

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-094
February 2016

DIXIE COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Mark A. Rains served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Cheryl Pridgeon, Vice Chair	1
Charles Farmer	2
Paul Gainey	3
Timothy Alexander, Chair	4
Dwayne Rollison	5

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

The team leader was Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA.

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

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

www.myflorida.com/audgen

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

State of Florida Auditor General

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

DIXIE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	23
Notes to Financial Statements	24
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	50
Schedule of Funding Progress – Other Postemployment Benefits Plan	51
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	51
Schedule of District Contributions – Florida Retirement System Pension Plan	51
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	52
Schedule of District Contributions – Health Insurance Subsidy Pension Plan	52
Notes to Required Supplementary Information	52
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	54
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	55

DIXIE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	63
MANAGEMENT'S RESPONSE	64

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matters

Finding 1: Contrary to State law, the Board paid \$379,440 for 59 acres of land without an appraisal of the land's value.

Finding 2: Contrary to State law, the Board's guaranteed maximum price construction contract, totaling \$34 million, did not contain penalties to be paid by the contractor for a failure to comply with the contract terms.

Finding 3: The District needs to strengthen controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 4: The District paid \$5,000 for an audit of its direct support organization without specific legal authority.

Finding 5: The District continues to lack a written, comprehensive information technology disaster recovery plan.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Special Education Cluster and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;

- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: (1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; (2) the economic and efficient operation of the District; (3) the reliability of records and reports; and (4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2015-094.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dixie 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 12 percent of the assets and 20 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those financial 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 discretely presented component unit, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Budgetary Comparison Schedule - General 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 Information

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

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

Other Reporting Required by Government Auditing Standards

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

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

Respectfully submitted,

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 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2015, by \$24,153,787.49.
- The District's total net position decreased \$5,074,701.75 from the 2013-14 fiscal year due, in part, to the recognition of pension related liabilities and deferred outflows/inflows of resources required by GASB Statement No. 68.
- General revenues total \$17,962,990.87, or 84.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$3,295,146.96, or 15.5 percent of all revenues.
- Expenses total \$19,922,338.58. Only \$3,295,146.96 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$1,335,799.25.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$1,748,114.48 at June 30, 2015, or 11.1 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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

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

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 assessing a government's near-term financing requirements.

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major

funds are the General Fund and the Capital Projects – Public Education Capital Outlay Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position, End of Year

	Governmental Activities	
	6-30-15	6-30-14
Current and Other Assets	\$ 12,050,543.64	\$ 5,760,426.31
Capital Assets	27,221,949.24	26,395,597.54
Total Assets	39,272,492.88	32,156,023.85
Deferred Outflows of Resources	1,749,193.00	-
Long-Term Liabilities	7,216,110.03	1,697,344.98
Other Liabilities	6,564,980.36	1,230,189.63
Total Liabilities	13,781,090.39	2,927,534.61
Deferred Inflows of Resources	3,086,808.00	-
Net Position:		
Net Investment in Capital Assets	26,165,194.96	26,070,597.54
Restricted	3,139,508.12	2,116,053.16
Unrestricted (Deficit)	(5,150,915.59)	1,041,838.54
Total Net Position	\$ 24,153,787.49	\$ 29,228,489.24

The largest portion of the District's net position (\$26,165,194.96) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 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 (\$3,139,508.12) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position is a deficit of \$5,150,915.59 due, in part, to the recognition of pension related liabilities and deferred outflows/inflows of resources required by GASB Statement No. 68.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	6-30-14
Program Revenues:		
Charges for Services	\$ 59,333.90	\$ 58,586.99
Operating Grants and Contributions	1,141,453.19	1,089,584.43
Capital Grants and Contributions	2,094,359.87	1,732,195.04
General Revenues:		
Property Taxes, Levied for Operational Purposes	2,904,998.08	2,906,683.46
Property Taxes, Levied for Capital Projects	739,985.00	734,599.81
Grants and Contributions Not Restricted to Specific Programs	14,051,996.56	13,586,528.58
Unrestricted Investment Earnings	19,042.90	13,819.80
Miscellaneous	246,968.33	411,130.22
Total Revenues	21,258,137.83	20,533,128.33
Functions/Program Expenses:		
Instruction	9,572,020.00	9,335,279.15
Student Personnel Services	898,736.06	939,134.74
Instructional Media Services	57,241.20	62,605.02
Instruction and Curriculum Development Services	431,925.12	444,106.70
Instructional Staff Training Services	460,436.28	501,920.70
Instructional-Related Technology	393,206.59	464,564.67
Board	286,492.61	256,176.45
General Administration	307,325.65	340,480.60
School Administration	840,173.20	829,806.54
Facilities Acquisition and Construction	264,688.39	312,683.65
Fiscal Services	498,754.92	408,089.42
Food Services	1,248,917.64	1,206,679.10
Central Services	13,258.86	103,724.10
Student Transportation Services	1,244,165.47	1,214,190.44
Operation of Plant	1,769,831.09	1,660,320.78
Maintenance of Plant	485,582.43	370,965.76
Administrative Technology Services	59,305.43	99,574.27
Unallocated Interest on Long-Term Debt	13,692.08	19,306.03
Unallocated Depreciation	1,052,033.54	1,038,888.25
Loss on Disposal of Capital Assets	24,552.02	-
Total Functions/Program Expenses	19,922,338.58	19,608,496.37
Change in Net Position	1,335,799.25	924,631.96
Net Position, Beginning of Year	29,228,489.24	28,303,857.28
Adjustment to Beginning Net Position (1)	(6,410,501.00)	-
Net Position - Beginning, as Restated	22,817,988.24	28,303,857.28
Net Position - Ending	\$ 24,153,787.49	\$ 29,228,489.24

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68. See Note II. to the financial statements.

