilities	26,484,645	9	0.34%
VA Development / Ackley					Real Estate	21,139,250	10	0.28%
Florida Crushed Stone Corporation					Rock Mining	64,539,878	4	0.84%

(1) Percentage of Taxable Value to County Total Taxable Value. Total Taxable Value can be found on Table 7 page 111 of this report.

Source: Hernando County Property Appraiser

TABLE 10

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Tax Levy	Collected to End of Tax Year			Collected in Fiscal Year	
		Current Tax Collections (1)	Percent of Levy	Delinquent Collections (1)	Total Collections (1)	Percent of Levy
2014-2015	\$ 58,585,003	\$ 56,797,930	96.95%	\$ 132,339	\$ 56,930,269	97.18%
2013-2014	57,696,331	57,372,277	99.44%	286,827	57,659,104	99.94%
2012-2013	61,332,036	59,856,352	97.59%	439,170	60,295,522	98.31%
2011-2012	66,067,422	60,364,306	91.37%	685,453	61,049,759	92.41%
2010-2011	71,473,086	64,278,055	89.93%	439,784	64,717,839	90.55%
2009-2010	78,787,235	75,774,531	96.18%	882,158	76,656,689	97.30%
2008-2009	89,340,049	85,566,159	95.78%	267,966	85,834,125	96.08%
2007-2008	92,033,622	88,415,644	96.07%	166,153	88,581,797	96.25%
2006-2007	81,382,516	79,349,039	97.50%	23,595	79,372,634	97.53%
2005-2006	65,368,562	63,250,756	96.76%	75,624	63,326,380	96.88%

(1) Net of allowable discounts

Note: Property taxes become due and are payable between November 1st of the year assessed and March 31st of the following year. A four percent (4%) discount is allowed if the taxes are paid in November, with the discount declining by one percent (1%) each month thereafter. Accordingly, taxes collected will never equal 100% of the tax levy. Taxes become delinquent on April 1st of each tax year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1st of each year. Accordingly, the majority of taxes are collected in the fiscal year levied.

Source: Hernando County Tax Collector and District records

TABLE 11
DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Governmental Activities (1)											
Fiscal Year	General Obligation Bonds	State Board of Education Bonds	Certificates of Participation	District Revenue Bonds	Sales Tax Revenue Bonds	Notes	Capital Leases	Total Primary Government	Per Capita (2)	Percentage of Per Capita Income (2)	
2014-2015	\$	\$	3,877,466	\$ 123,451,185	\$ 2,325,000	\$ -	\$ 6,097,551	\$ -	\$ 135,751,202	764	2.43%
2013-2014			5,065,436	127,485,183	2,410,000	6,415,592	7,262,686	50,273	148,689,170	847	2.65%
2012-2013			5,047,935	131,150,945	2,495,000	12,596,181	8,371,212	283,633	159,944,906	923	3.00%
2011-2012			5,260,000	133,755,000	2,575,000	18,590,000	9,438,299	1,041,954	170,660,253	986	3.21%
2010-2011			6,158,406	136,282,396	2,650,000	24,342,358	10,465,497	2,833,904	182,732,561	1,055	3.59%
2009-2010			5,117,145	141,343,121	2,725,000	29,902,947	11,454,297	4,539,955	195,082,465	1,177	3.93%
2008-2009	805,000		5,576,805	144,468,846	2,795,000	35,273,537	12,406,134	6,585,904	207,911,226	1,260	4.32%
2007-2008	4,555,000		6,015,895	147,479,571	2,860,000	40,439,126	13,322,390	1,160,347	215,832,329	1,309	4.66%
2006-2007	8,180,000		6,449,985	150,380,296	2,925,000	45,004,715	14,204,395	1,783,816	228,928,207	1,411	5.10%
2005-2006	11,675,000		6,864,075	153,176,021	2,985,000		14,235,885	2,516,010	191,451,991	1,219	4.62%

Note: The primary government does not have any outstanding debt for business-type activities.

Source:

(1) District Records

(2) Total Primary Government Debt divided by Population and Per Capita Income from Table 18 on Page 129.

