

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
PORT CHARLOTTE, FLORIDA**

JUNE 30, 2015

**FINANCIAL STATEMENTS
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PORT CHARLOTTE, FLORIDA**

JUNE 30, 2015

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**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
PORT CHARLOTTE, FLORIDA**

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Charlotte County District School Board (the District), as of and for the 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.

Auditors' 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 are reported herein as agency funds, or the Charlotte Local Education Foundation, Inc., the discretely presented component unit. Together, these entities comprise 17%, 8%, and 1% respectively, of the consolidated total assets, net position, and revenues of the aggregate discretely presented component unit and remaining fund information. 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 discretely presented component unit, are based 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibility (Concluded)

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

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

Opinions

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

Emphasis of Matter

As discussed in Note I.H to the financial statements, in 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. In connection with the implementation of this statement, the District decreased its beginning net position-governmental activities by \$52,599,226. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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.

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

Such information 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 information 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 our report dated November 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.



November 20, 2015
Sarasota, Florida

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the District School Board of Charlotte County have 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, it should be considered in conjunction with the District's financial statements found on pages 13-53.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-2015 fiscal year are as follows:

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2015, by \$368,177,833.86.
- The District's total net position decreased by \$6,884,317.16; a 1.8% decrease for the 2014-2015 fiscal year.
- General revenues total \$154,533,643.22, or 93.0% of all revenues in the 2014-2015 fiscal year compared to \$149,973,630.17, or 93.2% in the prior year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$11,609,561.72 or 7.0%, compared to \$10,971,161.96 or 6.8% in the prior year.
- At June 30, 2015, the District's governmental funds reported combined fund balances of \$42,577,813.42, an increase of \$1,486,847.68 for the year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for future appropriation, totals \$6,993,061.40 at June 30, 2015, or 5.5% of total General Fund expenditures.
- During the current year, General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$1,205,549.72. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$610,804.61.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the 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 outflows/inflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equal net position, which is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net position 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Government-wide Financial Statements (Concluded)

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

- Governmental activities – This represents most of the District's services including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the state's education finance program provide most of the resources that support these activities.
- Component units – The District presents two separate legal entities in this report, which are the Charlotte School Board Leasing Corporation and the Charlotte Local Education Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by the Governmental Accounting Standards Board. Financial information for the Charlotte Local Education Foundation, Inc. is reported separately from the financial information presented for the District.

Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

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 entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories:

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund Financial Statements (Concluded)

- **Proprietary Funds** – Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the Employee Self-Insurance Fund. Since these services predominately benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.
- **Fiduciary Funds** – Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses 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 certain required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. 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.

Charlotte County District School Board Net Position As of June 30, 2015 and 2014

Charlotte County District School Board Net Position As of June 30, 2015 and 2014

	Governmental Activities	
	2015	2014*
Assets:		
Current and Other Assets	\$ 59,933,481.12	\$ 56,054,284.59
Capital Assets	449,339,114.80	459,433,356.02
Total Assets	<u>509,272,595.92</u>	<u>515,487,640.61</u>
Deferred Outflows of Resources	<u>11,495,192.47</u>	<u>5,570,542.71</u>
Liabilities:		
Long-term Liabilities	122,416,600.44	140,035,384.78
Other Liabilities	8,517,433.09	5,960,647.52
Total Liabilities	<u>130,934,033.53</u>	<u>145,996,032.30</u>
Deferred Inflows of Resources	<u>21,655,921.00</u>	<u>-</u>
Net Position:		
Net Investment in Capital Assets	382,712,081.16	392,278,950.80
Restricted	31,094,182.11	27,571,082.87
Unrestricted	<u>(45,628,429.41)</u>	<u>(44,787,882.65)</u>
Total Net Position	<u><u>\$368,177,833.86</u></u>	<u><u>\$ 375,062,151.02</u></u>

* 2014 was restated for the implementation of GASB 68—see Note V to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Analysis (Concluded)

The largest portion of the District's net position, \$382,712,081.16 (103.9%), reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), net of any related debt outstanding. The District uses these net capital assets to provide services to students; consequently, these net assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position, \$31,094,182.11 (8.4%), represents resources that are subject to external restrictions on how they may be used. The remaining deficit unrestricted net position, \$(45,628,429.41), or 12.3%, generally would be available to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net position turned negative with the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. The implementation of this standard caused a reduction in unrestricted net position of \$49,949,768.53 and \$52,599,226.00 at June 30, 2015 and 2014, respectfully.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities

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:

Charlotte County District School Board
Changes in Net Position
For the Fiscal Years Ending June 30, 2015 and 2014

	Governmental Activities	
	2015	2014*
Program Revenues:		
Charges for Services	\$ 3,844,391.77	\$ 3,863,389.04
Operating Grants and Contributions	6,755,153.42	6,536,875.10
Capital Grants and Contributions	1,010,016.53	570,897.82
General Revenues:		
Property Taxes, Operational Purposes	78,744,488.28	77,378,300.95
Property Taxes, Capital Projects	20,139,813.83	19,062,364.00
Local Sales Tax	2,174,823.00	-
Grants and Contributions Not Restricted to Specific Programs	50,507,526.91	51,315,572.45
Unrestricted Investment Earnings	204,461.76	219,451.31
Miscellaneous	2,762,529.44	1,997,941.46
Total Revenues	166,143,204.94	160,944,792.13
Program Expenses:		
Instruction	77,101,149.40	79,268,081.50
Student Personnel Services	8,307,554.49	7,633,184.54
Instructional Media Services	1,281,869.56	1,335,441.67
Instruction and Curriculum Development Services	6,011,922.44	5,634,688.33
Instructional Staff Training Services	3,172,795.77	2,812,540.91
Instruction Related Technology	952,142.59	782,328.47
School Board	703,271.47	650,577.24
General Administration	953,898.67	854,707.07
School Administration	9,442,995.09	9,297,570.85
Facilities Acquisition and Construction	1,808,756.10	1,761,077.46
Fiscal Services	1,006,529.11	994,635.56
Food Services	8,696,444.24	8,589,832.27
Central Services	3,259,273.93	2,090,436.89
Pupil Transportation Services	5,984,297.39	6,228,511.56
Operation of Plant	12,270,095.49	11,821,354.84
Maintenance of Plant	3,923,259.15	3,851,391.16
Administrative Technology Services	1,556,188.19	1,444,522.58
Community Services	201,785.24	184,313.25
Interest on Long-term Debt	3,519,982.59	3,600,891.95
Unallocated Depreciation Expenses	22,873,311.19	14,285,410.03
Total Program Expenses	(173,027,522.10)	(163,121,498.13)
Change in Net Position	(6,884,317.16)	(2,176,706.00)
Net Position - Beginning	375,062,151.02	429,838,083.02
Adjustment - GASB 68	-	(52,599,226.00)
Net Position - Ending	\$ 368,177,833.86	\$ 375,062,151.02

* 2014 was restated for the implementation of GASB 68—see Note V to the financial statements.

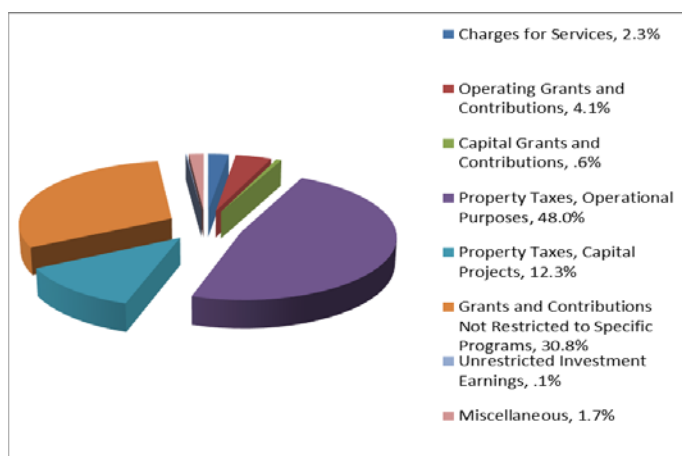
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Activities (Concluded)

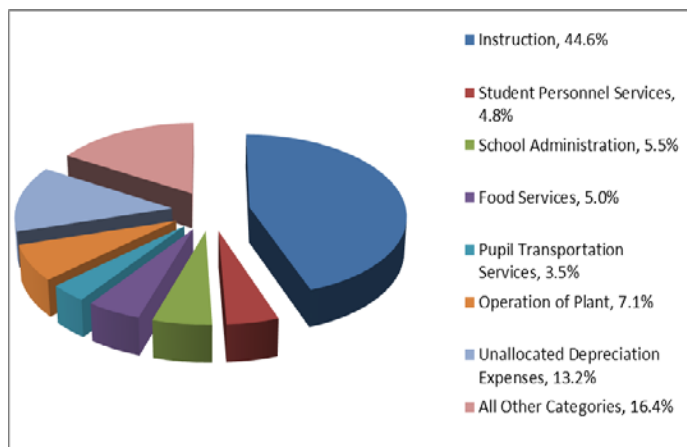
Governmental activities decreased the District's net position by \$6,884,317.16. Key elements are as follows:

- The largest revenue source is property taxes for operational purposes, which increased by \$1,366,187.33 or 1.8%, as a result of an increase in taxable assessed values and a 2.8% decrease in the total millage rate.
- A significant revenue source is the State of Florida (21.6%). 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 each District's funding ability based on the local property tax base.
- Total grants and contributions not restricted to specific program revenues decreased by \$808,045.54, or 1.6%, primarily due to a decrease in FEFP revenues.
- A new revenue source in 2015 was a half-cent sales tax for capital purposes. It accounted for 1.3% of total revenues in 2015.
- Instruction expenses accounted for approximately 44.6% of total governmental expenses for the 2014-2015 fiscal year. Instruction expenses decreased by \$2,166,932.10, or 2.7% from the previous year due mainly to changes in FRS reporting.

The following graph shows total revenues by source:



The following pie chart shows total expenses by function:



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$1,486,847.68 during the fiscal year to \$42,577,813.42 at June 30, 2015. Approximately 16.4% of this amount is unassigned (\$6,993,061.40) fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$463,521.08), 2) restricted for particular purposes (\$30,943,430.81), or 3) assigned for particular purposes (\$4,177,800.13).