The largest revenue source is the State of Florida (66.8 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Overall, revenues increased by \$725,009.50. Increased funding from the FEFP accounted for most of the increase. Expenses increased by \$313,842.21 due primarily to increased spending levels in instructional programs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$5,485,563.28, an increase of \$955,326.60.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$1,748,114.48 while the total fund balance is \$2,705,414.78. Total fund balance increased by \$22,032.09, compared with an increase of \$287,002.79 in the prior year. Fund balance in the current fiscal year held steady as expenditures were kept in line with revenues.

The Capital Projects – Public Education Capital Outlay Fund has a fund balance of \$1,967,255.88, which is restricted for the construction of a new middle/high school. Current year activities primarily related to the purchase of land and payment to the architect to develop plans for the new school. It should be noted that \$34,232,728 has been encumbered for specific projects in anticipation of the receipt of funds through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District amended its General Fund budget which resulted in a decrease in total budgeted revenues and other financing sources and a corresponding decrease in total appropriations amounting to \$281,000. Budget revisions were due primarily to adjustments to planned expenditures for changes in programmatic and operational needs.

Actual revenues and other financing sources are in line with final budgeted amounts while actual expenditures are \$355,912.22 less than final budgeted amounts. The actual ending fund balance exceeds the estimated fund balance contained in the final amended budget by \$355,414.78.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, is \$27,221,949.24 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset expenditures during the current fiscal year included architectural fees and site work related to the construction of a new middle/high school.

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

Long-Term Debt

At June 30, 2015, the District has total long-term bonded debt outstanding of \$269,000, which is backed by the full faith and credit of the State of Florida, and \$787,754.28 of Special Facilities Construction Account Advance Payable.

Additional information on the District's long-term debt can be found in Notes III.H.1. through III.H.4. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Pursuant to Section 1013.14, Florida Statutes, the District received a special allocation for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account. The District received the first of three annual appropriations in the 2014-15 fiscal year of \$10,217,280. Additional appropriations of \$13,741,360 each are to be received in the 2015-16 and 2016-17 fiscal years. The funding is being used to construct a new middle/high school.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, Dixie County District School Board, 823 SE 349 Highway, Building 12, Old Town, Florida, 32680.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

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

	Primary Government	
	Governmental	Component
	Activities	Unit
ASSETS		
Cash and Cash Equivalents	\$ 6,142,715.77	\$ 82,113.00
Investments	6,972.80	-
Accounts Receivable	22,355.03	7,606.00
Due from Other Agencies	5,730,590.72	-
Prepaid Items	-	7,229.00
Inventories	147,909.32	-
Capital Assets:		
Nondepreciable Capital Assets	3,985,232.68	93,629.00
Depreciable Capital Assets, Net	23,236,716.56	891,649.00
TOTAL ASSETS	39,272,492.88	1,082,226.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	1,749,193.00	49,977.00
LIABILITIES		
Accrued Salaries and Benefits	278,734.66	2,138.00
Accounts Payable	33,109.64	1,250.00
Construction Contracts Payable	382,545.09	-
Construction Contracts Payable - Retained Percentage	34,727.23	-
Due to Other Agencies	388,418.91	-
Deposits Payable	29,747.87	-
Advanced Revenue	5,417,696.96	-
Long-Term Liabilities:		
Portion Due Within One Year	672,756.74	15,073.00
Portion Due After One Year	6,543,353.29	948,721.00
TOTAL LIABILITIES	13,781,090.39	967,182.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,086,808.00	49,945.00
NET POSITION		
Net Investment in Capital Assets	26,165,194.96	138,663.00
Restricted for:		
Federal Required Carryover Programs	3,685.00	-
State Required Carryover Programs	359,359.62	-
Debt Service	6,972.80	-
Capital Projects	2,529,307.60	-
Food Service	240,183.10	-
Unrestricted	(5,150,915.59)	(23,587.00)
TOTAL NET POSITION	\$ 24,153,787.49	\$ 115,076.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 9,572,020.00	\$ 4,031.05	\$ -	\$ -
Student Personnel Services	898,736.06	-	-	-
Instructional Media Services	57,241.20	-	-	-
Instruction and Curriculum Development Services	431,925.12	-	-	-
Instructional Staff Training Services	460,436.28	-	-	-
Instructional-Related Technology	393,206.59	-	-	-
Board	286,492.61	-	-	-
General Administration	307,325.65	-	-	-
School Administration	840,173.20	-	-	-
Facilities Acquisition and Construction	264,688.39	-	-	1,991,428.00
Fiscal Services	498,754.92	-	-	-
Food Services	1,248,917.64	49,471.87	1,141,453.19	-
Central Services	13,258.86	-	-	-
Student Transportation Services	1,244,165.47	5,830.98	-	-
Operation of Plant	1,769,831.09	-	-	-
Maintenance of Plant	485,582.43	-	-	38,620.00
Administrative Technology Services	59,305.43	-	-	-
Unallocated Interest on Long-Term Debt	13,692.08	-	-	64,311.87
Unallocated Depreciation*	1,052,033.54	-	-	-
Loss on Disposal of Capital Assets	24,552.02	-	-	-
Total Primary Government	\$ 19,922,338.58	\$ 59,333.90	\$ 1,141,453.19	\$ 2,094,359.87
Component Unit				
Charter School	\$ 632,363.00	\$ 6,711.00	\$ 49,121.00	\$ 189,978.00

General Revenues:

Taxes:

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

Total General Revenues

Change in Net Position

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

Net Position - Ending

*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.