TABLE 12

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015
(Unaudited)

Jurisdiction	Other Debt Outstanding	Direct Debt		Direct and Overlapping Debt (1)	
		Percentage Applicable to School Board of Hernando County	Amount Applicable to School Board of Hernando County	Percentage Applicable To Hernando County	Amount Applicable To Hernando County
Hernando County Board of County Commissioners					
Gas Tax Bonds, Series 2002	\$ 565,000			100.00%	\$ 565,000
Capital Improvement Bonds, Series 2004	2,715,000			100.00%	2,715,000
Non-Ad Valorem Refunding Bonds, Series 2010	3,660,000			100.00%	3,660,000
Loans and Notes Payable	<u>30,899,921</u>			100.00%	<u>30,899,921</u>
Subtotal Overlapping Debt	<u>37,839,921</u>				<u>37,839,921</u>
District School Board of Hernando County					
State Board of Education Bonds, Series 2009A Refunding	125,000	100.00%	125,000	100.00%	125,000
State Board of Education Bonds, Series 2010A	1,205,000	100.00%	1,205,000	100.00%	1,205,000
State Board of Education Bonds, Series 2011A Refunding	315,000	100.00%	315,000	100.00%	315,000
State Board of Education Bonds, Series 2014A Refunding	503,000	100.00%	503,000	100.00%	503,000
State Board of Education Bonds, Series 2014B Refunding	1,299,000	100.00%	1,299,000	100.00%	1,299,000
Certificates of Participation, Series 2005	99,080,000	100.00%	99,080,000	100.00%	99,080,000
Certificates of Participation, Series 2013A	23,556,690	100.00%	23,556,690	100.00%	23,556,690
Capital Improvement Bonds, Series 2001	2,325,000	100.00%	2,325,000	100.00%	2,325,000
Note Payable	<u>6,097,551</u>	100.00%	<u>6,097,551</u>	100.00%	<u>6,097,551</u>
Subtotal Direct Debt	<u>134,506,241</u>		<u>134,506,241</u>		<u>134,506,241</u>
Totals	<u>\$ 172,346,162</u>		<u>\$ 134,506,241</u>		<u>\$ 172,346,162</u>

(1) Overlapping governments are those whose geographic area coincides at least in part with the area of the District.

Source: District Records and Hernando County, Florida Comprehensive Annual Financial Report

TABLE 13

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 CALCULATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)
 (Unaudited)

	Fiscal Year Ending			
	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Taxable Value (1)	<u>\$ 7,668,136</u>	<u>\$ 9,924,406</u>	<u>\$ 11,398,471</u>	<u>\$ 10,298,659</u>
Debt Limit - 10% of Taxable Value (2)	<u>\$ 766,814</u>	<u>\$ 992,441</u>	<u>\$ 1,139,847</u>	<u>\$ 1,029,866</u>
Amount of Debt Applicable to the Debt Limit:				
General Obligation Bonds Payable	\$ 11,675	\$ 8,180	\$ 4,555	\$ 805
Less, Amount Available for Debt Service	<u>2,451</u>	<u>2,712</u>	<u>2,572</u>	<u>805</u>
Total Debt Applicable to the Debt Limit	<u>\$ 9,224</u>	<u>\$ 5,468</u>	<u>\$ 1,983</u>	<u>\$</u>
Legal Debt Margin	<u>\$ 757,590</u>	<u>\$ 986,973</u>	<u>\$ 1,137,864</u>	<u>\$ 1,029,866</u>
Total Debt Applicable to the Debt Limit as a Percentage of the Debt Limit	1.20%	0.55%	0.17%	0.00%

(1) Provided by Hernando County Property Appraiser. The 2013 Taxable Value based on Final Certification dated October 7, 2014. All other years based on re-certification values after Value Adjustment Board.

(2) This schedule was previously presented as a requirement of State Board of Education Rule 6A-1.037(2), Florida Administrative Code, which established a legal debt limit of 10 percent of the assessed valuation of the District. This rule was repealed in March 2006, however, management believes this information may still be of value to users.