Major Governmental Funds

General Fund—The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$6,993,061.40, while the total fund balance is \$10,233,157.66. As a measure of the General Fund's liquidity, it may be useful to compare the total unassigned fund balance to General Fund total revenues. The total unassigned fund balance is approximately 5.9% of the total General Fund revenues, while total fund balance represents approximately 8.6% of total General Fund revenues.

The total fund balance decreased by \$1,205,549.72 during the fiscal year, compared to an increase of \$610,804.61 in the prior year. Key factors impacting the change are as follows:

- Revenues increased by \$600,410.50 or 0.5%. Increases in local property tax values, resulting in increased tax revenues of \$1,366,187.33 (1.8%) offset decreases in total State revenues of \$0.9 million (2.5%). This represented the majority of the increase in revenues for the year.
- Expenditures increased by \$2,318,650.01 or 1.9%. This was due mainly to across the board staff raises of approximately 5%.
- Net Other Financing Sources decreased \$98,114.82 or 1.4%. Transfers in from other funds decreased by \$250,000, among other changes.

The Special Revenue—Federal Economic Stimulus Programs Fund has total revenues and expenditures of \$358,538.01 each, and the funding was used mainly for instruction and instruction-related services. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund did not significantly change from the prior fiscal year.

The Special Revenue—Other Federal Programs Fund has total revenues and expenditures of \$11,253,692.61 each, and the funding was mainly used for instruction and instruction-related services. Because grant revenues and expenditures in this fund are recognized as mentioned in the previous paragraph, this fund generally does not accumulate a fund balance. Activity in this fund did not significantly change from the prior fiscal year.

The Debt Service—ARRA Economic Stimulus Fund has an ending fund balance of \$17,656,637.05. This fund is restricted for the accumulation of resources for, and the payment of, debt principal, interest, and related costs on the Qualified School Construction Bonds. The fund balance increased in the current fiscal year due to scheduled sinking fund deposits.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Major Governmental Funds (Concluded)

The Capital Projects—Local Capital Improvement Fund has an ending fund balance of \$8,607,592.70, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$701,432.76 due mainly to the continuing building projects at Lemon Bay High School.

Proprietary Funds

Unrestricted net position of the Employee Self-Insurance Fund decreased by \$539,508.31 during the 2014-2015 fiscal year to \$6,857,644.47 at June 30, 2015. Premium revenues and reimbursements exceeded fund expenses, but \$1 million of program surplus was transferred back to the General Fund during the year.

BUDGET VARIANCES IN THE GENERAL FUND

During the 2014-2015 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease of total budgeted revenues of \$147,712.00 or 0.1%. At the same time, final appropriations are higher than the original budgeted amounts by \$239,582.82 or 0.2%. Budget revisions occurred primarily from changes in tax revenues received, adjustments to State FEFP revenues, and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues exceeded budgeted revenues by \$249,698.45 or 0.2%, while actual expenditures were under budget by \$3,121,803.87, or 2.4%. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2,536,916.48.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets totaled \$449,339,114.80 at June 30, 2015 (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 computer software. The total decrease in capital assets for the current fiscal year was approximately 2.2%.

Major capital asset events included the following:

- Continued construction at Lemon Bay High School with phase V nearing completion.
- Under District policy, school buses are to be replaced every thirteen years. Total cost of new buses for the current year totaled \$782,433.00.

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

Long-term Debt

At June 30, 2015, the District has total long-term debt outstanding of \$66,629,887.11, comprised of \$5,000,000.00 Qualified Zone Academy Bonds payable, \$60,000,000.00 of Qualified School Construction Bonds payable, and \$1,629,887.11 of state bonds payable. During the current fiscal year, the net reduction in long-term debt was \$599,689.82.

The District's state bonds outstanding at June 30, 2015, totaling \$1,629,887.11, were issued by the State Board of Education, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The latest enrollment projections for the District indicate a decrease of 66 students during the 2015-2016 fiscal year, which will decrease State revenue to some extent.

Employer contributions to the Florida Retirement System decreased for regular employees from 7.37% to 7.26% of payroll for the State's 2015-2016 fiscal year.

Housing prices are expected to increase the taxable assessed value for the 2015-2016 fiscal year.

For fiscal year 2015-2016 in the General Fund, the District anticipates revenues and transfers in of \$126,239,045.00 to fall short of \$129,030,546.00 in budgeted expenditures, for a budget deficit of \$2,791,501.00. This amount is reported as assigned fund balance at June 30, 2015.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer.

FINANCIAL STATEMENTS

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
Assets	Activities	Unit
Cash and Cash Equivalents	\$ 35,212,285.71	\$ 81,395.00
Investments	144,306.80	
Accounts Receivable	263,660.10	13,542.00
Due from Other Agencies	3,943,056.12	
Inventories	462,738.19	7,300.00
Prepaid Items	782.89	978,508.00
Restricted Cash	17,656,637.05	
Restricted Investments	2,250,014.26	
Capital Assets:		
Nondepreciable Capital Assets	42,252,624.42	
Depreciable Capital Assets, Net	407,086,490.38	
Total Assets	<u>509,272,595.92</u>	<u>1,080,745.00</u>
Deferred Outflows of Resources		
Unamortized Bond Refunding Losses	2,853.47	
Retirement System - Contributions	6,130,593.00	
Retirement System - Other	5,361,746.00	
Total Deferred Outflows of Resources	<u>11,495,192.47</u>	<u>-</u>
Liabilities		
Salaries and Benefits Payable	1,964,370.60	
Payroll Deductions and Withholdings	1,272,580.86	
Accounts Payable	955,341.02	11,751.00
Construction Contracts Payable	1,170,981.41	
Construction Contracts Retainage Payable	1,035,767.13	
Accrued Interest Payable	122,553.63	
Deposits Payable	151,427.61	
Unearned Revenue	1,844,410.83	
Long-term Liabilities:		
Portion Due Within One Year	1,940,032.74	
Portion Due After One Year	120,476,567.70	
Total Liabilities	<u>130,934,033.53</u>	<u>11,751.00</u>
Deferred Inflows of Resources		
Retirement System - Investment Earnings	20,880,831.00	
Retirement System - Other	775,090.00	
Total Deferred Inflows of Resources	<u>21,655,921.00</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	382,712,081.16	
Restricted for:		
State Required Carry Over Programs	258,379.11	
Food Service	2,270,069.87	
Debt Service	19,826,826.21	
Capital Projects	8,738,906.92	
Other Purposes		1,064,698.00
Unrestricted	(45,628,429.41)	4,296.00
Total Net Position	<u>\$ 368,177,833.86</u>	<u>\$ 1,068,994.00</u>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 77,101,149.40	\$ 1,421,158.63	
Pupil Personnel Services	8,307,554.49		
Instructional Media Services	1,281,869.56		
Instruction and Curriculum Development Services	6,011,922.44		
Instructional Staff Training Services	3,172,795.77		
Instruction Related Technology	952,142.59		
School Board	703,271.47		
General Administration	953,898.67		
School Administration	9,442,995.09		
Facilities Acquisition and Construction	1,808,756.10		
Fiscal Services	1,006,529.11		
Food Services	8,696,444.24	2,163,747.19	\$ 6,755,153.42
Central Services	3,259,273.93		
Pupil Transportation Services	5,984,297.39	259,485.95	
Operation of Plant	12,270,095.49		
Maintenance of Plant	3,923,259.15		
Administrative Technology Services	1,556,188.19		
Community Services	201,785.24		
Interest on Long-term Debt	3,519,982.59		
Unallocated Depreciation Expense	22,873,311.19		
Total Governmental Activities	\$ 173,027,522.10	\$ 3,844,391.77	\$ 6,755,153.42
Component Unit			
Charlotte Local Education Foundation, Inc.	\$ 327,033.00	\$ -	\$ -

General Revenues

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

As Originally Reported

Adjustment

As Restated

Net Position - End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit
	\$ (75,679,990.77)	
	(8,307,554.49)	
	(1,281,869.56)	
	(6,011,922.44)	
	(3,172,795.77)	
	(952,142.59)	
	(703,271.47)	
	(953,898.67)	
	(9,442,995.09)	
\$ 131,314.22	(1,677,441.88)	
	(1,006,529.11)	
	222,456.37	
	(3,259,273.93)	
	(5,724,811.44)	
	(12,270,095.49)	
317,426.00	(3,605,833.15)	
	(1,556,188.19)	
	(201,785.24)	
561,276.31	(2,958,706.28)	
	(22,873,311.19)	
<u>\$ 1,010,016.53</u>	<u>(161,417,960.38)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>-</u>	<u>(327,033.00)</u>
	78,744,488.28	
	20,139,813.83	
	2,174,823.00	
	50,507,526.91	418,512.00
	204,461.76	103.00
	2,762,529.44	
	<u>154,533,643.22</u>	<u>418,615.00</u>
	(6,884,317.16)	91,582.00
	427,661,377.02	977,412.00
	(52,599,226.00)	
	<u>375,062,151.02</u>	<u>977,412.00</u>
<u>\$ 368,177,833.86</u>	<u>\$ 1,068,994.00</u>	

See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue - Federal Economic Stimulus Programs	Special Revenue - Other Federal Programs
Assets			
Cash and Cash Equivalents	\$ 10,211,562.62		
Investments	40,865.85		
Accounts Receivable	108,730.26		
Due from Other Funds	647,215.97		
Due from Other Agencies	2,322,706.73	\$ 99,777.09	\$ 818,919.05
Inventories	189,433.26		
Prepaid Items	782.89		
Restricted Cash and Cash Equivalents			
Restricted Investments			
Total Assets	<u>13,521,297.58</u>	<u>99,777.09</u>	<u>818,919.05</u>
Total Liabilities, Deferred Outflows, and Fund Balances			
Liabilities			
Salaries, Benefits, and Payable	1,714,683.61	6,876.01	176,384.27
Payroll Deductions and Withholdings	992,228.73	36,551.82	174,453.24
Accounts Payable	581,227.58	1,485.89	24,459.65
Sales Tax Payable			
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		54,863.37	443,621.89
Deposits Payable			
Total Liabilities	<u>3,288,139.92</u>	<u>99,777.09</u>	<u>818,919.05</u>
Deferred Outflows of Resources			
Unavailable Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Inventories	189,433.26		
Prepaid Items	782.89		
Restricted:			
State Required Carryover Programs	258,379.11		
Debt Service			
Capital Projects			
Food Service			
Assigned:			
Subsequent Years' Expenditures	2,791,501.00		
Disaster Recovery			
Unassigned	6,993,061.40		
Total Fund Balances	<u>10,233,157.66</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Outflows, and Fund Balances	<u>\$ 13,521,297.58</u>	<u>\$ 99,777.09</u>	<u>\$ 818,919.05</u>

See accompanying notes.

Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
	\$ 10,513,923.53	\$ 3,504,631.80	\$ 24,230,117.95
	32,520.67	70,920.28	144,306.80
		6,199.13	114,929.39
			647,215.97
	479,843.54	221,809.71	3,943,056.12
		273,304.93	462,738.19
			782.89
\$ 17,656,637.05			17,656,637.05
		2,250,014.26	2,250,014.26
<u>17,656,637.05</u>	<u>11,026,287.74</u>	<u>6,326,880.11</u>	<u>49,449,798.62</u>
	6,077.84	58,710.12	1,962,731.85
	10,276.87	55,579.24	1,269,089.90
	195,591.79	8,986.41	811,751.32
		17.50	17.50
	1,170,981.41		1,170,981.41
	1,035,767.13		1,035,767.13
			498,485.26
		102,425.46	102,425.46
<u>-</u>	<u>2,418,695.04</u>	<u>225,718.73</u>	<u>6,851,249.83</u>
<u>-</u>	<u>-</u>	<u>20,735.37</u>	<u>20,735.37</u>
		273,304.93	462,738.19
			782.89
			258,379.11
17,656,637.05		2,292,742.79	19,949,379.84
	8,607,592.70	131,314.22	8,738,906.92
		1,996,764.94	1,996,764.94
			2,791,501.00
		1,386,299.13	1,386,299.13
			6,993,061.40
<u>17,656,637.05</u>	<u>8,607,592.70</u>	<u>6,080,426.01</u>	<u>42,577,813.42</u>
<u>\$ 17,656,637.05</u>	<u>\$ 11,026,287.74</u>	<u>\$ 6,326,880.11</u>	<u>\$ 49,449,798.62</u>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total Fund Balances - Governmental Funds	\$	42,577,813.42
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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.

Capital Assets	\$ 604,193,063.79	
Accumulated Depreciation	<u>(154,853,948.99)</u>	449,339,114.80

Deferred outflows of resources are not available to pay for current-period expenditures and are therefore not reported in governmental funds.

Unamortized Bond Refunding Losses	2,853.47	
Retirement System Contributions	6,130,593.00	
Retirement System - Other	<u>5,361,746.00</u>	11,495,192.47

Deferred inflows of resources are not available to pay for current-period expenditures and are therefore not reported in governmental funds.

Retirement System - Investment Income	(20,880,831.00)	
Retirement System - Other	<u>(775,090.00)</u>	(21,655,921.00)

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

6,857,644.47

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the government funds until due. This amount is the amount of accrued interest payable at fiscal year-end.

(122,553.63)

Certain revenues have been deferred in governmental funds because they do not meet the availability criteria for recognition. This amount represents the "unavailable revenues" at fiscal year-end.

20,735.37

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Qualified Zone Academy Bonds Payable	(5,000,000.00)	
Certificates of Participation Payable	(60,000,000.00)	
Bonds Payable	(1,629,887.11)	
Net Pension Liability	(39,789,040.00)	
Compensated Absences Payable	(11,460,746.93)	
Other Postemployment Benefits Payable	<u>(2,454,518.00)</u>	<u>(120,334,192.04)</u>

Total Net Position - Governmental Activities	\$	<u>368,177,833.86</u>
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See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue - Federal Economic Stimulus Programs	Special Revenue - Other Federal Programs
Revenues			
Intergovernmental:			
Federal Direct	\$ 166,282.39		\$ 2,185,971.74
Federal Through State and Local	1,054,831.81	\$ 358,538.01	9,067,720.87
State	34,731,884.09		
Local:			
Property Taxes	78,744,488.28		
Sales Taxes			
Charges for Services - Food Service			
Miscellaneous	3,857,988.88		
Total Revenues	<u>118,555,475.45</u>	<u>358,538.01</u>	<u>11,253,692.61</u>
Expenditures			
Current - Education:			
Instruction	74,414,544.17	30,914.53	5,222,603.91
Student Support Services	7,510,330.71		767,306.74
Instructional Media Services	1,297,530.79		501.48
Instruction and Curriculum Development Services	2,976,261.72	117,324.36	2,823,314.03
Instructional Staff Training Services	1,402,540.46	193,362.06	1,588,547.53
Instruction Related Technology	952,142.59		
School Board	703,271.47		
General Administration	355,573.72	12,925.97	566,420.49
School Administration	9,311,398.02	1,438.57	138,824.78
Facilities Acquisition and Construction			14,076.25
Fiscal Services	967,035.79		1,633.28
Food Services			
Central Services	2,838,234.72		
Student Transportation Services	5,930,749.27	2,572.52	19,122.69
Operation of Plant	12,113,357.75		111,341.43
Maintenance of Plant	3,921,871.95		
Administrative Technology Services	1,537,885.74		
Community Services	201,785.24		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay			
Debt Service:			
Principal			
Interest and Fiscal Charges	66,924.02		
(Total Expenditures)	<u>126,501,438.13</u>	<u>358,538.01</u>	<u>11,253,692.61</u>
(Deficiency) Excess of Revenues			
(Under) Over Expenditures	<u>(7,945,962.68)</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in	6,675,000.00		
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payment to Refunding Bonds Escrow Agent			
Insurance Loss Recoveries	65,412.96		
Transfers (out)			
Total Other Financing Sources (Uses)	<u>6,740,412.96</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,205,549.72)	-	-
Fund Balances, Beginning of Year	11,438,707.38	-	-
Fund Balances, End of Year	<u>\$ 10,233,157.66</u>	<u>-</u>	<u>-</u>

See accompanying notes.

Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,942,298.00		\$ 6,646,655.42	\$ 5,294,552.13
		1,118,514.53	17,127,746.11
	\$ 20,139,813.83		35,850,398.62
	2,174,823.00		98,884,302.11
		2,163,747.19	2,174,823.00
25,285.98	121,466.00	88,648.36	2,163,747.19
2,967,583.98	22,436,102.83	10,017,565.50	4,093,389.22
			165,588,958.38
			79,668,062.61
			8,277,637.45
			1,298,032.27
			5,916,900.11
			3,184,450.05
			952,142.59
			703,271.47
			934,920.18
			9,451,661.37
	1,808,756.10		1,822,832.35
		8,715,236.84	968,669.07
			8,715,236.84
			2,838,234.72
			5,952,444.48
			12,224,699.18
			3,921,871.95
			1,537,885.74
			201,785.24
	10,810,200.03		10,810,200.03
	1,727,583.40		1,727,583.40
		475,000.00	475,000.00
3,420,700.00		69,048.03	3,556,672.05
3,420,700.00	14,346,539.53	9,259,284.87	165,140,193.15
(453,116.02)	8,089,563.30	758,280.63	448,765.23
3,940,713.66		242,708.40	10,858,422.06
		1,405,000.00	1,405,000.00
		133,642.79	133,642.79
		(1,567,794.28)	(1,567,794.28)
		1,820.98	67,233.94
	(8,790,996.06)	(1,067,426.00)	(9,858,422.06)
3,940,713.66	(8,790,996.06)	(852,048.11)	1,038,082.45
3,487,597.64	(701,432.76)	(93,767.48)	1,486,847.68
14,169,039.41	9,309,025.46	6,174,193.49	41,090,965.74
\$ 17,656,637.05	\$ 8,607,592.70	\$ 6,080,426.01	\$ 42,577,813.42

See accompanying notes.

**CHARLOTTE 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 **\$ 1,486,847.68**

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 period:

Capital Outlay	\$ 12,844,051.37	
Depreciation Expense	(22,873,311.19)	(10,029,259.82)

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

(64,981.40)

Certain revenues have not been recognized in governmental funds because
they do not meet the availability criteria for recognition. These "unavailable
revenues" are recognized in the government-wide statements.

20,735.37

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

New Debt - At Par	(1,405,000.00)	
New Debt - Premium	(133,642.79)	
Payment to Refunding Escrow	1,567,794.28	
Bond Principal Paid	475,000.00	504,151.49

Premiums and refunding losses are recognized in the governmental
funds in the year debt is issued, but are deferred and amortized over
the life of the debt in the governmental-wide statements:

Amortization of Debt Premiums	32,528.20	
Amortization of Refunding Losses	(9,308.11)	23,220.09

See accompanying notes.

CHARLOTTE 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
(Concluded)

Net Change in Fund Balances - Governmental Funds (Concluded)

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued in the statement of activities. This is the net change in accrued interest in the current period.