Net (Expense) Revenue and Changes in Net Position

Primary Government	
Governmental Activities	Component Unit
\$ (9,567,988.95)	\$ -
(898,736.06)	-
(57,241.20)	-
(431,925.12)	-
(460,436.28)	-
(393,206.59)	-
(286,492.61)	-
(307,325.65)	-
(840,173.20)	-
1,726,739.61	-
(498,754.92)	-
(57,992.58)	-
(13,258.86)	-
(1,238,334.49)	-
(1,769,831.09)	-
(446,962.43)	-
(59,305.43)	-
50,619.79	-
(1,052,033.54)	-
(24,552.02)	-
(16,627,191.62)	-
-	(386,553.00)
2,904,998.08	-
739,985.00	-
14,051,996.56	549,086.00
19,042.90	-
246,968.33	550.00
17,962,990.87	549,636.00
1,335,799.25	163,083.00
29,228,489.24	72,166.00
(6,410,501.00)	(120,173.00)
22,817,988.24	(48,007.00)
\$ 24,153,787.49	\$ 115,076.00

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

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,635,788.20	\$ 2,381,558.15	\$ 1,125,369.42
Investments	-	-	6,972.80
Accounts Receivable	22,355.03	-	-
Due from Other Funds	284,827.24	-	388,261.68
Due from Other Agencies	-	5,458,870.05	271,720.67
Inventories	102,830.73	-	45,078.59
TOTAL ASSETS	\$ 3,045,801.20	\$ 7,840,428.20	\$ 1,837,403.16
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 278,734.66	\$ -	\$ -
Accounts Payable	33,109.64	-	-
Construction Contracts Payable	-	382,545.09	-
Construction Contracts Payable - Retained Percentage	-	34,727.23	-
Due to Other Funds	-	38,620.00	634,468.92
Due to Other Agencies	157.23	-	388,261.68
Deposits Payable	28,384.89	-	1,362.98
Advanced Revenues	-	5,417,280.00	416.96
Total Liabilities	340,386.42	5,873,172.32	1,024,510.54
Fund Balances:			
Nonspendable:			
Inventories	102,830.73	-	45,078.59
Restricted for:			
Federal Required Carryover Programs	-	-	3,685.00
State Required Carryover Programs	359,359.62	-	-
Debt Service	-	-	6,972.80
Capital Projects	-	1,967,255.88	562,051.72
Food Service	-	-	195,104.51
Total Restricted Fund Balance	359,359.62	1,967,255.88	767,814.03
Assigned for:			
Employee Terminal Pay	300,000.00	-	-
Purchases on Order	195,109.95	-	-
Total Assigned Fund Balance	495,109.95	-	-
Unassigned Fund Balance	1,748,114.48	-	-
Total Fund Balances	2,705,414.78	1,967,255.88	812,892.62
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,045,801.20	\$ 7,840,428.20	\$ 1,837,403.16

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

**Total
Governmental
Funds**

\$	6,142,715.77
	6,972.80
	22,355.03
	673,088.92
	5,730,590.72
	147,909.32
\$	12,723,632.56

\$	278,734.66
	33,109.64
	382,545.09
	34,727.23
	673,088.92
	388,418.91
	29,747.87
	5,417,696.96
	7,238,069.28

	147,909.32
	3,685.00
	359,359.62
	6,972.80
	2,529,307.60
	195,104.51
	3,094,429.53
	300,000.00
	195,109.95
	495,109.95
	1,748,114.48
	5,485,563.28
\$	12,723,632.56

**Dixie County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total Fund Balances - Governmental Funds	\$	5,485,563.28
---	-----------	---------------------

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		27,221,949.24
--	--	---------------

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

Deferred Outflows Related to Pensions	\$ 1,749,193.00	
Deferred Inflows Related to Pensions	<u>(3,086,808.00)</u>	(1,337,615.00)

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

Bonds Payable	\$ (269,000.00)	
Special Facilities Construction Account Advance Payable	(787,754.28)	
Compensated Absences Payable	(1,385,251.75)	
Net Pension Liability	(4,683,101.00)	
Other Postemployment Benefits Payable	<u>(91,003.00)</u>	<u>(7,216,110.03)</u>

Net Position - Governmental Activities	\$	<u>24,153,787.49</u>
---	-----------	-----------------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ 168,599.63	\$ -	\$ 2,910,455.64
State	12,094,626.48	2,012,604.04	101,523.83
Local:			
Property Taxes	2,904,998.08	-	739,985.00
Charges for Services - Food Service	-	-	49,471.87
Miscellaneous	248,992.34	3,764.60	8,251.38
Total Local Revenues	<u>3,153,990.42</u>	<u>3,764.60</u>	<u>797,708.25</u>
Total Revenues	<u>15,417,216.53</u>	<u>2,016,368.64</u>	<u>3,809,687.72</u>
Expenditures			
Current - Education:			
Instruction	8,529,005.66	-	1,347,766.42
Student Personnel Services	770,821.99	-	128,667.82
Instructional Media Services	57,303.93	-	-
Instruction and Curriculum Development Services	372,515.16	-	59,462.68
Instructional Staff Training Services	331,512.39	-	127,901.92
Instructional - Related Technology	397,574.98	-	-
Board	285,398.50	-	-
General Administration	213,492.90	-	92,508.50
School Administration	836,914.34	-	-
Facilities Acquisition and Construction	35,868.91	1,390.44	227,429.04
Fiscal Services	486,255.67	-	-
Food Services	19,372.68	-	1,227,441.62
Central Services	23,495.80	-	-
Student Transportation Services	1,023,767.39	-	30,597.46
Operation of Plant	1,766,105.52	-	-
Maintenance of Plant	479,910.16	-	-
Administrative Technology Services	63,357.40	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	15,548.93	1,992,838.28	20,048.23
Other Capital Outlay	27,865.47	-	28,733.24
Debt Service:			
Principal	-	-	438,261.68
Interest and Fiscal Charges	-	-	13,692.08
Total Expenditures	<u>15,736,087.78</u>	<u>1,994,228.72</u>	<u>3,742,510.69</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(318,871.25)</u>	<u>22,139.92</u>	<u>67,177.03</u>
Other Financing Sources (Uses)			
Transfers In	330,116.37	-	388,261.68
Issuance of Bonds	-	-	94,000.00
Premium on Sale of Bonds	-	-	8,923.39
Special Facilities Construction Account Advance	-	1,176,015.96	-
Payments to Refunding Escrow Agent	-	-	(104,845.42)
Loss Recoveries	10,786.97	-	-
Transfers Out	-	(38,620.00)	(679,758.05)
Total Other Financing Sources (Uses)	<u>340,903.34</u>	<u>1,137,395.96</u>	<u>(293,418.40)</u>
Net Change in Fund Balances	<u>22,032.09</u>	<u>1,159,535.88</u>	<u>(226,241.37)</u>
Fund Balances, Beginning	<u>2,683,382.69</u>	<u>807,720.00</u>	<u>1,039,133.99</u>
Fund Balances, Ending	<u>\$ 2,705,414.78</u>	<u>\$ 1,967,255.88</u>	<u>\$ 812,892.62</u>