Source: District Records

TABLE 13 (Continued)

Fiscal Year Ending					
June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
<u>\$ 9,325,714</u>	<u>\$ 8,460,725</u>	<u>\$ 8,799,604</u>	<u>\$ 8,228,070</u>	<u>\$ 7,925,320</u>	<u>\$ 8,174,271</u>
<u>\$ 932,571</u>	<u>\$ 846,073</u>	<u>\$ 879,960</u>	<u>\$ 822,807</u>	<u>\$ 792,532</u>	<u>\$ 817,427</u>
\$	\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 932,571</u>	<u>\$ 846,073</u>	<u>\$ 879,960</u>	<u>\$ 822,807</u>	<u>\$ 792,532</u>	<u>\$ 817,427</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 14

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS
 (dollar amounts expressed in thousands)
 (Unaudited)

Fiscal Year	Population (1)	Taxable Value	Gross General Bonded Debt (2)	Less Debt Service Funds (3)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Taxable Value	Per Capita
2014-2015	177,584	\$ 8,174,271	\$	\$	\$	0.00%	
2013-2014	175,502	7,925,320				0.00%	
2012-2013	173,227	8,228,070				0.00%	
2011-2012	173,142	8,799,604				0.00%	
2010-2011	173,162	8,460,725				0.00%	
2009-2010	165,802	9,325,714				0.00%	
2008-2009	165,048	10,298,659	805	805		0.00%	
2007-2008	164,907	11,398,471	4,555	2,573	1,982	0.02%	12
2006-2007	162,193	9,924,406	8,180	2,712	5,468	0.06%	34
2005-2006	157,006	7,668,136	11,675	2,451	9,224	0.12%	59

(1) Hernando County Monthly Demographics Update Summary - through August 31, 2015

(2) Includes General Obligation Bonds only

(3) Reserved for Debt Service - General Obligation Bonds only

Source: District records

TABLE 15

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL OBLIGATION BONDED DEBT
 TO TOTAL GENERAL GOVERNMENT EXPENDITURES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Principal	Interest and Dues & Fees	Total Debt Service	Total General Governmental Noncapital Expenditures	Ratio of Debt Service to General Governmental Noncapital Expenditures
2014-2015	\$	\$	\$	\$ 206,416,604	0.00%
2013-2014				200,803,789	0.00%
2012-2013				191,775,959	0.00%
2011-2012				194,856,647	0.00%
2010-2011				211,749,992	0.00%
2009-2010	805,000	44,680	849,680	203,613,376	0.42%
2008-2009	3,750,000	188,482	3,938,482	207,634,213	1.90%
2007-2008	3,625,000	341,835	3,966,835	202,960,970	1.95%
2006-2007	3,495,000	474,718	3,969,718	185,997,225	2.13%
2005-2006	3,370,000	590,811	3,960,811	167,176,331	2.37%

Source: District records

TABLE 16

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
 REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)
 (Unaudited)

Fiscal Year	Taxable Value	Annual Lease Payment	Millage Levy to Provide 1.00x Coverage (1)
2014-2015	\$ 8,174,271	\$ 9,254	1.179 Mills
2013-2014	7,925,320	9,376	1.232 Mills
2012-2013	8,228,070	9,641	1.221 Mills
2011-2012	8,799,604	7,771	0.920 Mills
2010-2011	8,460,725	7,775	0.957 Mills
2009-2010	9,325,714	9,663	1.091 Mills
2008-2009	10,298,659	9,667	0.988 Mills
2007-2008	11,398,471	9,667	0.893 Mills
2006-2007	9,924,406	9,663	1.025 Mills
2005-2006	7,668,136	6,286	0.863 Mills

(1) Millage rate calculated using 95 percent of the taxable value through Fiscal Year 2009-2010. Increased to 96 percent of taxable value beginning in Fiscal Year 2010-2011.

Note: Capital lease arrangements financed by certificates of participation are not considered general obligation debt as no specific property tax levy has been pledged.

Source: District records

TABLE 17

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 ANTICIPATED SALES TAX REVENUE COLLECTIONS
 REQUIRED TO COVER SALES TAX REVENUE BOND PAYMENTS
 LAST NINE FISCAL YEARS
 (Unaudited)

Fiscal Year	10-Year Sales Tax Revenue (1)	Principal	Interest and Dues & Fees	Annual Debt Service on Sales Tax Revenue Bonds	Sales Tax Revenue Coverage (2)
2014-2015	5,284,711	6,415,000	118,175	6,533,175	0.81
2013-2014	9,007,765	6,180,000	353,449	6,533,449	1.38
2012-2013	8,206,074	5,995,000	578,938	6,573,938	1.25
2011-2012	7,832,909	5,750,000	792,834	6,542,834	1.20
2010-2011	7,828,758	5,560,000	997,240	6,557,240	1.19
2009-2010	7,470,501	5,370,000	1,187,265	6,557,265	1.14
2008-2009	7,558,751	5,165,000	1,384,540	6,549,540	1.15
2007-2008	7,950,810	4,565,000	1,579,110	6,144,110	1.29
2006-2007	8,526,614		1,223,342	1,223,342	6.97