\$ 13,469.37

The change in accrued compensated absences and other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net (increase) decrease in these long-term liabilities for the current fiscal year:

Accrued Compensated Absences	\$	(524,454.63)	
Accrued Postemployment Benefit Obligation		(421,141.00)	(945,595.63)

Certain changes in the items related to the District's participation in a multiple-employer retirement system are reported only at the government-wide level. Following are the changes in these amounts for the current fiscal year:

Net Pension Liability	18,305,557.00		
Deferred Outflows - Pension Contributions	635,222.00		
Deferred Outflows - Pension Other	5,361,746.00		
Deferred Inflows - Pension Investments	(775,090.00)		
Deferred Inflows - Pension Actuarial Gains	(20,880,831.00)		2,646,604.00

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

(539,508.31)

Change in Net Position - Governmental Activities

\$ (6,884,317.16)

See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Governmental Activities - Internal Service Fund Self-Insurance
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 10,982,167.76
Total Assets	<u>10,982,167.76</u>
Liabilities	
Current Liabilities:	
Salaries and Benefits Payable	1,638.75
Payroll Deductions and Withholdings	3,490.96
Accounts Payable	143,572.20
Deposits Payable	49,002.15
Unearned Revenue	<u>1,844,410.83</u>
Total Current Liabilities	2,042,114.89
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	<u>2,082,408.40</u>
Total Liabilities	<u>4,124,523.29</u>
Net Position	
Unrestricted	<u>\$ 6,857,644.47</u>

See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Governmental Activities - Internal Service Fund Self-Insurance
Operating Revenues	
Premium Contributions	\$ 18,911,015.18
Other Income	410,826.10
Total Operating Revenues	<u>19,321,841.28</u>
Operating Expenses	
Salaries	130,400.95
Employee Benefits	36,698.18
Purchased Services	4,043,297.69
Materials and Supplies	28,804.52
Insurance Claims	14,723,582.50
Total Operating Expenses	<u>18,962,783.84</u>
Operating Income	<u>359,057.44</u>
Nonoperating Revenues	
Interest Income	1,434.25
Operating Grants	100,000.00
Total Nonoperating Revenues	<u>101,434.25</u>
Income Before Operating Transfers	460,491.69
(Transfers Out)	<u>(1,000,000.00)</u>
Change in Net Position	(539,508.31)
Total Net Position - Beginning of Year	<u>7,397,152.78</u>
Total Net Position - End of Year	<u><u>\$ 6,857,644.47</u></u>

See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015

	Governmental Activities - Internal Service Fund Self-Insurance
Cash Flows from Operating Activities	
Cash Received from Board Funds	\$ 15,059,344.31
Cash Received from Participants	3,890,950.10
Other Receipts	410,826.10
Cash Payments to Suppliers for Goods and Services	(3,977,522.01)
Cash Payments for Claims	(14,382,715.65)
Cash Payments to Employees for Services	(169,222.87)
Net Cash Provided by Operating Activities	831,659.98
Cash Flows from Non-Capital Financing Activities	
Operating Grants	100,000.00
Interfund Transfers	(1,000,000.00)
Net Cash Used in Non-Capital Financing Activities	(900,000.00)
Cash Flows from Investing Activities	
Investment Income	1,434.25
Net Cash Provided by Investing Activities	1,434.25
Net Increase in Cash and Cash Equivalents	(66,905.77)
Cash and Cash Equivalents, Beginning of Year	11,049,073.53
Cash and Cash Equivalents, End of Year	\$ 10,982,167.76
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 359,057.44
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase (Decrease) in Salaries and Benefits Payable	(437.61)
Increase (Decrease) in Payroll Deductions and Withholdings	(1,686.13)
Increase (Decrease) in Accounts Payable	94,580.20
Increase (Decrease) in Deposits Payable	16,324.23
Increase (Decrease) in Unearned Revenue	22,955.00
Increase (Decrease) in Estimated Insurance Claims Payable	340,866.85
Total Adjustments	472,602.54
Net Cash Provided by Operating Activities	\$ 831,659.98

See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY
JUNE 30, 2015

	<u>Agency Funds</u>
Assets	
Cash	\$ 2,473,286.64
Total Assets	<u>2,473,286.64</u>
 Liabilities	
Due to Other Funds	148,730.71
Internal Accounts Payable	2,324,555.93
Total Liabilities	<u>\$ 2,473,286.64</u>

See accompanying notes.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is reported as unallocated.

B. Reporting Entity

The Charlotte County District School Board (the Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Charlotte County School District (the District) is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Charlotte 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 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 or incomplete. Based on the application of these criteria, the following component units are included within the District's reporting entity:

- **Blended Component Unit**—A blended component unit is, in substance, part of the primary government's operations, even though it is a legally separate entity.

The Charlotte County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Reporting Entity *(Concluded)*

- **Discretely Presented Component Unit**—The component unit columns in the government-wide financial statements include the financial data of the District's other component unit. A separate column is used to emphasize that it is legally separate from the District:
 - Charlotte Local Education Foundation, Inc. (the Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, and administer property and to make expenditures for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a discretely presented component unit.

C. Basis of Presentation—Government-wide Financial Statements

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

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

D. Basis of Presentation—Fund Financial Statements

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

The District reports the following major governmental funds:

- **General Fund**—to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Special Revenue—Federal Economic Stimulus Programs**—to account for certain Federal grant program resources related to the *American Recovery and Reinvestment Act* (ARRA).
- **Special Revenue—Other Federal Programs Fund**—to account for certain Federal program resources.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Basis of Presentation—Fund Financial Statements *(Concluded)*

- **Debt Service—ARRA Economic Stimulus Fund**—to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs on the District's 2010 Qualified School Construction Bonds.
- **Capital Projects—Local Capital Improvement Fund**—to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments thereon.

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

- **Internal Service Fund**—to account for the District's Employee Benefits Program.
- **Agency Funds**—to account for resources of the school internal funds, which are used to administer monies collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Measurement Focus and Basis of Accounting

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

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. Measurement Focus and Basis of Accounting *(Concluded)*

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. Generally, 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, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital assets 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.

Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

The discretely presented component unit, the Charlotte Local Education Foundation, Inc., is reported using the economic resources measurement focus and the accrual basis of accounting.

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term, highly-liquid investments with original maturities of three months or less. Certain investments are classified as cash equivalents if they meet this criteria. These include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, and money market funds, except that amounts held in escrow for long-term debt are not considered to be cash equivalents.

Cash deposits are held by banks qualified as public depositories under Florida law. These 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.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F. Assets, Liabilities, and Net Position/Fund Balance *(Continued)*

2. Investments

Carrying Value—Investments are reported at fair value.

Authorized Investments—Investments include those authorized under Section 218.415(17) Florida Statutes, or under agreements approved in connection with debt issuances. The statute allows investments in:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act* as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.

The sinking fund forward delivery agreement related to the District's 2006 Qualified Zone Activities Bonds authorizes investments in direct obligations of the U.S. Government or its agencies, including FNMA and FHLMC, provided the maturity is on or before October 30, 2022. The master trust and supplemental master trust agreement related to the District's 2010 Qualified School Construction Bonds contain a list of permitted investments, with written Board approval.

The Local Government Surplus Funds Trust Fund—The Local Government Surplus Funds Trust Fund is operated by the State of Florida Board of Administration and includes the Florida PRIME and the Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The state pools are Securities and Exchange Commission Rule 2a7-like external investment pools, similar to money market funds in which shares are owned in the fund rather than the underlying investments. Florida PRIME is carried at amortized cost, which approximates market value. Fund B is accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 of amortized cost at June 30, 2015. Fund B was liquidated shortly after year-end, and the remaining balance in the account was distributed to the District.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Net Position/Fund Balance (Continued)

3. Restricted Cash and Investments

Cash and investments are restricted in connection with debt covenants. Following is a summary of restricted cash and investments at June 30, 2015:

2006 Qualified Zone Academy Bonds	Sinking Fund	\$ 2,250,014.26
2010A Qualified School Construction Bonds	Sinking Fund	<u>17,656,637.05</u>
Total Restricted Cash and Investments		<u>\$ 19,906,651.31</u>

4. Receivables/Due from Other Agencies

Accounts receivables and due from other agencies are reported at their gross value, and where appropriate are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts at June 30, 2015, is \$0.00.

5. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost using the moving average pricing method, 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 consumed rather than purchased.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. 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.

Capital assets are depreciated using group depreciation and the straight-line method over the following original estimated useful lives of the asset group:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	15 Years
Buildings and Fixed Equipment	20-50 Years
Furniture, Fixtures, and Equipment	7 Years
Motor Vehicles	7-10 Years
Audio Visual Materials and Computer Software	5 Years

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F. Assets, Liabilities, and Net Position/Fund Balance *(Continued)*

7. Long-term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized bond premium/discount. Unamortized refunding losses are reported as deferred outflows. Issuance costs are expensed in the year incurred.

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

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 they have matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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

8. Deferred Outflows/Deferred Inflows

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (or fund balance) that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position (or balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position (or fund balance) that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. Equity Flow Assumptions

Net Position

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F. Assets, Liabilities, and Net Position/Fund Balance *(Continued)*

9. Equity Flow Assumptions *(Concluded)*

Fund Balance

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 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).

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.

Committed Fund Balance—Committed fund balance 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 balance at June 30, 2015.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Net Position/Fund Balance (Concluded)

10. Fund Balance Policies (Concluded)

Assigned Fund Balance—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 District 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. Also classified as assigned are amounts that are constrained to be used for specific purposes based on actions of the Superintendent. 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.

Unassigned Fund Balance—Unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents spendable amounts that have not been restricted, committed, or assigned for specific purposes.

Minimum Fund Balance Policy—State statutes require the District maintain a general fund balance not classified as restricted, committed, or nonspendable that is sufficient to address normal contingencies. The District Superintendent must notify the Board and State of Florida Commissioner of Education if at any time the unreserved general fund balance in the District's operating budget is projected to fall during the fiscal year below three percent (3%) of projected general fund revenues.

Board Policy #6233 provides that "to promote and maintain the financial strength and stability of the District, the Board directs that each year's final adopted budget shall include an appropriated (unassigned) projected fund balance of not less than five percent (5%) of the District's general fund revenues." The projected fund balance may be allowed to fall below five percent (5%) only after a super majority vote of the Board.

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.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

G. Revenues and Expenditures/Expenses *(Continued)*

2. State Revenue Sources

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department 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 unencumbered balance of categorical and earmarked educational program resources.

3. District Property Taxes

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

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

G. Revenues and Expenditures/Expenses *(Concluded)*

3. District Property Taxes *(Concluded)*

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 Charlotte 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. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

6. 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 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 the benefit terms. Investments are reported at fair value.

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Concluded)*

H. Accounting Changes

Governmental Accounting Standards Board (GASB) Statement No. 68

The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$52,599,226.00 due to the adoption of this Statement. The District's proportionate share of the net pension liabilities at July 1, 2014, totaled \$39,789,040.00.

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits—In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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.