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

**Total
Governmental
Funds**

\$	3,079,055.27
	14,208,754.35
	3,644,983.08
	49,471.87
	261,008.32
	<u>3,955,463.27</u>
	<u>21,243,272.89</u>

9,876,772.08
899,489.81
57,303.93
431,977.84
459,414.31
397,574.98
285,398.50
306,001.40
836,914.34
264,688.39
486,255.67
1,246,814.30
23,495.80
1,054,364.85
1,766,105.52
479,910.16
63,357.40

2,028,435.44
56,598.71

438,261.68
13,692.08

<u>21,472,827.19</u>

<u>(229,554.30)</u>

718,378.05
94,000.00
8,923.39
1,176,015.96
(104,845.42)
10,786.97
<u>(718,378.05)</u>

<u>1,184,880.90</u>

955,326.60
4,530,236.68

\$	<u>5,485,563.28</u>
----	---------------------

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

Net Change in Fund Balances - Governmental Funds **\$ 955,326.60**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.	851,903.72
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.	(25,552.02)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeds proceeds in the current fiscal year.	56,000.00
Special Facilities Construction Account advances provide current financial resources to the governmental funds, but increase long-term liabilities in the statement of net position.	(787,754.28)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current fiscal year.	(116,338.77)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.	
FRS Pension Contribution	\$ 731,687.00
HIS Pension Contribution	119,032.00
FRS Pension Expense	(256,807.00)
HIS Pension Expense	(204,127.00)
	389,785.00
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year.	12,429.00

Change in Net Position - Governmental Activities **\$ 1,335,799.25**

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 254,992.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 254,992.00</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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

B. Reporting Entity

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

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

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

The Kinder Cub School, Inc. (Charter School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Board. The

Charter School is considered a component unit of the District because the District is financially accountable for the Charter School as the District established the Charter School by approval of the charter, which is tantamount to the initial appointment of the Charter School, and there is the potential for the Charter School to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the Charter School is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Public Education Capital Outlay Fund – to account for the proceeds of Special Facilities Construction Account appropriations to be used to construct a new middle/high school, and for the financial resources generated by the Public Education Capital Outlay and Debt Service Trust Fund to be used for facilities maintenance.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. 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, transfers between

the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less.

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

2. Investments

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys.

These investments are reported at fair value, which is amortized cost.

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

3. Inventories

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Some buildings acquired or constructed prior to 1992 are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$4,506,828.04 of stated building values are based on these estimates.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS'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.

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The deferred inflows of resources related to pensions are discussed in a subsequent note.

8. Net Position Flow Assumption

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

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by Board Policy No. 7.011 authorized the Assistant Superintendent for Business Services to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues

rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

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

Pursuant to Section 1013.64, Florida Statutes, the District received a special allocation in the 2014-15 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including 0.75 mills of the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following 3 fiscal years. During the 3-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

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

3. District Property Taxes

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

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

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

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

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

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 68. The District and the District's Charter School, participate in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As participating employers, the District and Charter School 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. Due to the adoption of this Statement, the beginning net position of the District was decreased by \$6,410,501 and the beginning net position of the Charter School was decreased by \$120,173.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA - Debt Service Accounts	6 Months	<u>\$ 6,972.80</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

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.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 902,614.40	\$ 581,586.47	\$ -	\$ 1,484,200.87
Construction in Progress	1,097,830.00	1,411,251.81	8,050.00	2,501,031.81
Total Capital Assets Not Being Depreciated	2,000,444.40	1,992,838.28	8,050.00	3,985,232.68
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,282,588.18	15,548.93	-	4,298,137.11
Buildings and Fixed Equipment	35,318,803.07	28,098.23	-	35,346,901.30
Furniture, Fixtures, and Equipment	2,241,486.47	35,900.21	119,751.66	2,157,635.02
Motor Vehicles	2,427,563.32	21,698.50	21,450.00	2,427,811.82
Audio Visual Materials and Computer Software	1,348,990.41	-	-	1,348,990.41
Total Capital Assets Being Depreciated	45,619,431.45	101,245.87	141,201.66	45,579,475.66
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,042,580.20	180,531.99	-	3,223,112.19
Buildings and Fixed Equipment	13,650,467.06	706,938.04	-	14,357,405.10
Furniture, Fixtures, and Equipment	1,683,130.94	118,661.66	94,199.64	1,707,592.96
Motor Vehicles	1,596,676.99	182,096.89	21,450.00	1,757,323.88
Audio Visual Materials and Computer Software	1,251,423.12	45,901.85	-	1,297,324.97
Total Accumulated Depreciation	21,224,278.31	1,234,130.43	115,649.64	22,342,759.10
Total Capital Assets Being Depreciated, Net	24,395,153.14	(1,132,884.56)	25,552.02	23,236,716.56
Governmental Activities Capital Assets, Net	<u>\$ 26,395,597.54</u>	<u>\$ 859,953.72</u>	<u>\$ 33,602.02</u>	<u>\$ 27,221,949.24</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 182,096.89
Unallocated	1,052,033.54
Total Depreciation Expense - Governmental Activities	<u>\$ 1,234,130.43</u>

