

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDING JUNE 30, 2016



The School Board of Marion County, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**MARION COUNTY DISTRICT SCHOOL BOARD
OCALA, FLORIDA**

**FISCAL YEAR ENDED
JUNE 30, 2016**

George D. Tomy, Superintendent of Schools

**Prepared By:
Finance and Accounting Department
Theresa Boston-Ellis, Deputy Superintendent of Support Services
Alice A. Posada, Director of Finance**

**Marion County District School Board
P.O. Box 670
Ocala, FL 34478-0670**

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**THE MARION COUNTY DISTRICT SCHOOL BOARD
 OCALA, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED
 JUNE 30, 2016**

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INTRODUCTORY



Principal Officials

District School Board



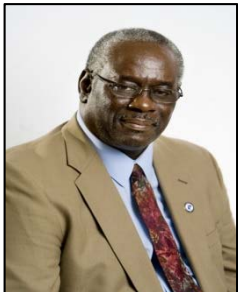
Ms. Angie Boynton
Chair, District IV



Mrs. Carol Ely
Vice Chair, District II



Mrs. Nancy Stacy
Member, District I



Mr. Bobby James
Member, District III



Mrs. Kelly King
Member, District V

Executive Officials



Mr. George D. Tomy
Superintendent



Mrs. Lisa Krysalka
Deputy Superintendent,
Curriculum



Ms. Theresa Boston-Ellis
Deputy Superintendent,
Support Services

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November 17, 2016

Members of the Board
Marion County School Board
512 SE 3rd Street
Ocala, Florida 34471

Dear School Board Members and Citizens of Marion County,

State statute requires that all local governments publish after the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Marion County District School Board (the District), for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the District. Responsibility for the administration and management of the schools and the administrative support units of the District is vested in the Superintendent of Schools who serves as the Board Secretary and Chief Executive Officer. Accordingly, responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the Superintendent and the designated representatives of the Superintendent. To provide a reasonable basis for making these representations, the Superintendent and/or his representatives have established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As District representatives, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Purvis, Gray and Company, LLP has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor

George D. Tomy
Superintendent

Nancy Stacy
District 1

Carol Ely
District 2

Bobby L. James
District 3

Angie Boynton
District 4

Kelly King
District 5

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concluded that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. Purvis, Gray and Company's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the District was part of a broader, Federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The District is required to undergo an annual single audit in conformity with the provisions of the Uniform Guidance. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. Information related to this Single Audit, including the schedule of expenditures of Federal awards, the independent auditor's reports on internal control over financial reporting and on compliance and other matters, the independent auditor's report on Federal program compliance, the schedule of findings and questioned costs, and the summary schedule of prior audit findings, is included in section IV as additional elements of this report.

This report includes all funds of the District. District school officials are responsible for providing a full range of educational programs to students in the District, thus these programs and support activities meet the criteria for inclusion in the reporting entity. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

We trust the report provides sufficient information and insight to demonstrate a basis for confidence in our leadership team and its ability to keep raising the level of educational excellence in our District.

Profile of the School District

The District and its governing board (the Board) were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered and supervised by District school officials in accordance with Chapter 1001, Florida Statutes. The Board consists of five (5) elected officials responsible for the adoption of policies, which govern the operation of the District's public schools. The Superintendent is responsible for the administration and management of the schools within the applicable parameters of State laws, State Board of Education Rules, and School Board policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts for the District by State Board of Education Rule 6A-1.001, Florida Administrative Code.

The geographic boundaries of the District are coterminous with those of Marion County. Management of the District is independent of county and city governments.

The CAFR contains the audited financial statements for all operations over which the District is financially accountable. Various potential component units were evaluated to determine whether they should be considered as part of the District's reporting entity. A component unit was considered to be part of the District's reporting entity when it was concluded that the District was financially accountable for the entity or the nature and significance of the relationship between the District and the entity was such that exclusion would cause the District's financial statements to be misleading. Based on established criteria, it was determined that a leasing corporation is identified as a component unit requiring blended presentation, and one direct support organization and four charter schools are component units requiring discrete presentation in the basic financial statements. Charter schools are funded by the State and Federal governments, and funds pass through the District for distribution to

each charter school. Charter schools also receive grants and donations that do not pass through the school system. The notes to financial statements include a detailed discussion of the blended component unit and the component units that are discretely presented in the basic financial statements.

I. BEING ACCOUNTABLE FOR WHAT WE DO

The District is legally responsible for providing a full range of educational programs in Marion County. These include:

- ❖ Voluntary Pre-Kindergarten
- ❖ Kindergarten through 12th grade
- ❖ Basic, Regular, and Enrichment Programs
- ❖ Exceptional Student Education
- ❖ Career Technical Education
- ❖ Adult Education
- ❖ Specialized Instruction, in areas such as English Proficiency for Speakers of Other Languages
- ❖ Alternative Education

This report accounts for the source and expenditure of all funds involved in the implementation and support of these programs.

II. COPING WITH CHANGE

Covering 1,663 square miles, Marion County is one of the largest counties in Florida and is in the midst of significant demographic change as discussed below.

With 42,474 students, Marion County student enrollment increased by 280 students from the 2014-15 fiscal year to the 2015-16 fiscal year. Enrollment has decreased by 497 students since the 2007-08 fiscal year, which approximates the level of decline of students statewide. There is little projected change for the 2016-17 fiscal year student enrollment.

Growth

In the past nine years, total population in the county has grown from 304,926 to 346,964, or 14 percent. Most of this increase occurred from 2006 to 2008.

Diversity

Marion County continues to grow and with growth comes the community's growth in diversity. While past trends have shown younger families leaving Florida to seek better job opportunities, recent change however, has shown the Community is now growing jobs. With a strong focus on job creation through the local economic development comes business retention; with business retention comes increased job opportunities, and with job opportunities come newcomers/families from Latin American, India, and the Caribbean, thereby creating a growing community and student population, rich in diversity.

The demographics of our students within the school district is reflective of our community's ethnic and racial diverse population of Hispanic, Asian, Indian, and Pacific Islanders. Although more than 13 percent of our student population have a native language represented by a language other than English, English and Spanish remain the dominant languages.