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

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>
State Board of Administration (SBA):		
Florida PRIME (1)	34-Day Average	\$ 17,272,175.46
Florida PRIME (1) (3)	34-Day Average	17,656,637.05
Fund B	13 Days	101,578.27
State of Florida - Debt Service Account	6 Months	42,728.53
Federal Home Loan Mortgage Corporation (FHLMC)		
Discount Note (2)	October 30, 2015	2,250,014.26
Total Investments		\$ <u>37,323,133.57</u>

Notes: (1) Investments that have original maturities of three months or less are considered cash equivalents for financial reporting purposes.

(2) This investment is held under a paying agent agreement and sinking fund forward delivery agreement in connection with the Qualified Zone Academy Bonds (QZAB) (see Note II.I.1).

(3) These investments are held under a master trust agreement and supplemental master trust agreement in connection with the Qualified School Construction Bonds (QSCB) (see Note II.I.2).

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

B. Investments (Concluded)

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 arising from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 34 days at June 30, 2015. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B was liquidated on July 13, 2015.

The District's investment in the FHLMC discount note is authorized under a forward delivery agreement (FDA) with the QZAB paying agent. The FDA guarantees an interest rate of 3.19%. The Provider of the FDA bears the interest rate risk.

The District's investments in the State of Florida debt service accounts will be used for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk (and credit risk) for this account.

Credit Risk—Section 218.415(17), Florida Statutes, limits investments to ones considered to have low credit risks. Money market funds must be Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments in interest-bearing time deposits must be in qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy does not further limit its investment choices.

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

The FHLMC investment note is rated Aaa by Moody's Investor Services and AA+ by Standard & Poor's.

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 12,814,823.30		\$ (100.00)	\$ 12,814,723.30
Construction in Progress	18,765,839.71	\$ 10,816,254.47	(144,193.06)	29,437,901.12
Total Capital Assets Not Being Depreciated	31,580,663.01	10,816,254.47	(144,293.06)	42,252,624.42
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,638,732.90	31,563.25	(13,990.00)	6,656,306.15
Buildings and Fixed Equipment	514,343,547.53	144,193.06	(366,332.45)	514,121,408.14
Furniture, Fixtures, and Equipment	26,274,545.29	1,206,385.73	(1,620,102.72)	25,860,828.30
Motor Vehicles	13,863,703.46	787,878.00	(608,634.80)	14,042,946.66
Computer Software	1,280,957.15	1,969.92	(23,976.95)	1,258,950.12
Total Capital Assets Being Depreciated	562,401,486.33	2,171,989.96	(2,633,036.92)	561,940,439.37
Less Accumulated Depreciation:				
Improvements Other Than Buildings	(4,966,222.00)	(244,819.00)	13,990.00	(5,197,051.00)
Buildings and Fixed Equipment	(99,785,220.00)	(19,102,904.28)	366,332.45	(118,521,791.83)
Furniture, Fixtures, and Equipment	(19,482,944.19)	(2,329,932.48)	1,584,378.61	(20,228,498.06)
Motor Vehicles	(9,347,405.95)	(1,047,320.49)	579,477.46	(9,815,248.98)
Audio Visual Materials and Computer Software	(967,001.18)	(148,334.94)	23,977.00	(1,091,359.12)
Total Accumulated Depreciation	(134,548,793.32)	(22,873,311.19)	2,568,155.52	(154,853,948.99)
Total Being Depreciated, Net	427,852,693.01	(20,701,321.23)	(64,881.40)	407,086,490.38
Total Governmental Activities Capital Assets, Net	\$ 459,433,356.02	\$ (9,885,066.76)	\$ (209,174.46)	\$ 449,339,114.80

The District's capital assets serve several functions; accordingly, depreciation expense, which totals \$22,873,311.19, is not charged to functions but is shown as unallocated on the statement of activities.

D. Florida Retirement System

General Information about the Florida Retirement System (FRS)

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

General Information about the Florida Retirement System (FRS) (Concluded)

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to 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 two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The District's pension expense totaled \$3,630,202.00 for the fiscal year ended June 30, 2015 (all plans).

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officer Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class, (not applicable to the District).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four 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.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Plan Description. (Concluded)

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class Members Initially Enrolled before July 1, 2011</i>	
Retirement up to Age 62 or up to 30 Years of Service	1.60
Retirement at Age 63 or with 31 Years of Service	1.63
Retirement at Age 64 or with 32 Years of Service	1.65
Retirement at Age 65 or with 33 or more Years of Service	1.68
<i>Regular Class Members Initially Enrolled on or after July 1, 2011</i>	
Retirement up to Age 65 or up to 33 Years of Service	1.60
Retirement at Age 66 or with 34 Years of Service	1.63
Retirement at Age 67 or with 35 Years of Service	1.65
Retirement at Age 68 or with 36 or more Years of Service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Benefit Provided. (Concluded)

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% 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% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. 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:

FRS – District:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	6.07
FRS, Elected County Officers	3.00	41.94
FRS, Senior Management Service	3.00	19.84
DROP – Applicable to Members from		
All of the Above Classes	0.00	11.02
FRS, Reemployed Retiree	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions, including employee contributions, to the Plan totaled \$5,023,809 for the fiscal year ended June 30, 2015. This excludes the HIS defined benefit pension plan contributions.

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 \$12,525,083.00 for its proportionate share of the 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 2014-15 fiscal year contributions relative to the fiscal year 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportion was .205279740%, which was an increase of .012259414 from its proportion measured as of June 30, 2013.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

For the year ended June 30, 2015, the District recognized pension expense of \$991,343 related to the Plan. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions after Measurement Date	\$ 5,023,809.00	
Difference Between Expected and Actual Experience		\$ 775,090.00
Changes of Assumptions	2,169,136.00	
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	1,775,408.00	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		20,893,918.00
Total	<u>\$ 8,968,353.00</u>	<u>\$ 21,669,008.00</u>

The deferred outflows of resources related to pensions, totaling \$5,023,809, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the 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</u>	<u>Amount</u>
2016	\$ (4,625,469.00)
2017	(4,625,469.00)
2018	(4,625,469.00)
2019	(4,625,467.00)
2020	598,011.00
2021	179,399.00
Total	<u>\$ (17,724,464.00)</u>

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

Inflation	2.60%
Salary Increases	3.25 Average, Including Inflation
Investment Rate of Return	7.65% Net of Pension Plan Investment Expense Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions. (Concluded)

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. 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. The discount rate was 7.75% in the July 1, 2013 valuation.

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%, 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%) or 1-percentage-point higher (8.65%) than the current rate:

FRS – District:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 53,571,443	\$ 12,525,083	\$ (21,617,657)

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

FRS Pension Plan (Concluded)

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$1,131,913.53 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 Division of Retirement within the Florida Department of Management Services.

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

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

The District's contributions to the HIS Plan totaled \$1,106,784 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$27,263,957 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was .291585519%, which was an increase of .005962855 from its proportionate share measured as of June 30, 2013.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

HIS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$1,857,424.00 related to the HIS Plan. 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>
Employer Contributions after Measurement Date	\$ 1,106,784.00	
Difference Between Expected and Actual Experience		\$ -
Changes of Assumptions	970,160.00	
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	447,042.00	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		(13,087.00)
Total	<u>\$ 2,523,986.00</u>	<u>\$ (13,087.00)</u>

The deferred outflows of resources related to pensions, totaling \$1,106,784, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ 231,853.00
2017	231,853.00
2018	231,853.00
2019	231,852.00
2020	228,581.00
2021-2022	274,297.00
Total	<u>\$ 1,430,289.00</u>

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

Inflation	2.60%
Salary Increases	3.25 Average, Including Inflation
Municipal Bond Rate	4.69% Net of Pension Plan Investment Expense Including Inflation

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Florida Retirement System (Continued)

HIS Pension Plan (Concluded)

Actuarial Assumptions. (Concluded)

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

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

Discount Rate. The discount rate used to measure the total pension liability was 4.29%. 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%, 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%) or 1-percentage-point higher (5.29%) 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	\$ 31,010,544	\$ 27,263,957	\$ 24,136,630

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 \$204,916.53 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

FRS – Defined Contribution Pension Plan

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

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS *(Continued)*

D. Florida Retirement System *(Concluded)*

FRS – Defined Contribution Pension Plan *(Concluded)*

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. 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, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after one 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 five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. 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 \$781,435 for the fiscal year ended June 30, 2015.

Payable to the Investment Plan

At June 30, 2015, the District reported a payable of \$270,981 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2015.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. Other Postemployment Benefits

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 and their eligible dependents 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. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are generally expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy—Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and from action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 68 retirees received other postemployment benefits. The District provided required contributions of \$181,956 toward the annual OPEB cost, net of retiree contributions totaling \$603,097, which represents 1.1% 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 Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 292,612
Amortization of Unfunded Actuarial Accrued Liability	424,169
Annual Required Contribution	716,781
Interest on Net OPEB Obligation	71,168
Adjustment to Annual Required Contribution	(184,852)
Annual OPEB Cost (Expense)	603,097
Estimated Contributions Made	(181,956)
Increase in Net OPEB Obligation	421,141
Net OPEB Obligation, Beginning of Year	2,033,377
Net OPEB Obligation, End of Year	\$ 2,454,518

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Concluded)—The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and the preceding years, were as follows:

Fiscal Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 432,683	56.09%	\$ 1,596,953
2014	596,402	26.82%	2,033,377
2015	603,097	30.17%	2,454,518

Funded Status and Funding Progress—As of January 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$4,431,195, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,431,195 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$60,812,164, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.29%.

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.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. Other Postemployment Benefits (Concluded)

Actuarial Methods and Assumptions (Concluded)—The District's OPEB actuarial valuation as of January 1, 2014, used the entry age normal actuarial costs 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 3.5% rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5% per year, and an annual healthcare cost trend rate of 8.0% initially for the 2014-15 fiscal year, reduced by 0.5% per year, to an ultimate rate of 5.46% after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015, was 10 years.