D. Retirement Plans

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

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to

provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's pension expense totaled \$460,934 for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a

period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

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

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

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

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

The District's contributions to the Plan totaled \$731,687 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 \$1,784,230 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.02924263 percent, which was an increase of 0.003227447 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$256,807. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 110,414
Change of assumptions	308,999	-
Net difference between projected and actual earnings on FRS pension plan investments	-	2,976,394
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	467,399	-
District FRS contributions subsequent to the measurement date	731,687	-
Total	\$ 1,508,085	\$ 3,086,808

The deferred outflows of resources related to pensions, totaling \$731,687, 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	\$ (618,441)
2017	(618,441)
2018	(618,441)
2019	(618,441)
2020	125,657
Thereafter	37,697
Total	\$ (2,310,410)

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

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

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 7,631,391	\$ 1,784,230	\$ (3,079,491)

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$141,037 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

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

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

The District's contributions to the HIS Plan totaled \$119,032 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 \$2,898,871 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.031003163 percent, which was an increase of 0.000233836 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized HIS Plan pension expense of \$204,127. 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	103,153
Net difference between projected and actual earnings on HIS pension plan investments	1,392
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	17,531
District contributions subsequent to the measurement date	119,032
Total	\$ 241,108

The deferred outflows of resources, totaling \$119,032, related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 19,813
2017	19,813
2018	19,813
2019	19,813
2020	19,465
Thereafter	23,359
Total	\$ 122,076

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	\$3,297,231	\$ 2,898,871	\$2,566,355

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$17,666 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

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

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

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

The District's Investment Plan pension expense totaled \$30,796 for the fiscal year ended June 30, 2015.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, the District pays the cost of healthcare benefits for stated durations within designated timelines for certain retirees who elected to participate in early retirement incentives offered in previous fiscal years (explicitly subsidized). Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not

issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 108 retirees received other postemployment benefits. The District provided required contributions of \$157,322 toward the annual OPEB cost, net of retiree contributions, totaling \$195,700, which represents 2.1 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 62,411
Amortization of Unfunded Actuarial Accrued Liability	75,610
Amortization of Net OPEB Obligation	4,223
Interest on Normal Cost and Amortization	<u>2,734</u>
Annual Required Contribution	144,978
Interest on Net OPEB Obligation	4,137
Adjustment to Annual Required Contribution	<u>(4,222)</u>
Annual OPEB Cost (Expense)	144,893
Contribution Toward the OPEB Cost	<u>(157,322)</u>
Decrease in Net OPEB Obligation	(12,429)
Net OPEB Obligation, Beginning of Year	<u>103,432</u>
Net OPEB Obligation, End of Year	<u>\$ 91,003</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 109,000	153.9%	\$ 103,800
2013-14	142,652	100.3%	103,432
2014-15	144,893	108.6%	91,003

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$1,960,456, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,960,456 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,300,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.1 percent.

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

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

The District's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2015, and to estimate the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth and general inflation rates of 2.5 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2013-14 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after 10 years. The unfunded actuarial accrued liability is being amortized over 30 years on an open basis.

F. Construction and Other Significant Commitments

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

purchase orders of the current year are carried forward and the next fiscal year's appropriations are likewise encumbered.

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

Major Funds			
General	Capital Projects - Public Education Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 195,109.95</u>	<u>\$ 34,232,728.00</u>	<u>\$ 420,345.31</u>	<u>\$ 34,848,183.26</u>

At June 30, 2015, the encumbrances of the Capital Projects – Public Education Capital Outlay (PECO) Fund exceeded the total fund balance by \$32,265,472.12. These encumbrances are expected to be honored using the resources received in subsequent fiscal years from the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction Account. If restricted capital outlay funds are insufficient, unrestricted General Fund resources will be used to honor these encumbrances.

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

Project	Contract Amount	Completed to Date	Balance Committed
New Dixie County Middle/High School:			
Architect	\$ 1,650,000.00	\$ 1,320,000.00	\$ 330,000.00
Contractor	<u>34,250,000.00</u>	<u>347,272.00</u>	<u>33,902,728.00</u>
Total	<u>\$ 35,900,000.00</u>	<u>\$ 1,667,272.00</u>	<u>\$ 34,232,728.00</u>

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Dixie County District School Board is a member of the North East Florida Educational Consortium (NEFEC) 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 of NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. NEFEC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

Health and hospitalization coverage are 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.

H. Long-Term Liabilities

1. Special Facilities Construction Account Advance Payable

The liability at June 30, 2015, of \$787,754.28 represents the amount of the Special Facilities Construction Account allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2016-17 fiscal year.

2. Bonds Payable

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2010A, Refunding	\$ 175,000	4.0 - 5.0	2022
Series 2014B, Refunding	<u>94,000</u>	2.0 - 5.0	2020
Total Bonds Payable	<u>\$ 269,000</u>		

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	\$ 60,449.14	\$ 47,000.00	\$ 13,449.14
2017	59,730.00	49,000.00	10,730.00
2018	63,280.00	55,000.00	8,280.00
2019	34,530.00	29,000.00	5,530.00
2020	33,330.00	29,000.00	4,330.00
2021-2022	<u>64,500.00</u>	<u>60,000.00</u>	<u>4,500.00</u>
Total State School Bonds	<u>\$ 315,819.14</u>	<u>\$ 269,000.00</u>	<u>\$ 46,819.14</u>

3. Defeased Debt

On December 2, 2014, the FDOE issued SBE Capital Outlay Bonds, Series 2014B. The refunding bonds were issued, in part, to refund callable portions of the SBE Capital Outlay Bonds, Series

2005B, maturing on or after January 1, 2015. The District's portion of the refunding SBE Capital Outlay Bonds, Series 2014B, was \$94,000. The refunding of the Series 2005B Bonds reduced the District's total debt service payments by \$5,680.86.