(1) Collections on the District's second local option half-cent sales tax (10 Years) approved by the voters on March 9, 2004, began January 1, 2005 and ended December 31, 2014. The District issued \$45,000,000 in sales tax revenue bonds on November 1, 2006. The local half-cent sales tax (10 Years) was approved by the voters on September 8, 2015 and the District will begin collecting again on January 1, 2016.

(2) Sales tax revenue collections divided by the debt service on the sales tax revenue bonds.

Source: District records

TABLE 18

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COUNTY-WIDE DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Estimated Population (1)	Personal Income (2)	Per Capita Income (1)	Public School Enrollment (3)
2014-2015	177,584	5,580,044	31,422	22,444
2013-2014	175,502	5,603,252	31,927	22,186
2012-2013	173,227	5,323,092	30,729	22,228
2011-2012	173,142	5,320,481	30,729	22,442
2010-2011	173,162	5,090,443	29,397	22,998
2009-2010	165,802	4,965,770	29,950	23,296
2008-2009	165,048	4,810,819	29,148	23,454
2007-2008	164,907	4,627,950	28,064	23,172
2006-2007	162,193	4,488,367	27,673	23,227
2005-2006	157,006	4,138,678	26,360	22,333

Source:

- (1) Hernando County Monthly Demographics Update Summary - through August 31, 2015
- (2) Personal Income was calculated by multiplying the Estimated Population and Per Capita Income. Personal Income stated in thousands.
- (3) District enrollment records as of August 31, 2015
- (4) U.S. Census Bureau - State & County Quickfacts
Bachelor's degree or higher, % of persons 25+ 2009-2013
- (5) Food & Nutrition Data as of 7/1/14 Reduced = 56.92% Free = 7.35%

TABLE 18 (Continued)

Percentage of Students on Free and Reduced Lunch (5)	Labor Force (1)	Unemployment Rate % (1)	Median Age (1)	Citizens With a Bachelor's Degree (4)
65.1%	66,785	7.0%	47.7	15.5%
64.3%	64,040	8.4%	47.7	15.7%
66.1%	63,513	8.9%	47.7	16.2%
62.6%	63,088	10.8%	47.7	16.2%
60.5%	62,854	13.8%	47.7	16.1%
59.5%	64,364	15.0%	50.7	12.7%
54.1%	63,228	13.1%	50.0	12.7%
47.1%	64,694	7.5%	45.3	12.7%
42.7%	62,107	5.4%	46.6	10.5%
41.0%	56,262	4.1%	46.6	10.5%

TABLE 19

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PRINCIPAL EMPLOYERS
NON-RETAIL, NON-GOVERNMENT
LAST TWO FISCAL YEARS
(Unaudited)

Employer / Type of Business	2014-2015			2013-2014	
	Number of Employees	Rank	% (1)	Number of Employees	Rank
Oak Hill Hospital Healthcare	1,089	1	1.6%	1,089	1
Wal-Mart Distribution Center Distribution Center	1,020	2	1.5%	1,020	2
Hernando Healthcare Healthcare	913	3	1.4%	913	3
HealthSouth Healthcare	355	4	0.5%	355	4
Cemex, Inc. Cement Manufacturer	250	6	0.4%	250	6
Accuform, Inc. Manufacturer	280	5	0.4%	280	5
Sparton Electronics Manufacturer	219	7	0.3%	219	7
Hernando Pasco Hospice Healthcare	221	8	0.3%	221	8
Sun Trust Banking	110	9	0.2%	110	9
Withlacoochee River Electric Utility	80	10	0.1%	80	10
Total	<u>2,428</u>		<u>3.6%</u>	<u>2,428</u>	

(1) Percentage shown represents the number of employees as a percent of Hernando County's total labor force of 66,785.