Economic Development

As the work force needs in the community change, the District seeks to work with the Ocala/Marion County Chamber and Economic Partnership, Career Source, Citrus/Levy/Marion, local employers and

other organizations to help ensure our students are prepared to continue on to post-secondary education, the military, or to join our local work force.

Public-private partnerships, such as the Marion Technical Institute task force, are shaping strategies to help ensure students are prepared for highly skilled jobs available in Marion County. Marion Technical College (MTC) postsecondary programs and all Marion County secondary career and technical programs work cooperatively with local employer advisory committees to ensure that all programs meet the standards for preparing students for productive careers and for continued education. New program offerings at the secondary and postsecondary levels are selected for implementation based upon projected job openings and high-skill, high-wage criteria.

The District has become an integral part of these efforts. Preparing students for productive employment, which is part of our mission, is crucial to successful economic development.

The District is caught in a fiscal debate over how to accommodate the class size reduction amendment coupled with rising academic expectations. The long-term financial plan for obtaining these resources is discussed in the next section.

III. MOVING TO THE NEXT LEVEL

We have narrowed our focus to our core objective, which is to prepare children to succeed in the future. We have also initiated a strategy for accelerating the pace of improvement. For example:

- ❖ The District's comprehensive program for student progression uses assessment data, including universal screening and ongoing progress monitoring, to evaluate the effectiveness of instruction, identify students needing more intensive instructional support, and monitor each student's response to implemented interventions. Students who do not meet grade level expectations receive increasingly intense intervention services. The areas of academic need and intervention strategies are defined through a problem-solving/Multi-Tier System of Supports (MTSS) process. Multiple tiers of increasingly intense instructional/intervention services are implemented to support student academic proficiency. Students are matched to strategic and intensive interventions based on data from multiple assessment sources. Student progression decisions consider the effectiveness of core instruction and the student's response to evidence-based interventions. We believe that every child should be college and career ready and can achieve at high levels given the proper time and resources, and we plan for all our schools to achieve "A" or "B" School Recognition Grades by 2016.

- ❖ Student performance is paramount to any educational system. Success early in school in critical areas of reading, writing and mathematics is emphasized to promote success in higher grade levels. Lowering class size in kindergarten through third grades is just one way to accomplish this. Reducing the dropout rate begins in these early grades, when children learn the critical skills for learning. Identifying and targeting these challenging areas will keep students interested in learning and achieving at high levels, with the primary goal to see more students stay in school through graduation.

- ❖ Our current K-12 Reading Plan is focusing on the implementation of curriculum and instruction practices aimed at accelerating student growth. Marion County Public Schools leverages nationally normed Curriculum Based Measures to monitor student progress through the MTSS in Reading. Ongoing staff development and support is provided by professional development specialists. Through the reading initiative, schools monitor reading intervention data to determine if the gap is closing on reading deficiencies. We continue to work to identify those strategies that will be effective with the most at risk students. Our local community continues to support literacy by providing reading activities and materials targeting classrooms and/or grade levels.

The Florida Standards Assessment (FSA) was first administered in the spring of 2015 with results reported using T-scores. Following the approval of achievement level cut scores by the State Board of Education on January 6, 2016, all future FSA results will be reported as an achievement level. Below is a summary of the spring 2016 FSA administration:

- For the FSA ELA assessment, the percent of students scoring at level 3 and above decreased by 3% for grades 4, 6 and 7; decreased by 1% for grades 5 and 10; remained the same for grades 3 and 9 and increased by 1% for grade 8 as compared to the spring 2015 administration.
- For the FSA Mathematics assessment, the percent of students scoring at level 3 and above decreased by 3% for grades 5 and 6, decreased by 2% for grade 4, remained the same for grades 3 and 7 and increased by 3% for grade 8 as compared to the spring 2015 administration.
- For the FSA EOCs (End of Course assessments), the percent of students scoring at level 3 and above decreased by 7% for Algebra 1, increased by 5% for Geometry and increased by 3% for Algebra 2 as compared to the spring 2015 administration.
- For the Statewide Science assessment, the percent of students scoring at level 3 and above decreased by 3% for grade 5 and remained the same for grade 8.

School and district grades were released in July 2016. Below is a summary:

- “A”-3 schools or 6%
- “B”-6 schools or 11%
- “C”-27 schools or 51%
- “D”-14 schools or 26%
- “F”-3 schools or 6%
- District grade was a “C”

The Ocala/Marion County Chamber and Economic Partnership works closely with the District to develop a strong Business Partner Program for all schools through the Public Education Foundation. Partners assist schools financially and strategically to enhance student achievement.

With a clear mission, qualified workforce, and a growing sense of partnership with business, parents, and the community at large, we are poised for higher achievement.

Financial Information

Long-Term Financial Planning

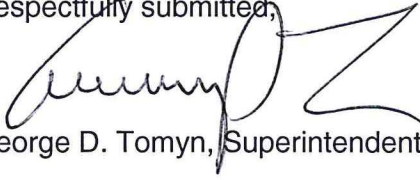
Long-term financial planning needs are addressed in a Five-Year District Facilities Work Plan encompassing all construction, maintenance, and facility renovation. The Facilities Work Plan is updated every year. Funding is provided primarily from the local capital outlay millage levy. The Facilities Department managed a total budget of approximately \$42 million during the 2015-16 fiscal year.

Financial Information

A detailed explanation of the financial position and operating results of the District is provided in the CAFR. Presented below is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information.

As this fiscal year ends, and we look back at the events that have affected us as a District and as a community, our commitment to quality education is as strong as ever.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "George D. Tomy". The signature is stylized with a large, sweeping "Z" shape at the end.

George D. Tomy, Superintendent of Schools

A handwritten signature in blue ink, appearing to read "Theresa B. Ellis". The signature is written in a cursive style.