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 325,000.00	\$ 94,000.00	\$ 150,000.00	\$ 269,000.00	\$ 47,000.00
Special Facilities Construction					
Account Advance Payable	-	1,176,015.96	388,261.68	787,754.28	393,877.14
Compensated Absences Payable	1,268,912.98	264,850.73	148,511.96	1,385,251.75	134,563.60
Net Pension Liability (1)	7,157,245.00	1,749,193.00	4,223,337.00	4,683,101.00	97,316.00
Other Postemployment Benefits Payable	103,432.00	144,893.00	157,322.00	91,003.00	-
Total Governmental Activities	\$ 8,854,589.98	\$ 3,428,952.69	\$ 5,067,432.64	\$ 7,216,110.03	\$ 672,756.74

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.

I. Fund Balance Reporting

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

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

J. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 284,827.24	\$ -
Capital Projects:		
Public Education Capital Outlay		38,620.00
Nonmajor Governmental	388,261.68	634,468.92
Total	<u>\$ 673,088.92</u>	<u>\$ 673,088.92</u>

The interfund amounts represent temporary loans to cover project expenditures prior to reimbursement from grantor agencies and for repayment of the estimated Public Education Capital Outlay (PECO) Special Facilities advance to the Debt Service – Other Fund. These amounts are expected to be repaid within 1 year.

K. Revenues

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,315,952.00
Categorical Educational Program - Class Size Reduction	2,204,285.00
Gross Receipts Tax (Public Education Capital Outlay)	2,012,604.04
Voluntary Prekindergarten Program	194,232.42
Motor Vehicle License Tax (Capital Outlay and Debt Service)	83,001.43
Workforce Development Program	66,920.00
School Recognition	48,899.00
Food Service Supplement	19,768.00
Mobile Home License Tax	5,502.32
Miscellaneous	257,590.14
Total	<u>\$ 14,208,754.35</u>

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

2. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	5.115	\$ 2,612,909.44
Basic Discretionary Local Effort	0.748	382,100.04
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	766,247.57
Total	<u>7.363</u>	<u>\$ 3,761,257.05</u>

L. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 330,116.37	\$ -
Capital Projects:		
Public Education Capital Outlay	-	38,620.00
Nonmajor Governmental	388,261.68	679,758.05
Total	<u>\$ 718,378.05</u>	<u>\$ 718,378.05</u>

Interfund transfers were made to move restricted capital outlay revenues to offset eligible expenditures for property/casualty insurance premiums, for maintenance and repairs paid from the General Fund, and to provide for the repayment of the estimated Special Facilities Construction Account advance payable.

OTHER 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 Through State and Local	\$ 80,100.00	\$ 170,100.00	\$ 168,599.63	\$ (1,500.37)
State	12,639,755.00	12,094,755.00	12,094,626.48	(128.52)
Local:				
Property Taxes	2,867,145.00	2,900,145.00	2,904,998.08	4,853.08
Miscellaneous	253,000.00	253,000.00	248,992.34	(4,007.66)
Total Local Revenues	3,120,145.00	3,153,145.00	3,153,990.42	845.42
Total Revenues	15,840,000.00	15,418,000.00	15,417,216.53	(783.47)
Expenditures				
Current - Education:				
Instruction	8,845,000.00	8,582,500.00	8,529,005.66	53,494.34
Student Personnel Services	770,700.00	772,200.00	770,821.99	1,378.01
Instructional Media Services	87,000.00	67,000.00	57,303.93	9,696.07
Instruction and Curriculum Development Services	398,000.00	378,000.00	372,515.16	5,484.84
Instructional Staff Training Services	313,000.00	343,000.00	331,512.39	11,487.61
Instructional - Related Technology	593,000.00	413,000.00	397,574.98	15,425.02
Board	283,500.00	293,500.00	285,398.50	8,101.50
General Administration	218,000.00	218,000.00	213,492.90	4,507.10
School Administration	943,100.00	863,100.00	836,914.34	26,185.66
Facilities Acquisition and Construction	1,000.00	36,000.00	35,868.91	131.09
Fiscal Services	488,000.00	493,000.00	486,255.67	6,744.33
Food Services	21,000.00	21,000.00	19,372.68	1,627.32
Central Services	26,500.00	26,500.00	23,495.80	3,004.20
Student Transportation Services	1,121,300.00	1,121,300.00	1,023,767.39	97,532.61
Operation of Plant	1,833,300.00	1,833,300.00	1,766,105.52	67,194.48
Maintenance of Plant	295,600.00	495,600.00	479,910.16	15,689.84
Administrative Technology Services	135,000.00	85,000.00	63,357.40	21,642.60
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	20,000.00	15,548.93	4,451.07
Other Capital Outlay	-	30,000.00	27,865.47	2,134.53
Total Expenditures	16,373,000.00	16,092,000.00	15,736,087.78	355,912.22
Excess (Deficiency) of Revenues Over Expenditures	(533,000.00)	(674,000.00)	(318,871.25)	355,128.75
Other Financing Sources				
Transfers In	200,000.00	330,000.00	330,116.37	116.37
Loss Recoveries	-	11,000.00	10,786.97	(213.03)
Total Other Financing Sources	200,000.00	341,000.00	340,903.34	(96.66)
Net Change in Fund Balances	(333,000.00)	(333,000.00)	22,032.09	355,032.09
Fund Balances, Beginning	2,683,000.00	2,683,000.00	2,683,382.69	382.69
Fund Balances, Ending	\$ 2,350,000.00	\$ 2,350,000.00	\$ 2,705,414.78	\$ 355,414.78

**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, 2011	\$ -	\$ 1,635,700	\$ 1,635,700	0.0%	\$ 10,280,000	15.9%
July 1, 2011 - Revised	-	1,451,400	1,451,400	0.0%	10,280,000	14.1%
July 1, 2013	-	1,960,456	1,960,456	0.0%	9,300,000	21.1%