(2) Last updated list of Major Private Sector Employees from Office of Business Development - January 2014

Source: Hernando County Office of Business Development

TABLE 20

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
SCHOOL BUILDING INFORMATION AND STUDENT ENROLLMENT DATA
LAST TEN FISCAL YEARS
(Unaudited)

	Year Constructed (1)	Age of School in Years	Square Footage (2)	Permanent Student Stations (3)	Current Utilization Based on Permanent Student Stations	Relocatable Stations	Relocatable Student Stations (4)
Elementary Schools:							
Brooksville Elementary	1968	47	118,217	751	104.1%	13	222
Chocachatti Elementary (Magnet)	1998	17	111,262	737	103.4%	8	300
Deltona Elementary	1989	26	114,971	743	124.1%	7	156
Eastside Elementary	1973	42	93,669	736	71.7%	6	72
John D. Floyd Elementary (Changed to K-8)	1986	29	139,288				
Moton Elementary	1989	26	95,943	755	79.9%	5	118
Pine Grove Elementary	1988	27	123,530	698	93.1%	15	442
Spring Hill Elementary	1980	35	95,285	588	125.0%	10	221
Suncoast Elementary	1994	21	130,003	744	132.8%	4	128
Westside Elementary	1972	43	83,917	590	95.6%	15	280
Total Elementary School Student Enrollment							
Middle Schools:							
Fox Chapel Middle School	1978	37	123,502	1,120	53.0%	7	132
D. S. Parrott Middle School	1988	27	147,544	1,143	59.8%		
Powell Middle School	1984	31	153,878	1,195	66.7%		
West Hernando Middle School	1993	22	198,184	1,269	48.6%	6	220
Total Middle School Student Enrollment							
Combination Schools:							
Challenger K-8 School of Science and Mathematics (Magnet)	2004	11	237,114	1,734	90.8%	1	44
Explorer K-8	2008	7	278,292	2,073	84.3%		
John D. Floyd Elementary (Changed from Elementary)	1986	29	108,736	696	146.3%	19	480
Winding Waters K-8	2012	3	183,590	1,560	89.2%		
Total Combination School Student Enrollment							
High Schools:							
Central High School	1989	26	244,451	1,614	71.9%	4	100
Hernando High School	1962	53	247,679	1,838	64.7%	5	120
Nature Coast Technical High School (Magnet)	2001	14	255,290	1,371	92.3%		
Springstead High School	1975	40	223,772	1,760	94.1%	22	525
Weeki Wachee High School (Grades 9-12)	2011	4	211,964	1,690	86.3%		
Total High School Student Enrollment							
Specialty Schools:							
Endeavor Academy (formerly STAR Center)	1974	41	19,260	121	58.7%	4	70
Hernando eSchool	N/A		N/A	N/A	N/A	N/A	N/A
Incarcerated Youth Program	N/A		N/A	N/A	N/A	N/A	N/A
Stop Camp/Withlacoochee DJJ	N/A		N/A	N/A	N/A	N/A	N/A
Total Specialty Schools Student Enrollment							
Charter Schools:							
Best Academy	N/A		N/A	N/A	N/A	N/A	N/A
Gulf Coast Middle School	N/A		N/A	N/A	N/A	N/A	N/A
Gulf Coast Academy of Science and Mathematics	N/A		N/A	N/A	N/A	N/A	N/A
Total Charter School Student Enrollment							
Total Pre-Kindergarten to Grade 12 Student Enrollment							
Adult Education:							
Adult Education Centers	N/A		N/A	N/A	N/A	N/A	N/A
Heart Literacy	1986	29	3,598	N/A	N/A	N/A	N/A
Total Adult Student Enrollment							
District Total Pre-Kindergarten to Adult Student Enrollment							

(1) Year constructed date from the Florida Inventory of School Housing (FISH). This date does not reflect additions, renovations, replacements or remodelings.
Average age of the schools 27.5 years.

(2) Square footage is current permanent and does not include portables.

(3) Permanent student stations reflect student stations in permanent buildings which excludes student stations in relocatables.

(4) Student stations in relocatable classrooms.

(5) Permanent student stations reflect utilization factor per State Requirements for Educational Facilities (SREF).