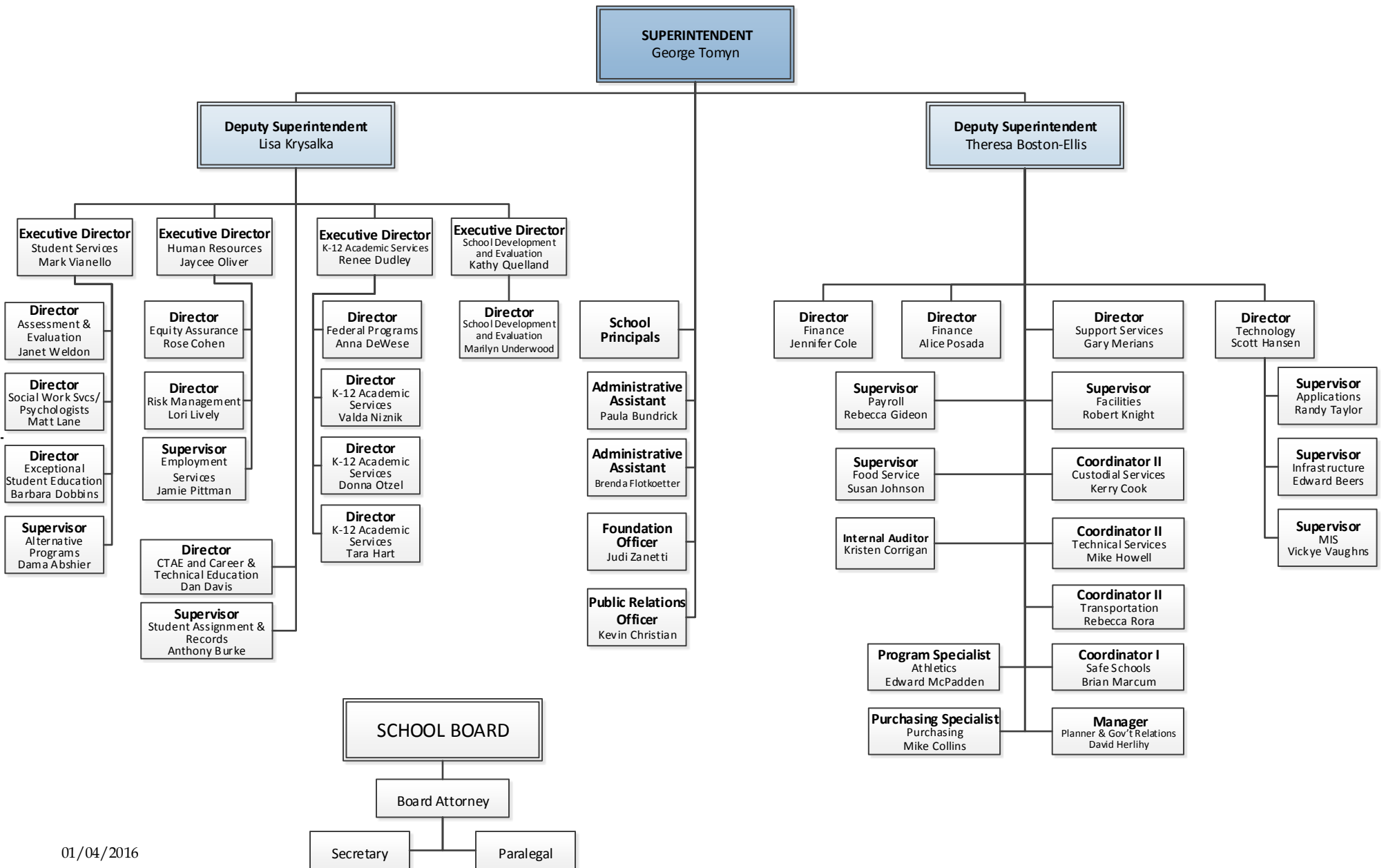
Theresa Boston-Ellis, Deputy Superintendent, Support Services

A handwritten signature in blue ink, appearing to read "Alice A. Posada". The signature is written in a cursive style.

Alice A. Posada, Director of Finance

MARION COUNTY PUBLIC SCHOOLS

Organizational Chart 2015-2016





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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Presented to

**School District of Marion County
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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F I N A N C I A L



FINANCIAL SECTION

This section contains the following subsections:

**Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements**

**Notes to Financial Statements
Required Supplementary Information
Notes to Required Supplementary Information**

**Supplementary Information:
Combining and Individual Fund Statements and Schedules**

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INDEPENDENT AUDITORS' REPORT

Marion County District School Board and
Superintendent
Ocala, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion County District School Board (the District), as of and for the fiscal year ended June 30, 2016, and the related notes, 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 Marion Charter School and the McIntosh Area School, which represents 42%, 22.5%, and 37.5%, respectively of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these two component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgement, 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.

Certified Public Accountants

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Marion County District School Board and
Superintendent
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Auditors' Responsibility (Concluded)

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, the schedule of funding progress for other postemployment benefits, schedule of proportionate share of net pension liability, and schedule of contributions information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of funding progress for other postemployment benefits, schedule of proportionate share of net pension liability, and schedule of contributions 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 management's discussion and analysis, the schedule of funding progress for other postemployment benefits, schedule of proportionate share of net pension liability and schedule of contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The major fund budgetary comparison schedules have 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 information 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 major fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Marion County District School Board and
Superintendent
Ocala, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund statements and budgetary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Accounting Standards*, we have also issued our report dated November 17, 2016, on our consideration of the District's internal control over financial reporting and 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 that 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 the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



November 17, 2016
Ocala, Florida

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Marion County District School Board (the District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- Total Net Position is \$310,364,868, which represents a 6.4 percent increase from the 2014-15 fiscal year. The primary reason for the increase is attributable to refunding of debt along with the change in pension liabilities, deferred inflow, and deferred outflow. 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. Information related to these programs is provided by the Florida Department of Management Services.
- General revenues total \$376,968,506, or 90.84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$37,996,401 or 9.16 percent of all revenues.
- Expenses total \$396,255,131; only \$37,996,401 of these expenses were offset by program revenues, with the remainder paid from general revenues. Total revenues exceed total expenses by \$18,709,776.
- The total combined assigned and unassigned fund balance of the General Fund, representing the net fund balance that is spendable and not restricted, totals \$26,773,078 at June 30, 2016, or 8.2 percent of total General Fund revenues. The unassigned fund balance totals \$15,425,636 which represents 4.7 percent of total General Fund revenues.
- The District's capital assets (net of depreciation) decreased by \$7,198,280 as depreciation expense exceeded capital asset additions in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

Government-wide financial statements

Fund financial statements

Notes to 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 primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets, its liabilities, its deferred inflows and its deferred outflows of resources using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred outflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in two 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 five separate legal entities in this report including the Marion Charter School, Inc.; the McIntosh Area School, Incorporated; the Francis Marion Military Academy, Inc.; the Francis Marion Charter School; Francis Marion Charter School, Inc., d/b/a Ocala Middle School and the Public Education Foundation of Marion County, Inc. Although these entities do not meet the specific financial accountability criteria, they are included in this report as component units based on the nature and significance of their relationship with the District to prevent the District's financial statements from being misleading. Financial information for these component units are reported separately from the financial information presented for the primary government.