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

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

	2014	2013
District's proportion of the FRS net pension liability	0.029242630%	0.026015183%
District's proportionate share of the FRS net pension liability	\$ 1,784,230	\$ 4,478,371
District's covered-employee payroll	\$ 8,884,510	\$ 8,649,562
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	20.08%	51.78%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

	2015	2014
Contractually required FRS contribution	\$ 731,687	\$ 640,538
FRS contributions in relation to the contractually required contribution	731,687	640,538
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 9,152,242	\$ 8,884,510
FRS contributions as a percentage of covered-employee payroll	7.99%	7.21%

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

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

	2014	2013
District's proportion of the HIS net pension liability	0.031003163%	0.030769327%
District's proportionate share of the HIS net pension liability	\$ 2,898,871	\$ 2,678,874
District's covered-employee payroll	\$ 9,181,868	\$ 8,938,694
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.57%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

	2015	2014
Contractually required HIS contribution	\$ 119,032	\$ 106,206
HIS contributions in relation to the contractually required contribution	119,032	106,206
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,446,539	\$ 9,181,868
HIS contributions as a percentage of covered-employee payroll	1.26%	1.16%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
--

1. Budgetary Basis of Accounting

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

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

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

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2013, unfunded actuarial accrued liability of \$1,960,456 was significantly higher than the July 1, 2011, revised liability of \$1,451,400, as a result of benefit and other changes as discussed below:

- The mortality assumption has been updated to RP-2000 Mortality Fully Generational using the Projection Scale BB. This increased the liability by \$23,313.
- Termination and retirement assumptions have been updated to those used in the Florida Retirement System Actuarial Valuation as of July 1, 2013.
- The current insurance plan premium increased from \$100 to \$500 per month depending on the plan chosen.

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	14002	\$ 273,883.87
National School Lunch Program	10.555 (2)	14001, 14003	829,808.72
Summer Food Service Program for Children	10.559	14006, 14007	17,992.60
Total United States Department of Agriculture			1,121,685.19
National Science Foundation:			
Indirect:			
University of Florida:			
Education and Human Resources	47.076	None	1,200.00
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	655,537.27
Special Education - Preschool Grants	84.173	267	64,994.75
Marion County District School Board:			
Special Education - Grants to States	84.027 (3)	None	2,363.74
Putnam County District School Board:			
Special Education - Grants to States	84.027 (3)	None	809.22
Total Special Education Cluster			723,704.98
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	59,459.19
Title I Grants to Local Educational Agencies	84.010	212, 226	800,532.31
Career and Technical Education - Basic Grants to States	84.048	161	51,062.88
Rural Education	84.358	110	39,219.00
Improving Teacher Quality State Grants	84.367	224	117,965.05
Total United States Department of Education			1,791,943.41
Total Expenditures of Federal Awards			\$ 2,914,828.60

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

(2) Noncash Assistance - National School Lunch Program. Includes \$98,691.27 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$658,710.23.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dixie 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 16, 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 discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain additional matters that are discussed in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

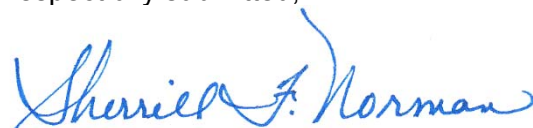
District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 16, 2016



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 EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,


Sherrill F. Norman, CPA
Tallahassee, Florida
February 16, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Land Acquisition – Appraisal

State law¹ requires the Board, prior to acquisition of real property, to obtain at least one appraisal for each land purchase in an amount greater than \$100,000 and not more than \$500,000. In August 2014, the Board paid \$379,440 to acquire 59 acres of land for a new school site. However, the District did not have policies or procedures to guide personnel in real property acquisitions and District records indicated that, contrary to State law, the District did not obtain an appraisal before acquiring the land. In response to our inquiry, District personnel indicated that they mistakenly thought the Board Attorney had obtained an appraisal for the land. Without an appraisal, the Board had limited assurance of the land's value and cannot demonstrate the reasonableness of the acquisition price or ensure compliance with State law.

Recommendation: The Board should establish policies and procedures to ensure that, before real property is acquired, appraisals are obtained as required by State law.

Finding 2: Construction Contracts – Penalty Clauses

State law² authorizes the District to contract for the construction of facilities with a construction management entity (CME). The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. State law³ also requires, in part, that construction contracts contain the penalty to be paid by the contractor for a failure to comply with the contract terms.

In June 2014, the Board approved a GMP construction contract with a CME for the New Dixie County Middle/High School. In May 2015, the Board amended the contract for site preparation work totaling \$6.2 million and, in July 2015, the Board approved an amendment to increase the total GMP contract to \$34 million. While the contract contained a process for dispute resolution and termination clauses for breach of contract, neither the original contract nor subsequent contract amendments contained any penalties to be paid by the contractor for failure to comply with the contract terms. For example, the contract and amendments did not contain an assessment for untimely project completion.

In response to our inquiry, District personnel indicated that the District inadvertently excluded penalty clauses from the construction contract. Without such clauses, the Board has limited recourse in the event the contractor fails to comply with the contract terms.

Recommendation: The Board should ensure that future construction contracts contain penalties to be paid by contractors for a failure to comply with the contract terms.

¹ Section 1013.14(1)(b), Florida Statutes.

² Section 1013.45(1)(c), Florida Statutes.

³ Section 1013.47, Florida Statutes.

Finding 3: Adult General Education

State law⁴ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and Laws of Florida⁵ proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.⁶

FDOE procedures state that fundable instructional contact hours are those scheduled hours between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2014-15 fiscal year, the District reported 1,520 instructional contact hours for 7 adult general education classes provided to 12 students. As a part of our audit, we reviewed District records for the hours reported for the 12 students enrolled in adult general education classes. We found that instructional contact hours were over reported a total of 725 net hours, including 815 over-reported hours for 4 students and 90 under-reported hours for 5 students. In response to our inquiries, District personnel indicated these exceptions were due to data input errors.