Source: District records

TABLE 20 (Continued)

Student Enrollment									
2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
810	808	766	797	802	881	765	778	788	782
921	916	922	915	940	936	920	865	826	762
1,037	1,057	951	876	862	808	806	831	833	922
680	681	653	588	593	540	532	508	468	528
1,258	1,508								
653	711	794	863	826	793	632	650	615	603
1,075	1,240	1,399	1,154	1,147	1,085	616	578	610	650
920	1,056	1,053	689	694	735	680	697	914	735
917	976	928	914	890	923	941	926	693	988
875	935	965	814	787	778	581	571	594	564
9,146	9,888	8,431	7,610	7,541	7,479	6,473	6,404	6,341	6,534
1,113	1,015	958	782	737	702	677	681	642	594
963	851	828	851	841	836	840	811	792	683
1,139	1,203	1,211	1,033	954	979	1,021	919	827	797
1,130	1,108	1,121	1,035	1,000	963	953	847	738	617
4,345	4,177	4,118	3,701	3,532	3,480	3,491	3,258	2,999	2,691
1,379	1,460	1,472	1,469	1,553	1,648	1,626	1,586	1,593	1,574
			1,943	2,014	1,799	1,770	1,827	1,770	1,748
		1,587	1,003	1,064	1,160	1,159	1,049	1,007	1,018
						805	1,044	1,208	1,391
1,379	1,460	3,059	4,415	4,631	4,607	5,360	5,506	5,578	5,731
1,964	1,876	1,947	1,904	1,753	1,579	1,337	1,169	1,151	1,160
1,379	1,348	1,371	1,360	1,383	1,410	1,371	1,296	1,270	1,189
1,410	1,373	1,361	1,463	1,480	1,408	1,331	1,304	1,284	1,266
1,904	1,915	1,924	1,968	2,164	1,833	1,774	1,615	1,606	1,656
					569	915	1,265	1,381	1,459
6,657	6,512	6,603	6,695	6,780	6,799	6,728	6,649	6,692	6,730
57	90	97	89	94	92	39	57	52	71
					45	39	60	31	5
					20	11	10	12	9
17	13								
74	103	97	89	94	157	89	127	95	85
								76	126
								108	107
117	117	115	113	117	119	120	117	116	130
117	117	115	113	117	119	120	117	300	363
21,718	22,257	22,423	22,623	22,695	22,641	22,261	22,061	22,005	22,134
378	706	470	539	274	99	6	1	22	49
237	264	279	292	327	258	175	166	159	261
615	970	749	831	601	357	181	167	181	310
22,333	23,227	23,172	23,454	23,296	22,998	22,442	22,228	22,186	22,444

TABLE 21

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NUMBER OF PERSONNEL
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Classroom Teachers (1)	Other Instructional (2)	Administrative (3)	Support Services (4)	Total Full Time	Ratio of Instructional Personnel to Administrators
2014-2015	1,514	98	95	1,230	2,937	16.97
2013-2014	1,507	69	96	1,135	2,807	16.42
2012-2013	1,525	169	92	1,113	2,899	18.41
2011-2012	1,575	175	93	1,134	2,977	18.82
2010-2011	1,590	201	92	1,241	3,124	19.47
2009-2010	1,508	193	81	1,240	3,022	21.00
2008-2009	1,563	184	85	1,281	3,113	20.55
2007-2008	1,627	169	85	1,252	3,133	21.13
2006-2007	1,561	161	86	1,240	3,048	20.02
2005-2006	1,456	149	85	1,311	3,001	18.89

(1) Elementary classroom teachers, secondary classroom teachers, exceptional education teachers, other teachers

(2) Guidance counselors, occupational specialists, social workers, psychologists, media specialists

(3) Principals, assistant principals, superintendent, executive directors, directors, managers, coordinators

(4) Paraprofessionals, bus drivers, clerical, secretarial, service workers, skilled craft, etc.