The Marion County School Board Leasing Corporation, Inc. (Leasing Corporation), also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize the current financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The 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.

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 funds balance sheet and the governmental funds 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 – Food Service Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Capital Projects Fund. Data from the other five governmental funds are considered nonmajor and are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and are presented as supplementary information.

Proprietary Fund—Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains an internal service fund to report activities that provide services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for the cost of the District's self-insurance program. Since these services predominantly benefit governmental functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same types of information as the government-wide financial statements, only in more detail. The internal service fund is presented in a single column in the proprietary fund 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 and the Silver River Museum. 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 and a Private-Purpose Trust Fund to account for private funds held for the Silver River Museum.

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.

Required Supplementary Information

The District adopts an annual budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and the major Special Revenue Fund to demonstrate compliance with the budget. Additional required supplementary information is presented relating to the funding progress for other postemployment benefits and net pension liabilities and contributions.

Notes to Required Supplementary Information

The notes provide additional information that is essential for a full understanding of the data provided in the required supplementary information.

Other Supplementary Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

	Net Position, End of Year	
	Governmental Activities	
	6-30-16	6-30-15
Current Assets	\$ 97,821,831	\$ 87,993,441
Capital Assets, Net of Depreciation	530,918,025	538,116,305
Total Assets	628,739,856	626,109,746
Deferred Outflow of Resources	37,344,528	24,928,782
Current Liabilities	14,168,104	31,719,245
Noncurrent Liabilities	320,446,254	269,667,108
Total Liabilities	334,614,358	301,386,353
Deferred Inflow of Resources	21,105,158	57,997,083
Net Position:		
Net Investment in Capital Assets	427,231,115	428,040,562
Restricted	40,344,387	36,140,286
Unrestricted (Deficit)	(157,210,634)	(172,525,756)
Total Net Position	\$ 310,364,868	\$ 291,655,092

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

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

- The decrease in capital assets is due primarily to depreciation expense exceeding capital outlay in the current year.
- The decrease in long-term liabilities is due to normal retirement of debt during the year. Additionally, the District took advantage of market conditions and refunded certificates of participation as disclosed more fully in Note II.I.4. to the financial statements.

Governmental activities increased the District's net position by \$18,709,776 during the 2015-16 fiscal year, detailed as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-16	6-30-15
Program Revenues:		
Charges for Services	\$ 10,000,822	\$ 10,078,007
Operating Grants and Contributions	25,323,451	23,120,564
Capital Grants and Contributions	2,672,128	2,450,187
General Revenues:		
Property Taxes Levied for Operational Purposes	106,567,311	89,283,913
Property Taxes Levied for Capital Projects	23,979,076	23,097,597
Grants and Contributions Not Restricted to Specific Programs	239,340,767	232,050,823
Unrestricted Investment Earnings	403,219	254,672
Miscellaneous	6,678,133	6,127,797
Total Revenues	414,964,907	386,463,560
Functions/Program Expenses:		
Instruction	222,627,462	212,162,251
Student Personnel Services	26,921,637	23,127,536
Instructional Media Services	4,950,533	3,675,667
Instruction and Curriculum Development	5,614,973	5,592,342
Instructional Staff Training Services	9,031,233	7,821,313
Instruction Related Technology	2,669,681	2,462,489
Board of Education	693,524	590,682
General Administration	2,847,397	2,672,334
School Administration	18,132,771	17,523,619
Facility Services	1,602,808	1,205,998
Fiscal Services	2,752,024	3,119,615
Food Services	27,389,859	24,741,499
Central Services	4,001,834	5,735,172
Student Transportation Services	20,774,721	19,502,765
Operation of Plant	23,055,086	23,567,477
Maintenance of Plant	9,133,472	9,279,936
Administrative Technology Services	5,049,540	5,008,399
Community Services	4,629,729	4,643,793
Unallocated Interest on Long-Term Debt	3,989,079	4,432,957
Loss on Disposal of Capital Assets	387,768	193,054
Total Functions/Program Expenses	396,255,131	377,058,898
Increase (Decrease) in Net Position	18,709,776	9,404,662
Net Position - Beginning	291,655,092	421,357,027
Adjustment to Restate Beginning Net Position (see a)	-	(139,106,597)
Net Position - Beginning - Restated	291,655,092	282,250,430
Net Position - Ending	\$ 310,364,868	\$ 291,655,092

(a) Beginning net position was restated as a result of the implementation of GASB Statement No. 68.

Key elements of the change in net position are as follows:

- On November 2, 2014, Marion County voters approved a one mill ad valorem tax for educational enhancement. Specifically, the funds were to be used to restore programs previously affected by recession level funding and operating expenses associated with reading, physical education, art, music, library/media, vocational programs, meeting class size requirements and retaining teachers and paraprofessionals. The millage generates approximately \$16.6 million per year.
- Operating grants and contributions increased for the 2015-16 fiscal year by approximately \$2.2 million due primarily to an increase in several Federal projects.
- Grants and contributions not restricted to specific programs increased approximately \$7 million as a result of increased funding of \$122.68 per student in the base student allocation for the State's Florida Education Finance Program.
- Overall Instructional related expenses including media services increased significantly due to the additional one mill levied for educational enhancement discussed above.
- Other reductions in expenses resulted from the recording of net pension liability expenses which decreased expenditures by approximately \$6.5 million.

Major Governmental Funds

General Fund: This fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$15,425,636 while the total fund balance is \$38,354,755. The total fund balance increased by \$8,212,070 during the 2015-16 fiscal year. The increase in fund balance is primarily due to an increase in State FEFP revenue along with the levy of the additional one mill property tax for educational enhancement. The fund balance remains above the level set by Board policy which is 3 percent of General Fund revenues.