Since future funding may be based, in part, on instructional contact hours submitted to the FDOE, it is important for the District to correctly report contact hour data.

Recommendation: We recommend that the District strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also contact the FDOE for the proper resolution of the misreported hours.

Finding 4: Direct Support Organization

State law,⁷ provides that a district school board direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, and for the benefit of, school districts. State law⁸ also authorizes the Board to permit a DSO to use District property, facilities, and personal services, and each DSO with more than \$100,000 in expenditures or expenses must provide for an annual financial audit of its accounts and records. The Board approved the Dixie Education Foundation, Inc. (Foundation), as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the District.

⁴ Section 1004.02(3), Florida Statutes.

⁵ Chapter 2014-51, Laws of Florida, Specific Appropriation 122.

⁶ FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

⁷ Section 1001.453, Florida Statutes.

⁸ Section 1001.453(2), Florida Statutes.

During the 2014-15 fiscal year, the District paid \$5,000 for the 2013-14 fiscal year audit of the Foundation. However, State law does not authorize such payments and we are unaware of any other legal authority for the District to pay for expenses incurred by a DSO. In response to our inquiry, District personnel indicated that they misunderstood the above statute and were unaware that paying for the DSO's audit was not authorized.

Recommendation: In the absence of specific statutory authority, the District should not pay for audits or other DSO-incurred expenses and should seek to recover from the Foundation the \$5,000 payment for the 2013-14 fiscal year audit.

Finding 5: Information Technology – Disaster Recovery Plan

An important element of an effective internal control system over information technology (IT) operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District participates in the North East Florida Educational Consortium (NEFEC) and obtains certain IT services, such as financial, payroll, and other critical applications. NEFEC developed an IT disaster recovery plan whereby member districts agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupts critical IT operations. However, the District had not established a written, comprehensive disaster recovery plan, including assigning responsibilities for recovery activities to key employees and backup personnel, prioritizing critical operations and data, and detailing the specific procedures to be followed when NEFEC is inoperable or other events interrupt District operations and affect the recovery and restoration of financial, payroll, and other critical applications.

In response to our inquiry, District personnel indicated they were developing a written, comprehensive disaster recovery plan but had not completed the plan as of November 2015. Without such a plan and annual testing of the plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. A similar finding was noted in our report No. 2015-094.

Recommendation: The District should continue its efforts to develop a written, comprehensive disaster recovery plan and, once the plan is established, test the plan annually.

PRIOR AUDIT FOLLOW-UP

As noted in Finding 5, the District did not take corrective action for report No. 2015-094, finding No. 1.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2015-094	There were no prior Federal findings.			

MANAGEMENT'S RESPONSE

DIXIE DISTRICT SCHOOLS

16077 NE 19 Highway
Cross City, Florida 32628-0890
Phone (352) 498-6131
FAX (352) 498-1308
Mark A. Rains, Superintendent
www.dixie.k12.fl.us

Our schools will provide a quality learning environment by providing opportunities through educational planning and community partnerships that ensures student success.

Chairman of Board
Timothy Alexander
Vice Chairman of Board
Cheryl Pridgeon



Board Members
Chuck Farmer
Paul Gainey
Dwayne Rollison

February 2, 2016

Ms. Sherill F. Norman, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Pursuant to Section 11.45(4)(d), Florida Statutes, we are required to submit to you a written statement of explanation concerning all of the findings, including our actual and proposed corrective actions. Below is our response to the preliminary and tentative audit findings and recommendations in your audit for fiscal year ended June 30, 2015.

Finding 1: Land Acquisition - Appraisal. Board Policy 7.06 will be revised to include language requiring appraisals for all future land acquisition in accordance with the requirements of Section 1013.14(1)(b), Florida Statutes. In addition, at the direction of the Superintendent and School Board, a recent appraisal dated January 13, 2016 has been obtained on the 59 acres of land purchased for the new school site. The appraiser was tasked with providing an appraised value as if site development has not begun and noted acceptance of this objective as a condition and assumption of the appraisal. The property appraised at \$381,000 compared to the contract selling price of \$379,440. The contact for this is Mr. Jerry Evans, Director of Safety, Facilities, and Special Projects.

Finding 2: Construction Contracts – Penalty Clauses. Board Policy 7.11(14) will be revised to include language requiring future construction management contracts for the construction of facilities to contain penalty clauses for failure to comply with contract terms. In addition, at the direction of the Superintendent and School Board, the current contract has been amended as of January 12, 2016 to include penalty clauses. The contact for this is Mr. Jerry Evans, Director of Safety, Facilities, and Special Projects.

Finding 3: Adult General Education. District controls for the reporting of instructional contact hours for adult general education classes will be reviewed and strengthened as necessary to ensure accurate reporting to FLDOE. The contact for this is Mrs. Denee Hurst., Director of Assessment and Accountability.

Finding 4: Direct Support Organization. The agreement with the selected CPA firm for the 2014-2015 Foundation audit has been canceled. There are no other DSO-incurred expenses that are paid for from district funds. As recommended, the district will seek reimbursement of \$5,000 from the Foundation for the 2013-14 audit. The contact for this is Mrs. Tonya Howell, Assistant Superintendent- Finance and Business Services.

Finding 5: Information Technology – Disaster Recovery Plan. We are continuing to develop and update the district's comprehensive disaster recovery plan. The goal for completion is June 30, 2016. In addition, the district's procedures for the comprehensive disaster recovery plan will include annual testing. The contact for this is Mr. Jerry Evans, Director of Safety, Facilities, and Special Projects.

Respectfully,

A handwritten signature in blue ink that reads "Mark A. Rains". The signature is written in a cursive, flowing style.

Mark A. Rains, Superintendent
Dixie District Schools