Source: District records

TABLE 22

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 AVERAGE TEACHER SALARIES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Bachelor's	Master's	Specialist's	Doctorate	All Degrees
2014-2015	\$ 43,026	\$ 48,930	\$ 48,131	\$ 47,402	\$ 45,017
2013-2014	40,614	49,042	40,453	52,577	43,107
2012-2013	40,872	47,773	47,841	48,932	43,970
2011-2012	41,425	47,678	47,892	48,095	43,616
2010-2011	40,880	46,096	46,431	48,202	42,681
2009-2010	40,568	45,963	43,496	50,705	42,398
2008-2009	39,996	45,622	43,124	49,815	41,795
2007-2008	38,263	45,270	48,218	50,730	40,753
2006-2007	36,322	44,291	45,099	51,607	39,089
2005-2006	34,181	41,279	40,647	46,887	36,733
2004-2005	33,583	40,630	39,336	47,660	36,177

Source: District records

TABLE 23

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Government-wide Governmental Activities Expenses	Public School Enrollment (1)	Percentage Change	Cost per Student	Percentage Change	Classroom Teachers	Percentage Change	Pupil Teacher Ratio
2014-2015	\$ 203,030,347	22,444	1.2%	\$ 9,046	-2.9%	1,514	0.5%	14.82
2013-2014	206,783,822	22,186	-0.2%	9,320	4.7%	1,507	-1.2%	14.72
2012-2013	197,926,671	22,228	-1.0%	8,904	0.5%	1,525	-3.2%	14.58
2011-2012	198,906,971	22,442	-2.4%	8,863	-7.3%	1,575	-0.9%	14.25
2010-2011	219,964,029	22,998	-1.3%	9,564	6.9%	1,590	5.4%	14.46
2009-2010	208,416,520	23,296	-0.7%	8,946	1.1%	1,508	-3.5%	15.45
2008-2009	207,610,483	23,454	1.2%	8,852	0.1%	1,563	-3.9%	15.01
2007-2008	204,955,131	23,172	-0.2%	8,845	8.8%	1,627	4.2%	14.24
2006-2007	188,888,556	23,227	4.0%	8,132	7.3%	1,561	7.2%	14.88
2005-2006	169,282,532	22,333	5.0%	7,580	8.9%	1,456	12.3%	15.34

(1) Enrollment includes grades prekindergarten through adult students.

Source: District records



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COMPLIANCE SECTION





Compliance Section

This part of the District School Board of Hernando County, Florida's comprehensive annual financial report presents specific compliance information.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	143
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**HERNANDO 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	CFDA Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	\$ 1,654,319	\$
National School Lunch Program	10.555(2)	14001, 14003	6,857,028	
Summer Food Service Program for Children	10.559	14006, 14007	148,266	
Total Child Nutrition Cluster			8,659,613	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4575	108,895.00	
Total United States Department of Agriculture			8,768,508	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	4,398,715	
Special Education - Preschool Grants	84.173	267	92,351	
Total Special Education Cluster			4,491,066	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	241,338	
Title I Grants to Local Educational Agencies	84.010	212, 226	6,472,096	
Career and Technical Education - Basic Grants to States	84.048	161	255,857	
Education for Homeless Children and Youth	84.196	127	37,735	
Charter Schools	84.282	298	351,281	351,281
English Language Acquisition State Grants	84.365	102	68,108	
Improving Teacher Quality State Grants	84.367	224	728,517	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395(3)	RA111, RG311, RG411, RL111	862,036	
Washington County District School Board: ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	85.395(3)	None	7,031	
Total Indirect			13,515,065	351,281
Total United States Department of Education			13,515,065	351,281
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	112,788	
Navy Junior Reserve Officers Training Corps	None	N/A	101,812	
Total United States Department of Defense			214,600	
Total Expenditures of Federal Awards			\$ 22,498,173	\$ 351,281

Notes:

- (1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2014-2015 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 - Food Donation - Includes the amount of donated food received during the 2014-15 fiscal year totaling \$45,482 and for cash-in-lieu of donated foods totaling \$742,515. Donated food is valued at fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.
- (3) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Total CFDA No. 84.395 expenditures: \$869,067.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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Fax: (850) 488-6975

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hernando 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 February 2, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding 1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The results of our operational audit of the District will be presented in a separate report.

Management's Response to Finding

Management's response to the finding described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as management's response. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Auditing Standards in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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
February 2, 2016
Audit Report No. 2016-085



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for the Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with 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 the District's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

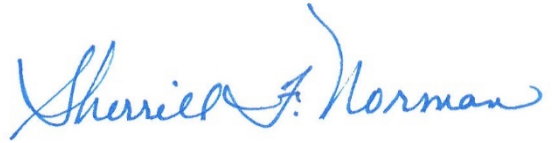
District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with 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, stylized initial 'S'.