F. Construction and Other Significant Commitments

The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed To-date	Balance Committed
Lemon Bay High School:			
Architect	\$ 2,265,993.96	\$ 2,121,163.96	\$ 144,830.00
Contractor Phase V	12,104,223.55	11,984,113.23	120,110.32
Contractor Phase VI	10,241,190.42	8,138,389.59	2,102,800.83
Total	\$ 24,611,407.93	\$ 22,243,666.78	\$ 2,367,741.15

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 Charlotte County District School Board is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provides that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchased coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS *(Continued)*

G. Risk Management Programs *(Continued)*

The Board of Directors for SCERP is composed of superintendents/finance directors or an authorized representative of all participating districts. Ascension Benefits and Insurance Solutions serves as the third-party administrator, insurance broker, and fiscal agent for SCERP.

Property damage coverage is managed by SCERP by purchase of excess coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except named wind and flood). The named wind/hurricane deductible is 5% of replacement cost value with a minimum of \$100,000 per occurrence. The deductible for all other wind events is \$100,000. Special hazard flood deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000.

SCERP's purchased excess property loss limit during the 2014-15 fiscal year was \$75 million.

Worker's compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2014-15 fiscal year was \$1,000,000. SCERP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insured retention. Employers' liability is included, subject to \$2,000,000 per occurrence limit.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of governmental entities for tort claims to a \$200,000 per claim and \$300,000 per occurrence.

The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

Effective January 1, 2010, the District contracted an administrator to manage the health and hospitalization self-insurance program, including the processing, investigating, and payment of claims. The insurance administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. The District's liability for health and hospitalization coverage is limited by excess insurance to \$225,000 per individual per plan year.

As of June 30, 2015, a liability in the amount of \$2,082,408.40 was actuarially determined to cover estimated incurred but not reported insurance claims payable.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. Risk Management Programs (Concluded)

The following schedule represents the changes in claim liability for the current and past fiscal year for the District's self-insurance fund:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimated Liability</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2014-15	\$ 1,741,541.55	\$ 14,723,582.50	\$ (14,382,715.65)	\$ 2,082,408.40
2013-14	1,348,666.31	13,664,853.31	(13,271,978.07)	1,741,541.55

H. Changes in Short-term Debt

Following is a schedule of changes in short-term debt during the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Short-term Debt				
Tax Anticipation Note	\$ 0	\$ 16,000,000	\$ (16,000,000)	\$ 0

On September 17, 2014, the Charlotte County District School Board issued a Tax Anticipation Note, Series 2014, in the amount of \$16 million. The note carried an interest rate of 0.75% and was repaid on March 31, 2015.

I. Long-term Liabilities

1. Qualified Zone Activity Bonds

On November 27, 2006, the District entered into a financing arrangement, characterized as a lease-purchase agreement, with the Charlotte School Board Leasing Corporation (the Leasing Corporation), a blended component unit, whereby the District secured financing under the Qualified Zone Academy Bonds (QZAB) Program in the amount of \$5,000,000. The QZAB Program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). Interest on the debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the lender (Bank of America) was established by the United States Government at the time of the sale.

The financing was accomplished through the issuance of a Series 2006-QZAB Note on November 27, 2006. The \$5,000,000 note proceeds were designated for technology upgrades/replacements, computer laptops, and instructional equipment/materials at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbor Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School. The Leasing Corporation issued the bonds, purchased the equipment, and then leased the equipment to the District under terms of the lease-purchase agreement.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS *(Continued)*

I. Long-term Liabilities *(Continued)*

1. Qualified Zone Activity Bonds *(Concluded)*

Repayment of the original \$5,000,000 note is due in full on November 27, 2022. Rent paid by the District to the Leasing Corporation corresponds to the annual debt service requirements on the bonds. Rents are paid from “Available Revenues” of the District, including capital outlay millage revenues. The lease term ends on the date the note is paid in full.

In connection with the financing, the Leasing Corporation assigned its rights to the rent collections to a paying agent (US Bank), and the District entered into a sinking fund forward delivery agreement with the paying agent whereby the District will deposit 16 annual rent payments of \$242,708.40, beginning in 2007, into a sinking fund held by the Custodian (US Bank), as security for the bonds. The Provider of the forward delivery agreement (Bank of America) provides a guaranteed investment return of 3.19% per annum, which together with the required annual rent deposits, will be sufficient to repay the debt at maturity. At June 30, 2015, the market value of the sinking fund account was \$2,250,014.26.

2. Qualified School Construction Bonds

In 2010, the District established a master lease-purchase program for the lease-purchase financing of various current and future educational facilities and sites. The general terms of this program were determined pursuant to a Master Lease-Purchase Agreement and Master Trust Agreement between the District and the Leasing Corporation.

On May 28, 2010, the District entered into a financing arrangement with the Leasing Corporation under this program whereby the District secured financing under the Qualified School Construction Bond (QSCB) Program in the amount of \$60,000,000. The QSCB Program was established by Section 1521 of the *American Recovery and Reinvestment Act* (ARRA) and codified in Section 54A and 54F of the Internal Revenue Code. Among other things, the program provides low interest cost financing to school districts to construct certain education facilities. Interest on the debt is paid by the District, and reimbursed in part by the federal government.

The financing was accomplished through the issuance of a School Board of Charlotte County, Florida Master Lease Program – Master Lease Certificates, Series 2010A – Qualified School Construction Bond (QSCB) in the principal amount of \$60,000,000. The certificate proceeds were received from the lender (Bank of America) and designated for the replacement construction of two schools, Meadow Park Elementary School and Lemon Bay High School. Under terms of Lease Schedule 2010A to the Master Lease-Purchase Agreement, and other related agreements, the District provided a ground lease to the Leasing Corporation, then would construct, acquire, install, and lease-purchase the projects from the Leasing Corporation.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. Long-term Liabilities (Continued)

2. Qualified School Construction Bonds (Concluded)

Repayment of the original \$60,000,000 certificate proceeds is due in full on May 1, 2027. Interest payments are due semi-annually based on a 5.70% annual interest rate, and a federal interest subsidy reimbursement is available, initially projected at an annual rate of 5.29%. (The subsidy was reduced for 2014 and 2015, pursuant to the requirements of the *Balanced Budget and Emergency Deficit Control Act of 1985*, as amended. Interest payments in 2015 were \$3,420,000 and interest subsidies were \$2,942,298). Rent paid by the District to the Leasing Corporation corresponds to the annual debt service requirements on the bonds. Rents are paid from "Available Revenues" of the District, including capital outlay millage revenues. The lease term ends on the date the certificates are paid in full.

In connection with the financing and pursuant to a Series 2010A Supplemental Master Trust Agreement, the Leasing Corporation assigned its rights to the rent collections to a Trustee (Regions Bank), requiring the District to deposit the 17 annual "basic" rent payments of \$3,529,412 (corresponding to the principal portion of the bond), beginning in 2011, into a sinking fund held by the Trustee, as security for the bond. These amounts will be sufficient to pay the \$60 million principal balance at maturity. Investment income earned in the Sinking Fund can be used to reduce future annual rent payments. At June 30, 2015, the market value of the sinking fund account was \$17,656,637.05.

3. State Bonds

State school bonds payable at June 30, 2015, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity to
State School Bonds:			
Series 2014-B, Refunding	\$ 1,405,000.00	2.0 - 5.0	2020
Series 2009-A, Refunding	95,000.00	2.0 - 5.0	2019
Subtotal	1,500,000.00		
Add: Unamortized Premium	129,887.11		
Total Bonds Payable	\$ 1,629,887.11		

The various bonds were issued by the State Board of Education 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 State Board of Education and the State Board of Administration.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. Long-term Liabilities (Continued)

3. State Bonds (Concluded)

Refunding Transaction

On October 21, 2014, the State of Florida issued \$129,880,000 par amount State Board of Education Capital Outlay Refunding Bonds Series 2014-B, to advance refund its outstanding 2005-B bonds. The District participated in this refunding transaction. The District's share of the refunding bonds issued was \$1,405,000.00, plus a premium of \$133,642.79. The District's par amount of bonds refunded was \$1,515,000.00. Amounts totaling \$1,567,794.28 were placed into an irrevocable escrow on behalf of the District, and used to fully retire the District's share of these outstanding refunded bonds on January 1, 2015. The transaction resulted in an accounting loss of \$1,356.61 for the District, which is being deferred and amortized over the remaining term of the refunding bonds. The transaction lowered the District's future debt service payments by \$88,349 and resulted in a net present value savings of \$86,649.

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

Fiscal Year Ending June 30,	Total	Principal	Interest
State School Bonds			
2016	\$ 490,270.00	\$ 427,000.00	\$ 63,270.00
2017	500,120.00	459,000.00	41,120.00
2018	501,545.00	484,000.00	17,545.00
2019	77,470.00	74,000.00	3,470.00
2020	<u>56,560.00</u>	<u>56,000.00</u>	<u>560.00</u>
Total State School Bonds	1,625,965.00	1,500,000.00	125,965.00
Add: Unamortized Premium	<u>129,887.11</u>	<u>129,887.11</u>	<u>0.00</u>
Total	<u><u>\$ 1,755,852.11</u></u>	<u><u>\$ 1,629,887.11</u></u>	<u><u>\$ 125,965.00</u></u>

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

I. Long-term Liabilities (Concluded)

4. Changes in Long-term Liabilities

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

Description	Beginning Balance (Restated)	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
Qualified Zone Academy Bonds	\$ 5,000,000.00			\$ 5,000,000.00	
Qualified School Construction Bond	60,000,000.00			60,000,000.00	
State Bonds Payable	2,229,576.93	\$ 1,538,642.79	\$ (2,138,332.61)	1,629,887.11	\$ 427,000.00
Estimated Insurance Claims Payable	1,741,541.55	15,064,449.35	(14,723,582.50)	2,082,408.40	
Compensated Absences Payable	10,936,292.30	1,686,302.59	(1,161,847.96)	11,460,746.93	1,513,032.74
Other Postemployment					
Benefits Payable	2,033,377.00	603,097.00	(181,956.00)	2,454,518.00	
Net Pension Liability	58,094,597.00	36,358,198.00	(54,663,755.00)	39,789,040.00	
Total Governmental Activities	<u>\$ 140,035,384.78</u>	<u>\$ 55,250,689.73</u>	<u>\$ (72,869,474.07)</u>	<u>\$ 122,416,600.44</u>	<u>\$ 1,940,032.74</u>

The beginning balance above has been restated for the inclusion of the net pension liability, as required by the implementation of GASB 68.