Special Revenue – Food Service Fund: This fund which accounts for all food service activities, had revenues and expenditures of \$27,933,893 and \$27,724,111, respectively, and ended the fiscal year with a fund balance of \$10,712,767. It should be noted that \$880,913 of inventories represents the nonspendable fund balance, while the remaining \$9,831,854 fund balance is restricted for food service operations.

Capital Projects - Local Capital Improvement Fund: This fund has a total fund balance of \$7,023,105 which is restricted for the acquisition, construction, and maintenance of capital assets. Expenditures and other financing sources were for remodeling and renovation, and for transfers for debt service and insurance premium payments and maintenance of District educational facilities.

Capital Projects - Other Capital Projects Fund: This fund has a total fund balance of \$11,206,480. The fund is comprised of impact fees, sales tax, and certificates of participation proceeds received in previous fiscal years that must be used for purposes of constructing new schools and renovating existing schools.

Proprietary Fund

Unrestricted net position of the Internal Service Fund totaled \$3,864,496 at June 30, 2016, an increase of \$2,236,184 from the previous fiscal year. Total operating expenses were \$3,894,318 comprised of salaries, employee benefits, purchased services, and insurance claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2015-16 fiscal year, the District amended its General Fund budget several times due primarily to changes in estimated local and Federal through State funding levels and made corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

The District made several management decisions to curtail spending, which resulted in actual expenditures being approximately \$15.7 million less than original budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$530,918,025 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the following:

- Several HVAC and re-roofing projects were completed during the year.
- Disposal of portable buildings, equipment, and vehicles totaled approximately \$2.7 million.
- Depreciation expense totaled \$18,790,386.

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

Long-Term Debt

At June 30, 2016, the District has \$106,523,577 total capital asset-related debt outstanding. This amount is comprised of \$93,700,000 of certificates of participation payable, \$4,584,000 of bonds payable, \$3,949,000 note payable, and \$4,290,577 of unamortized premiums.

During the fiscal year the District partially refunded Certificates of Participation, Series 2007B, by placing the proceeds of the new Certificates of Participation, Series 2015B, in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for the in-substance defeased Certificates of Participation, Series 2007B, are not included in the District's financial statements. As a result, Certificates of Participation, Series 2007B, totaling \$33,850,000 are considered defeased in substance. Additional information can be found in Note II.D.5. to the financial statements.

Other items classified as long-term liabilities, in the government-wide financial statements, include the compensated absences liability totaling \$32,474,701, other postemployment benefits payable in the amount of \$34,353,868, net pension obligations totaling \$137,810,199 and estimated insurance claims payable totaling \$9,283,909.

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

OTHER MATTERS OF SIGNIFICANCE

As a part of the State-wide educational funding formula, the District is given operational revenues through State appropriations. The District then aligns expenses to fall within those parameters.

Capital revenues are levied up to capacity based on the needs identified in the District Facilities Work Program to adequately house growth in the student population.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Marion County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy Superintendent of Support Services, School District of Marion County, Florida, 512 SE 3rd Street, Ocala, FL 34471.

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MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government	Component Units
	Governmental Activities	Units
Assets		
Cash and Cash Equivalents	\$ 19,667,520	\$ 1,079,815
Investments	64,526,843	591,544
Accounts Receivable	509,476	114,037
Deposits Receivable	140,000	15,904
Due from Other Agencies	8,100,858	-
Inventories	2,626,503	615,851
Prepaid Items	1,434,762	28,825
Prepaid Insurance Costs	102,813	-
Assets Held by Others	-	2,231,747
Capital Assets:		
Capital Assets Not Being Depreciated	17,281,508	364,833
Capital Assets Being Depreciated, Net	513,636,517	927,001
Total Assets	628,026,800	5,969,557
Deferred Outflows of Resources		
Deferred Amount on Pension Liability	33,821,108	135,564
Deferred Amount on Refunding	2,607,371	-
Total Deferred Outflows of Resources	36,428,479	135,564
Liabilities		
Salaries and Benefits Payable	5,279,270	-
Payroll Deductions and Withholdings Payable	1,785,847	-
Accounts Payable	5,083,370	93,253
Construction Contracts Payable	390,742	-
Construction Contracts Payable - Retainage	179,193	-
Accrued Interest Payable	352,642	-
Due to Other Agencies	20,636	-
Unearned Revenue	363,348	2,384
Long-term Liabilities Due Within One Year	18,353,046	102,451
Long-term Liabilities Due After One Year	302,093,208	609,479
Total Liabilities	333,901,302	807,567
Deferred Inflows of Resources		
Deferred Amount on Pension Liability	20,189,109	76,585
Net Position		
Net Investment in Capital Assets	427,231,115	1,093,515
Restricted for:		
State Required Carryover Programs	5,138,407	-
Food Service	10,712,767	-
Debt Service	202,753	-
Capital Projects	21,005,751	1,523
Permanent Endowments:		
Nonexpendable	-	144,490
Other Purposes	3,284,709	3,002,120
Unrestricted (Deficit)	(157,210,634)	979,321
Total Net Position	\$ 310,364,868	\$ 5,220,969

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 222,627,462	\$ 7,257,853	\$ -
Student Personnel Services	26,921,637	-	-
Instructional Media Services	4,950,533	-	-
Instruction and Curriculum Development	5,614,973	-	-
Instructional Staff Training Services	9,031,233	-	-
Instruction Related Technology	2,669,681	-	-
Board of Education	693,524	-	-
General Administration	2,847,397	-	-
School Administration	18,132,771	-	-
Facility Services	1,602,808	-	-
Fiscal Services	2,752,024	-	-
Food Services	27,389,859	2,583,097	25,323,451
Central Services	4,001,834	-	-
Student Transportation Services	20,774,721	159,872	-
Operation of Plant	23,055,086	-	-
Maintenance of Plant	9,133,472	-	-
Administrative Technology Services	5,049,540	-	-
Community Services	4,629,729	-	-
Unallocated Interest on Long-term Debt	3,989,079	-	-
Loss on Disposal of Capital Assets	387,768	-	-
Total Primary Government	\$ 396,255,131	\$ 10,000,822	\$ 25,323,451
Component Units			
Charter Schools/Foundation	\$ 5,050,331	\$ 94,224	\$ 2,019,531