Sherrill F. Norman, CPA
Tallahassee, Florida
February 2, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major Federal program:	
CFDA Numbers: 10.553, 10.555, and 10.559	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$674,945
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding 1: Financial Reporting

According to generally accepted accounting principles (GAAP), the restricted fund balance account places the most binding level of constraint on the use of fund balance and should be used to report amounts that can only be spent for specific purposes as stipulated, for example, by external resource providers or through legislation. In contrast, assigned and unassigned fund balance accounts are designed to serve as measures of net current financial resources available for general appropriation by the Board and represent amounts to be used with the most flexibility for emergencies and unforeseen situations. Pursuant to State law,¹ the District receives funding for workforce education programs and is required to use the money to benefit those programs. GAAP requires that, because of the constraints placed by State law on the use of workforce education program funding, school districts that have unexpended workforce education program money must report the money in the restricted fund balance account.

Our review of the District's 2014-15 fiscal year annual financial report, as submitted to the Florida Department of Education (FDOE) and presented for audit, disclosed that District personnel inadvertently reported unexpended workforce education program money in the General Fund assigned (\$437,974) and unassigned (\$1,163,427) fund balance accounts, instead of reporting these amounts, totaling \$1,601,401, in the restricted fund balance account. Such reporting errors may cause financial statement users to misunderstand and incorrectly assess the District's financial position.

We extended our audit procedures to determine the adjustments necessary to ensure the District's financial statement amounts were properly classified, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. Further, as a result of these adjustments, the District's total assigned and unassigned fund balance as a percent of General Fund total revenues (financial condition ratio) decreased to 2.16 percent, which required the Superintendent to provide written notification to the Board and the FDOE. The financial condition ratio, factors contributing to the District's financial condition, and other operational concerns are topics that will be included in our separate operational audit of the District.

Recommendation: The District should improve financial reporting procedures to ensure that financial statement account balances and transactions are properly reported.

¹ Section 1011.80, 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 Federal audit findings.		

MANAGEMENT'S RESPONSE

The School District of Hernando County, Florida
Office of the Superintendent
919 North Broad Street
Brooksville, FL 34601
Phone: (352) 797-7000
Fax: (352) 797-7010



Superintendent: *Lori M. Romano, Ph.D.*
Board Chairperson: *Matthew A. Foreman*
Vice Chairperson: *Beth Narverud*
Board Members:
Susan Duval
Gus Guadagnino
Mark C. Johnson

February 2, 2016

Sherrill F. Norman, CPA
Auditor General
3505 E Frontage Road
Suite 350
Tampa, FL 33607

Dear Ms. Norman:

Re: Hernando County District School Board Preliminary and Tentative Audit Finding for the Fiscal Year Ended June 30, 2015

Dear Ms. Norman,

Please accept the following written response concerning the preliminary and tentative audit finding for the Hernando County School Board's 2014-2015 fiscal year financial and federal audit.

Finding No. #1 – Financial reporting procedures need improvement to ensure account balances and transactions are properly reported.

The reporting of unspent Workforce Education program funds as unrestricted was based on the District understanding of Section 1011.80, Florida Statutes. Staff was unaware and had never been informed prior to this year of the change in the General Appropriation Act that occurred in 2009-10 fiscal year, such funds were classified as unrestricted. Since the 2009-10 fiscal year, we have undergone fiscal audits with both the Office of the Auditor General and outside independent firms and during none of those years was this matter brought to our attention. The District acknowledges from this point forward that the appropriate classification of workforce education program funds will be reported as restricted beginning with the 2014-15 fiscal year. To comply with legal restrictions related to the use of workforce development funds unspent at fiscal year-end, the District will separately account for the receipt, expenditure, and accumulated balances of workforce education program fees by respective fiscal year.

We would like to extend our appreciation to your staff for their assistance throughout the audit process. If you should have any questions or concerns, please contact Kendra Sittig, Director of Budget, or Joyce McIntyre, Director of Finance & Purchasing, at (352) 797-7004.

Sincerely,

Lori M. Romano, PhD
Superintendent

cc: School Board Members
Eric C. Williams, Deputy Superintendent
Heather Martin, Executive Director of Business Services

It is the policy of the Hernando County School District not to illegally discriminate or allow its employees to illegally discriminate on the basis of race, color, religion, national origin, age, sex, marital status, disability or GINA in its educational programs or employment practices