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. Estimated insurance claims payable are generally liquidated with resources of the General Fund. Due to the nature of the liability, none of postemployment benefits obligations are considered due in one year.

J. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Payables
Major Funds:		
General	\$ 647,215.97	
Special Revenue:		
Federal Economic Stimulus Program		\$ 54,863.37
Other Federal Programs		443,621.89
Fiduciary - Agency		<u>148,730.71</u>
Total	<u>\$ 647,215.97</u>	<u>\$ 647,215.97</u>

Interfund receivables and payables are temporary loans of cash between funds for a period of less than 13 months. The temporary loans will be repaid in the next fiscal year.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 13,975,620.00
Categorical Educational Programs:	
Class Size Reduction/Operating Funds	16,897,478.00
School Recognition Funds	163,352.00
Voluntary Prekindergarten Program	552,552.35
District Discretionary Lottery Funds	55,419.00
Workforce Development Program	2,528,378.00
Workforce Development Program Incentive	74,210.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	687,995.15
Public Education Capital Outlay (PECO)	317,426.00
Miscellaneous	597,968.12
Total	<u><u>\$ 35,850,398.62</u></u>

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

2. Property Taxes

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

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.064	\$ 67,656,158
Prior Period Funding Adjustment	0.053	708,092
Basic Discretionary Local Effort	0.748	9,993,445
 <u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	20,040,331
Total	<u><u>7.365</u></u>	<u><u>\$ 98,398,026</u></u>

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

Note II - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Concluded)

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 Funds:		
General	\$ 6,675,000.00	
Debt Service:		
ARRA Economic Stimulus	3,940,713.66	
Capital Projects:		
Local Capital Improvement Fund		\$ 8,790,996.06
Nonmajor Governmental Funds	242,708.40	1,067,426.00
Internal Service Fund		1,000,000.00
Total	<u>\$ 10,858,422.06</u>	<u>\$ 10,858,422.06</u>

Interfund transfers represent permanent transfers of money between funds. Funds are transferred to the General Fund from the Local Capital Improvement Fund (LCIF) to finance District maintenance projects, equipment purchases, and property insurance. The transfer to the debt service fund is to fund required annual sinking fund payments. The transfer from the internal service fund to the General Fund was a distribution of program surplus.

Note III - CONSORTIUMS

The District is a member of both the Small School District Council Consortium and the Greater Florida Consortium of School Boards. These consortiums are organized to provide educational information, interpretation, and consultation assistance to the affected Districts.

Note IV - NON-FEDERAL SHARE FOR HEAD START PROGRAMS

For the Head Start and Early Head Start grants, the District is required to provide 20% of the total amount expended using non-Federal funds and donated goods and services. Local funds expended were for facilities, equipment, and district support staff, such as therapists, psychologists, and teachers. Donated goods and services were provided by the community and were used for the benefit of the program. During this fiscal year, for grant number 04CH3161/48 with a period ending October 31, 2014, the required amount of non-Federal share is \$196,745.50. For grant number 04CH3161/01 the required amount of non-Federal share during the period November 1, 2014 through June 30, 2015, is \$349,747.44.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Concluded)

Note V - GASB 68 - ADJUSTMENT TO BEGINNING NET POSITION

The beginning net position—governmental activities of the District was decreased by \$52,599,226.00 due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 requires the District to recognize its proportionate share of the net pension liability and operating statement activities related to changes in the collective pension liabilities of the FRS Plan. The measurement date for the beginning net position adjustment was June 30, 2013, representing a one-year lag in reporting these proportionate items. The District's proportionate share of the net pension liability at July 1, 2013, totaled \$58,094,597.00. Deferred outflows at June 30, 2013, were \$5,495,371.00. Following is a summary of the original and restated amounts:

	Governmental Activities
Beginning Net Position:	
As Originally Reported	\$ 427,661,377.02
Adjustment	<u>(52,599,226.00)</u>
As Restated	<u><u>\$ 375,062,151.02</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 175,000.00	\$ 175,000.00	\$ 166,282.39	\$ (8,717.61)
Federal Through State and Local	1,080,000.00	1,080,000.00	1,054,831.81	(25,168.19)
State	35,400,568.00	34,729,138.00	34,731,884.09	2,746.09
Local:				
Property Taxes	78,357,694.00	78,732,694.00	78,744,488.28	11,794.28
Miscellaneous	3,440,227.00	3,588,945.00	3,857,988.88	269,043.88
Total Revenues	118,453,489.00	118,305,777.00	118,555,475.45	249,698.45
Expenditures				
Current - Education:				
Instruction	76,431,527.00	75,858,056.10	74,414,544.17	1,443,511.93
Student Support Services	7,532,579.00	7,572,727.42	7,510,330.71	62,396.71
Instructional Media Services	1,380,216.00	1,375,416.00	1,297,530.79	77,885.21
Instruction and Curriculum				
Development Services	2,961,444.00	3,088,378.17	2,976,261.72	112,116.45
Instructional Staff Training Services	1,228,642.00	1,438,180.13	1,402,540.46	35,639.67
Instruction Related Technology	978,391.00	982,991.00	952,142.59	30,848.41
School Board	684,081.00	728,481.00	703,271.47	25,209.53
General Administration	340,902.00	390,741.00	355,573.72	35,167.28
School Administration	9,203,381.00	9,324,261.00	9,311,398.02	12,862.98
Fiscal Services	979,123.00	984,723.00	967,035.79	17,687.21
Central Services	2,785,879.00	2,847,939.00	2,838,234.72	9,704.28
Student Transportation Services	6,561,817.00	6,146,457.00	5,930,749.27	215,707.73
Operation of Plant	11,797,275.00	12,141,325.00	12,113,357.75	27,967.25
Maintenance of Plant	3,848,942.00	3,959,606.00	3,921,871.95	37,734.05
Administrative Technology Services	1,477,979.00	1,580,279.00	1,537,885.74	42,393.26
Community Services	191,482.00	203,682.00	201,785.24	1,896.76
Debt Service:				
Interest and Fiscal Charges	100,000.00	100,000.00	66,924.02	33,075.98
(Total Expenditures)	128,483,660.00	128,723,242.82	126,501,438.13	2,221,804.69
(Deficiency) of Revenues (Under)				
Expenditures	(10,030,171.00)	(10,417,465.82)	(7,945,962.68)	2,471,503.14
Other Financing Sources				
Transfers in	5,925,000.00	6,675,000.00	6,675,000.00	-
Insurance Loss Recoveries			65,412.96	65,412.96
Total Other Financing Sources	5,925,000.00	6,675,000.00	6,740,412.96	65,412.96
Net Change in Fund Balances	(4,105,171.00)	(3,742,465.82)	(1,205,549.72)	2,536,916.10
Fund Balances, Beginning of Year	11,438,707.00	11,438,707.00	11,438,707.38	0.38
Fund Balances, End of Year	\$ 7,333,536.00	\$ 7,696,241.18	\$ 10,233,157.66	\$ 2,536,916.48

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE—FEDERAL ECONOMIC STIMULUS PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue - Federal Economic Stimulus Programs			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 325,752.00	\$ 358,538.01	\$ 358,538.01	\$ -
Total Revenues	<u>325,752.00</u>	<u>358,538.01</u>	<u>358,538.01</u>	<u>-</u>
Expenditures				
Current - Education:				
Instruction	22,308.00	30,914.53	30,914.53	-
Instruction Curriculum				
Development Services	253,645.00	117,324.36	117,324.36	-
Instructional Staff Training Services	39,846.00	193,362.06	193,362.06	-
General Administration	6,953.00	12,925.97	12,925.97	-
School Administration		1,438.57	1,438.57	-
Student Transportation Services	3,000.00	2,572.52	2,572.52	-
(Total Expenditures)	<u>325,752.00</u>	<u>358,538.01</u>	<u>358,538.01</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE—OTHER FEDERAL PROGRAMS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Special Revenue - Other Federal Programs Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal Direct	\$ 2,189,822.00	\$ 2,185,971.74	\$ 2,185,971.74	\$ -
Federal Through State and Local	9,843,129.00	10,490,440.05	9,067,720.87	(1,422,719.18)
Total Revenues	<u>12,032,951.00</u>	<u>12,676,411.79</u>	<u>11,253,692.61</u>	<u>(1,422,719.18)</u>
Expenditures				
Current - Education:				
Instruction	5,336,269.00	5,779,195.20	5,222,603.91	556,591.29
Student Support Services	836,346.00	859,851.07	767,306.74	92,544.33
Instructional Media Services		600.00	501.48	98.52
Instruction and Curriculum				
Development Services	3,050,362.00	3,100,371.38	2,823,314.03	277,057.35
Instructional Staff Training Services	1,847,515.00	2,007,216.87	1,588,547.53	418,669.34
General Administration	649,954.00	639,584.79	566,420.49	73,164.30
School Administration	158,663.00	138,824.78	138,824.78	-
Facilities Acquisition and Construction	10,000.00	14,076.25	14,076.25	-
Fiscal Services	548.00	1,633.28	1,633.28	-
Student Transportation Services	26,405.00	23,716.74	19,122.69	4,594.05
Operation of Plant	116,889.00	111,341.43	111,341.43	-
(Total Expenditures)	<u>12,032,951.00</u>	<u>12,676,411.79</u>	<u>11,253,692.61</u>	<u>1,422,719.18</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
1/1/2010		\$ 6,042,832	\$ (6,042,832)	0.00%	\$ 64,612,372	9.35%
1/1/2012		3,328,950	(3,328,950)	0.00%	63,062,639	5.28%
1/1/2014		4,431,195	(4,431,195)	0.00%	60,812,164	7.29%

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2015**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	June 30, 2015	June 30, 2014
District's Proportion of the FRS Net Pension Plan	0.205279740%	0.193020325%
District's Proportion Share of the FRS Net Pension Plan	\$ 12,525,083	\$ 33,227,389
District's Covered-Employee Payroll	87,860,115	83,239,500
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	14.26%	39.92%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.09%	Unavailable

Note : (1) The amounts shown above as reported on the date indicated, have a measurement date one year prior. Covered-employee payroll is for the year shown.