General Revenues

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
Capital Grants and Contributions	Governmental Activities	Component Units
\$ -	\$ (215,369,609)	\$ (1,757,174)
-	(26,921,637)	(74,755)
-	(4,950,533)	-
-	(5,614,973)	-
-	(9,031,233)	-
-	(2,669,681)	-
-	(693,524)	-
-	(2,847,397)	(1,099,471)
-	(18,132,771)	-
1,273,724	(329,084)	-
-	(2,752,024)	-
-	516,689	-
-	(4,001,834)	-
-	(20,614,849)	-
-	(23,055,086)	-
917,392	(8,216,080)	(19,171)
-	(5,049,540)	-
-	(4,629,729)	(1,829,983)
481,012	(3,508,067)	(5,097)
-	(387,768)	-
<u>\$ 2,672,128</u>	<u>(358,258,730)</u>	<u>(4,785,651)</u>
<u>\$ 87,977</u>	<u>-</u>	<u>(2,848,599)</u>
	106,567,311	-
	23,979,076	-
	239,340,767	3,281,379
	403,219	43,608
	6,678,133	-
	<u>376,968,506</u>	<u>3,324,987</u>
	18,709,776	476,388
	291,655,092	4,744,581
	<u>\$ 310,364,868</u>	<u>\$ 5,220,969</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>
Assets		
Cash	\$ 1,900,671	\$ 5,212,244
Cash with Fiscal Agent	-	-
Investments	39,315,103	4,735,288
Accounts Receivable	496,837	6,936
Due from Other Agencies	4,510,300	236,852
Due from Budgetary Funds	713,056	-
Inventories	1,745,590	880,913
Prepaid Items	1,412,971	-
Total Assets	<u>\$ 50,094,528</u>	<u>\$ 11,072,233</u>
Liabilities and Fund Balances		
Liabilities		
Salaries and Benefits Payable	\$ 4,802,955	\$ 207,948
Payroll Deductions and Withholdings Payable	1,717,033	14,298
Accounts Payable	4,774,469	132,660
Construction Contracts Payable	-	-
Construction Contracts Payable - Retainage	92,546	-
Due to Other Agencies	-	4,560
Due to Budgetary Funds	-	-
Unearned Revenue	352,770	-
Total Liabilities	<u>11,739,773</u>	<u>359,466</u>
Fund Balances		
Nonspendable:		
Inventories	1,745,590	880,913
Prepaid Items	1,412,971	-
Total Nonspendable Fund Balance	<u>3,158,561</u>	<u>880,913</u>
Restricted for:		
State Required Carryover Programs	5,138,407	-
Local Property Tax	3,284,709	-
Debt Service	-	-
Capital Projects	-	-
Food Service Operations	-	9,831,854
Total Restricted Fund Balance	<u>8,423,116</u>	<u>9,831,854</u>
Assigned for:		
Budget Shortfall 2016-17 Fiscal Year	9,104,175	-
Other Programs	2,243,267	-
Total Assigned Fund Balance	<u>11,347,442</u>	<u>-</u>
Unassigned Fund Balance	15,425,636	-
Total Fund Balances	<u>38,354,755</u>	<u>10,712,767</u>
Total Liabilities and Fund Balances	<u>\$ 50,094,528</u>	<u>\$ 11,072,233</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,124,706	\$ 1,840,431	\$ 2,287,529	\$ 15,365,581
-	-	-	-
2,308,357	9,366,049	50,150	55,774,947
-	-	944	504,717
915,754	-	2,437,952	8,100,858
24,605	-	-	737,661
-	-	-	2,626,503
-	-	14,549	1,427,520
<u>\$ 7,373,422</u>	<u>\$ 11,206,480</u>	<u>\$ 4,791,124</u>	<u>\$ 84,537,787</u>
\$ -	\$ -	\$ 265,151	\$ 5,276,054
-	-	53,286	1,784,617
-	-	123,557	5,030,686
263,670	-	127,072	390,742
86,647	-	-	179,193
-	-	15,775	20,335
-	-	737,661	737,661
-	-	10,578	363,348
<u>350,317</u>	<u>-</u>	<u>1,333,080</u>	<u>13,782,636</u>
-	-	-	2,626,503
-	-	14,549	1,427,520
-	-	14,549	4,054,023
-	-	-	5,138,407
-	-	-	3,284,709
-	-	555,395	555,395
7,023,105	11,206,480	2,902,649	21,132,234
-	-	-	9,831,854
<u>7,023,105</u>	<u>11,206,480</u>	<u>3,458,044</u>	<u>39,942,599</u>
-	-	-	9,104,175
-	-	-	2,243,267
-	-	-	11,347,442
-	-	(14,549)	15,411,087
<u>7,023,105</u>	<u>11,206,480</u>	<u>3,458,044</u>	<u>70,755,151</u>
<u>\$ 7,373,422</u>	<u>\$ 11,206,480</u>	<u>\$ 4,791,124</u>	<u>\$ 84,537,787</u>

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**MARION COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Governmental Funds \$ 70,755,151

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 governmental funds. 530,918,025

The internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 3,864,496

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 and unamortized amounts at year-end consist of:

Certificates of Participation Payable	\$	93,700,000	
Bonds Payable		4,584,000	
Note Payable		3,949,000	
Unamortized Premiums		4,290,577	
Unamortized Prepaid Insurance - Debt Related		(102,813)	
Other Postemployment Benefits Payable		34,353,868	
Compensated Absences Payable		32,474,701	
Net Pension Liability		<u>137,810,199</u>	
			(311,059,532)

Deferred Outflows and Inflows of Resources are not available in the current period and, therefore, are not reported in the governmental funds. Deferred Outflows and Inflows of Resources at year-end consist of:

Deferred Outflow Amount on Pension Liability		33,821,108	
Deferred Outflow Amount on Debt Refunding		2,607,371	
Deferred Inflow Amount on Pension Liability		<u>(20,189,109)</u>	
			16,239,370

Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (352,642)

Net Position - Governmental Activities \$ 310,364,868

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

MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>
Revenues		
Intergovernmental:		
Federal Direct	\$ 477,235	\$ -
Federal Through State and Local	3,198,233	24,847,045
State	202,093,822	376,744
Local:		
Property Taxes	106,567,312	-
Charges for Services - Food Service	-	2,580,880
Impact Fees	-	-
Other	14,258,547	129,224
Total Revenues	<u>326,595,149</u>	<u>27,933,893</u>
Expenditures		
Current - Education:		
Instruction	194,675,371	-
Student Personnel Services	22,424,565	-
Instructional Media Services	5,044,413	-
Instruction and Curriculum Development	3,651,440	-
Instructional Staff Training Services	3,236,176	-
Instruction Related Technology	2,433,276	-
Board of Education	695,662	-
General Administration	1,527,309	-
School Administration	18,768,094	-
Facility Services	725,667	-
Fiscal Services	2,810,974	-
Food Services	2,496	26,925,650
Central Services	4,105,026	-
Student Transportation Services	19,125,993	-
Operation of Plant	23,277,751	-
Maintenance of Plant	9,333,033	-
Administrative Technology Services	4,897,878	-
Community Services	3,469,520	-
Capital Outlay:		
Facilities Acquisition and Construction	1,743,600	340,064
Other Capital Outlay	2,376,466	458,397
Debt Service:		
Retirement of Principal	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>324,324,710</u>	<u>27,724,111</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,270,439</u>	<u>209,782</u>
Other Financing Sources (Uses)		
Insurance Loss Recoveries	81,895	-
Issuance of Refunding Debt	-	-
Premium on Refunding Debt	-	-
Payments to Refunded Debt Escrow Agent	-	-
Transfers In	5,883,002	23,266
Transfers Out	(23,266)	-
Total Other Financing Sources (Uses)	<u>5,941,631</u>	<u>23,266</u>
Net Change in Fund Balances	8,212,070	233,048
Fund Balances - Beginning	30,142,685	10,479,719
Fund Balances - Ending	<u>\$ 38,354,755</u>	<u>\$ 10,712,767</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,142,683	\$ 1,619,918
-	-	32,060,025	60,105,303
-	-	2,973,540	205,444,106
23,979,076	-	-	130,546,388
-	-	-	2,580,880
-	3,967	-	3,967
36,121	94,115	16,481	14,534,488
<u>24,015,197</u>	<u>98,082</u>	<u>36,192,729</u>	<u>414,835,050</u>
-	-	16,540,246	211,215,617
-	-	4,972,057	27,396,622
-	-	-	5,044,413
-	-	2,080,147	5,731,587
-	-	5,924,808	9,160,984
-	-	251,657	2,684,933
-	-	-	695,662
-	-	1,382,049	2,909,358
-	-	79,329	18,847,423
-	-	-	725,667
-	-	-	2,810,974
-	-	-	26,928,146
-	-	-	4,105,026
-	-	337,271	19,463,264
-	-	-	23,277,751
-	-	-	9,333,033
-	-	-	4,897,878
-	-	1,174,490	4,644,010
3,572,835	64,938	875,481	6,596,918
405,347	1,597,170	547,607	5,384,987
-	-	-	-
-	-	11,915,500	11,915,500
-	-	3,930,247	3,930,247
<u>3,978,182</u>	<u>1,662,108</u>	<u>50,010,889</u>	<u>407,700,000</u>
<u>20,037,015</u>	<u>(1,564,026)</u>	<u>(13,818,160)</u>	<u>7,135,050</u>
-	-	-	81,895
-	-	32,860,000	32,860,000
-	-	4,327,462	4,327,462
-	-	(36,775,929)	(36,775,929)
-	-	14,748,436	20,654,704
(20,432,332)	(111,129)	(87,977)	(20,654,704)
<u>(20,432,332)</u>	<u>(111,129)</u>	<u>15,071,992</u>	<u>493,428</u>
(395,317)	(1,675,155)	1,253,832	7,628,478
7,418,422	12,881,635	2,204,212	63,126,673
<u>\$ 7,023,105</u>	<u>\$ 11,206,480</u>	<u>\$ 3,458,044</u>	<u>\$ 70,755,151</u>

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**MARION COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds	\$ 7,628,478
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in 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 asset activity in the current period:	
Capital Asset Additions	\$ 11,979,874
Depreciation Expense	(18,790,386)
Loss on Disposal of Capital Assets	<u>(387,768)</u>
	(7,198,280)
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 debt activity in the current period:	
Debt Payments	11,915,500
Loss on Refundings	1,192,479
Refunded Debt	33,850,000
Proceeds of Refunding Bonds	(32,860,000)
Debt Premiums - Old	1,408,860
Prepaid Insurance - Refunding Bonds	102,813
Debt Premiums - New	<u>(4,327,461)</u>
	11,282,191
Deferred Amount on Refunding is amortized over the life of the debt in the statement of activities, but is reported as an expense in the fund statements. This is the amount of current amortization.	(300,314)
Debt premiums are amortized over the life of the debt in the statement of activities, but are reported as other financing sources in the fund statements. This is the amount of current amortization.	412,610
The net decrease in net pension liability and deferred outflows and inflows is reported in the statement of activities, but not in the fund statements.	6,557,650
The net decrease in accrued interest on long-term debt is reported in the statement of activities, but not in the fund statements.	50,648
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.	(938,883)
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.	(1,020,508)
The internal service fund is used by management to charge the cost of certain activities, such as insurance, to individual funds. The net income of the internal service fund is reported with governmental activities.	<u>2,236,184</u>
Change in Net Position - Governmental Activities	<u>\$ 18,709,776</u>

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
Assets	
Current Assets:	
Cash	\$ 4,301,939
Investments	8,751,896
Accounts Receivable	4,759
Deposits Receivable	140,000
Prepaid Items	7,242
	13,205,836
Total Assets	13,205,836
Liabilities	
Current Liabilities:	
Salaries and Benefits Payable	3,216
Payroll Deductions and Withholdings	1,230
Accounts Payable	52,684
Due to Other Agencies	301
Estimated Insurance Claims Payable	2,840,046
Total Current Liabilities	2,897,477
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	6,443,863
	9,341,340
Total Liabilities	9,341,340
Net Position	
Unrestricted	\$ 3,864,496

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 6,081,213
Operating Expenses	
Salaries	109,113
Employee Benefits	27,527
Purchased Services	2,031,170
Other	1,726,508
Total Operating Expenses	3,894,318
Operating Income	2,186,895
Nonoperating Revenue	
Investment Income	47,962
Other Miscellaneous Local Sources	1,327
Total Nonoperating Revenues	49,289
Change in Net Position	2,236,184
Net Position - Beginning	1,628,312
Net Position - Ending	\$ 3,864,496