HEALTH INSURANCE SUBSIDY PENSION PLAN

	June 30, 2015	June 30, 2014
District's Proportion of the FRS Net Pension Plan	0.291585519%	0.285622663%
District's Proportion Share of the FRS Net Pension Plan	\$ 27,263,957	\$ 24,867,208
District's Covered-Employee Payroll	87,860,115	83,239,500
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	31.03%	29.87%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.99%	Unavailable

Note : (1) The amounts shown above as reported on the date indicated, have a measurement date one year prior.
Covered-employee payroll is for the year shown.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2015**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 5,023,809	\$ 4,496,497
FRS Contribution in Relation to the Contractually Required Contribution	<u>(5,023,809)</u>	<u>(4,496,497)</u>
FRS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll (FYE 9/30)	\$ 87,860,115	\$ 83,239,500
FRS Contributions as a Percentage of Covered-Employee Payroll	5.72%	5.40%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,106,784	\$ 998,874
HIS Contribution in Relation to the Contractually Required Contribution	<u>(1,106,784)</u>	<u>(998,874)</u>
HIS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll (FYE 9/30)	\$ 87,860,115	\$ 83,239,500
HIS Contributions as a Percentage of Covered-Employee Payroll	1.26%	1.20%

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Note I - BUDGETARY BASIS OF ACCOUNTING

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

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

Note II - SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

The January 1, 2014, projected unfunded actuarial accrued liability of \$4,431,195 was increased from the January 1, 2012 liability of \$3,328,950 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- *Population Changes* - The number of enrolled retirees receiving post-employment health-care benefits increased from 64 in the previous valuation to 68 in the latest valuation. At the same time, the number of active employees eligible for future post-employment health-care benefits decreased from 1,605 to 1,517. These changes had a modest decreasing effect on the cost and liabilities.
- *Initial Cost of Coverage and Retiree Contributions* - The total cost of coverage increased from \$776 per employee per month (as expected for the year beginning January 1, 2012) to \$792 per employee per month for the year beginning January 1, 2014. This is lower than the \$828 per employee per month previously projected for this year. This change had a decreasing effect on the cost and liabilities. However, premiums charged to retirees did not keep up with the growing costs, which had a significant increasing effect on the costs and liabilities.
- *Medical Trend Assumption* - The actuary made a slight revision in the assumed trend of medical/prescription cost increases, from the previous valuation. In the current valuations, costs are expected to increase annually starting with an 8.0% increase in the year beginning January 1, 2015, with the annual increase decreasing by .5% per year to an ultimate value of 5.0% in the year beginning January 1, 2021. This change had an increasing effect on the cost and liabilities.

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Concluded)

Note II - SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
(Concluded)

- *Reflecting Provisions of the Affordable Care Act* - In the current valuation, the District does not project to be assessed the Excise Tax on High-Cost Employer Health Plans until after it becomes effective. The current valuation estimates that absent any plan changes, this will result in additional 0.46% cost and premium increases for years 2021 and later, in addition to the increases noted in the preceding bullet. This change had a modest effect on the cost and liabilities; the estimated impact of this law is similar to what was modeled in the previous valuation.

Note III - SCHEDULES OF NET PENSION LIABILITY AND SCHEDULES OF CONTRIBUTIONS

Changes in Benefit Terms:

- No significant changes.

Changes in Assumptions:

- **FRS:** As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- **HIS:** The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; THE PROVISIONS OF THE OFFICE OF MANAGEMENT
AND BUDGET (OMB) CIRCULAR A-133; AND *RULES OF THE
AUDITOR GENERAL* OF THE STATE OF FLORIDA**

**CHARLOTTE 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	321	\$ 1,290,192.68
National School Lunch Program	10.555	300, 350	4,538,006.80
National School Lunch Program	10.555 (2)	None	297,005.40
Summer Food Service Program for Children	10.559	323	193,656.88
Total Child Nutrition Cluster			<u>6,318,861.76</u>
Other Indirect:			
Florida Department of Agriculture and Consumer Services:			
Fresh Fruit and Vegetable Program	10.582	None	303,813.78
National School Lunch Program Equipment Assistance Grant	10.579	None	23,979.88
Total Florida Department of Agriculture and Consumer Services			<u>327,793.66</u>
Total United States Department of Agriculture			<u><u>6,646,655.42</u></u>
United States Department of Education			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants	84.007	N/A	8,105.00
ARRA - Federal Pell Grant Program	84.063	N/A	505,000.29
Total Student Financial Assistance Cluster			<u>513,105.29</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	4,499,590.88
Special Education - Preschool Grants	84.173	267	49,336.12
Sarasota County District School Board:			
Special Education - Grants to States	84.027 (3)	263	101,611.99
Total Special Education Cluster			<u>4,650,538.99</u>
Title I, Part A:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	3,487,308.92
Total Title I, Part A			<u>3,487,308.92</u>

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Concluded)

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 Education (Concluded)			
Indirect: <i>(Concluded)</i>			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	\$ 230,308.00
Career and Technical Education - Basic Grants to States	84.048	151, 161	215,080.02
Education for Homeless Children and Youth	84.196	127	41,627.22
English Language Acquisition Grants	84.365	102	35,715.77
Improving Teacher Quality State Grants	84.367	224	508,753.94
ARRA - Race to the Top, Recovery Act	84.395A	RL111	358,538.01
Total Florida Department of Education			1,390,022.96
Total United States Department of Education			10,040,976.16
United States Department of Health and Human Services			
Direct:			
Head Start	93.600 (4)	N/A	2,185,971.74
Total United States Department of Health and Human Services			2,185,971.74
United States Department of Defense			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	166,282.39
Total United States Department of Defense			166,282.39
Total Expenditures of Federal Awards			\$ 19,039,885.71

Notes:

(1) **Basis of Presentation:** The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2014-15 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been prepared.

(2) **Noncash Assistance:** National School Lunch Program - Represents the amount 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 84.027 expenditures: \$4,601,202.87.

(4) **Head Start:** Expenditures include \$786,981.99 for grant number/program year 04CH3161/48 and \$1,398,989.75 for grant number/program year 04CH4774/01.

**INDEPENDENT AUDITORS' 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***

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

We have audited, in accordance with the 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, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Charlotte County District School Board (the District) as of and for the 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 November 20, 2015. 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Certified Public Accountants

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Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

**INDEPENDENT AUDITORS' 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*
(Concluded)**

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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Durvis, Gray and Company, LLP

November 20, 2015
Sarasota, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

Report on Compliance for Each Major Federal Program

We have audited the Charlotte County District School Board's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Certified Public Accountants

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Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Concluded)**

Report on Internal Control over Compliance

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

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

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

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



November 20, 2015
Sarasota, Florida

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ 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 Auditors’ 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: U.S. Department of Agriculture, Passed
Through Florida Department of
Agriculture and Consumer Services,
Including Child Nutrition Cluster:
10.553, 10.555, 10.559, 10.582, 10.579

U.S. Department of Education, Passed
Through Florida Department of Education,
Title I, Part A:
84.010

Dollar Threshold Used to Distinguish Between
Type A and Type B Programs: \$571,197

Auditee Qualified as Low-risk Auditee? Yes

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
(Concluded)**

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OTHER MATTERS

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings.

A Corrective Action Plan is not required because there are no current year findings related to federal awards.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

Report on Compliance

We have examined the Charlotte County District School Board's (the District) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended June 30, 2015, as required by Section 10.805(9), *Rules of the Auditor General*.

Management's Responsibility

Management is responsible for the District's compliance with those requirements.

Accountants' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

Opinion

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2015.

Restriction on Use

This report is intended solely for the information and use of the Charlotte County District School Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

November 20, 2015
Sarasota, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

MANAGEMENT LETTER

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

Report on the Financial Statements

We have audited the financial statements of the Charlotte County District School Board (the District), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 20, 2015. 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 matters related to these separate audits.

Auditors' Responsibility

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' 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*, Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required By OMB Circular A-133, Schedule of Findings and Questioned Costs, and our Independent Accountants' Report on Compliance with Section 218.415, *Florida Statutes*. Disclosures in those reports and schedule, which are dated November 20, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Item **#2014.01 Self-Insurance Premiums** has been resolved to our satisfaction.

Financial Condition

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Certified Public Accountants

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Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representatives made by management and the review of financial information provided by same.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the District maintains on its Web site the information specified in Section 1011.035, *Florida Statutes*, (Section 1011.035, *Florida Statutes*, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District maintained on its Web site the information specified in Section 1011.035, *Florida Statutes*.

Other Matters

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we offer the following observation and recommendation:

2015.01 Depreciation of Buildings and Fixed Equipment—The District was depreciating almost all their buildings and fixed equipment over fifty (50) years. During the audit, we initiated discussions with management about whether a shorter depreciable life might be more appropriate for certain items such as renovations, roofs, and HVAC systems. We proposed a methodology that allowed for a portion of all buildings to be depreciated over twenty (20) years. This methodology was accepted by management and applied prospectively, beginning in 2015. This increased the annual depreciation in this asset category substantially, but to a more realistic estimate. We recommend this methodology be applied going forward.

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District School Board members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



November 20, 2015
Sarasota, Florida

Steve Dionisio
Superintendent

December 8, 2015



School Board

Barbara Rendell, Chairman
Bob Segur, Vice-Chairman
Alleen Miller
Lee Swift
Ian Vincent

Mr. Joseph Welch, CPA
Purvis, Gray & Company
5001 Lakewood Ranch Blvd, N., Suite 101
Sarasota, Florida 34240

Dear Mr. Welch:

We have received the list of preliminary and tentative audit findings and hereby submit our written response as required by Section 11.45(7)(d), Florida Statute.

During the year we will review the appropriate course of action needed to address the conditions or deficiencies reported to us. We will adopt new depreciation methodologies to accurately reflect asset life and apply it to future years.

Thank you for the professional manner in which this audit was conducted. We appreciate the insight that your staff provides to us which helps us to continuously improve the operations of Charlotte County Public Schools.

Sincerely,

Gregory S. Griner
Chief Financial Officer

/cc: file