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$ 6,081,213
Cash Payments to Suppliers for Goods and Services	(2,027,013)
Cash Payments to Employees for Services	(135,685)
Cash Payments for Insurance Claim Payments	(2,194,998)
Net Cash Received from Operating Activities	1,723,517
 Cash Flows from NonCapital Financing Activities	
Loss Recoveries	1,327
Net cash provided (used) by noncapital financing activities	1,327
 Cash Flows from Investing Activities	
Purchase of investments	(1,042,785)
Investment Income	47,962
Net Cash Provided by Investing Activities	(994,823)
 Net Decrease in Cash	 730,021
 Cash, Beginning of Year	 3,571,918
 Cash, End of Year	 \$ 4,301,939
 <u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>	
Operating Income	\$ 2,186,895
Adjustments to Reconcile Operating Income to Net Cash Received from Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	3,241
Increase in Prepaid Items	(3,793)
Increase in Salaries and Benefits Payable	655
Increase in Accounts Payable	4,157
Increase in Due to Other Agencies	300
Decrease in Estimated Insurance Claims Payable	(467,938)
Net Cash Received from Operating Activities	\$ 1,723,517

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash	\$ -	\$ 4,115,941
Investments	462,491	-
TOTAL ASSETS	\$ 462,491	\$ 4,115,941
LIABILITIES		
Internal Accounts Payable		\$ 4,115,941
NET POSITION		
Held in Trust for Silver River Museum	\$ 462,491	
TOTAL NET POSITION	\$ 462,491	

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings (Loss):	
Investment Loss	\$ (3,122)
DEDUCTIONS	
Other Expense	9,013
Change in Net Position	(12,135)
Net Position - Beginning	474,626
Net Position - Ending	\$ 462,491

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

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Blended Component Unit. Blended component units, are in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Marion County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

The Public Education Foundation of Marion County, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The Marion Charter School, Inc., the McIntosh Area School, Incorporated, the Francis Marion Charter School, Inc., and the Francis Marion Military Academy, Inc., are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by its sponsor, the Marion County District School Board. Although the charter schools do not meet the specific financial accountability criteria, based on the nature and significance of the relationship with the District, they are included as component units to prevent the District's financial statements from being misleading.

The financial data reported on the accompanying statements was derived from the Foundation's and four charter schools' audited financial statements for the fiscal year ended June 30, 2016. These audited reports are filed in the District's administrative offices.

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, 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 charged to the functional category that initially purchased the related asset.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

- 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 – Food Service Fund – to account for Federal grants and related program charges for the Food and Nutrition Services program.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.
- Capital Projects – Other Capital Projects Fund – to account for financial resources primarily generated in prior years from issuances of certificates of participation and collection of impact fees and a voter approved capital outlay sales surtax, to be used for educational capital outlay needs.

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

- Internal Service Fund – to account for the District’s individual self-insurance programs.
- Private-Purpose Trust Fund – to account for resources provided for the benefit of the Silver River Museum.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at 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. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

E. Basis of Accounting

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

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

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

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

The private-purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates used are those used in the actuarial assumptions for the Other Post Employment Benefits Liability, Net Pension Liability and the Incurred But Not Reported Liability along with depreciable useful lives of capital assets.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

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

1. Cash and Cash Equivalents

The District's cash is considered to be cash on hand and in demand deposits.

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

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

2. Investments

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys, amounts placed with the SBA in Florida PRIME created by Sections 218.405, Florida Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME meet all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Like money market funds, a participant's account balance is a share of the investment pool, not the underlying securities, and reported at amortized cost is considered the fair value of the participant's investment.

The District's investment policy established permitted investments, asset allocation limits and issuer limits, credit rating requirements, and maturity limits to protect the District's cash and investment assets. The District maintains a common cash and investment pool for the use of all funds. Earnings are allocated monthly to each fund based on end of month balances.

The District's investments made locally consist of investments in direct obligations of the United States Treasury, Federal instrumentalities, commercial paper, and registered investment companies (money market funds), which are reported at fair value. Authorized investments for endowments include equities, hedged funds, and real estate.

The District has a formal investment policy that allows for the following investments: Local Government Surplus Funds Trust Fund (Florida PRIME), United States Government securities, United States Government agencies, Federal instrumentalities, interest bearing time deposit or saving accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, State and/or local government taxable and/or tax-exempt debt, registered investment companies (mutual funds), mortgage backed securities, short-term

**MARION COUNTY DISTRICT SCHOOL BOARD
 NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016**

bond funds, intergovernmental investment pools, equities, fixed-income securities, inflation hedged funds and other investments permitted by Section 218.415, Florida Statutes.

Types and amounts of investments held at fiscal year-end are described in Note II.B.

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing \$1,000 or more except computer software which are those costing \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	7 - 20 years
Buildings and Fixed Equipment	25 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	7 - 12 years
Audio Visual Materials and Computer Software	3 - 5 years

Current year information relative to changes in capital assets is described in Note II.D.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense until then. The District has two items that qualify for reporting in this category. It is the deferred amount on refunding reported in the government-wide statement of net position and the deferred amount on pension liabilities for FRS and HIS. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred amount on pension results from the recognition for the District's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises from the FRS and HIS pensions, that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums are amortized over the life of the bonds and certificates of participation using the effective interest method.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Changes in long-term liabilities for the current year are reported in Note II.I.

7. Compensated Absences

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

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

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

8. Pensions

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

The District's retirement plans and related amounts are described in Note II.E.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

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

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The committed fund balance classification may include amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance as of June 30, 2016.

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

The District has adopted Board Policy 7.10 which provides that, if feasible, 3 percent of the recurring General Fund revenues be set aside as contingency reserves to cover unforeseen events including, but not limited to, revenue shortfalls and student enrollment under projections. Accordingly, the Board approved assigned amounts within the General Fund for an anticipated budget shortfall in the 2016-17 fiscal year along with unexpended insurance proshare funds.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (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

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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. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following 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 balance of categorical and earmarked educational program resources.

On November 2, 2014, Marion County voters approved a one mill ad valorem tax for educational enhancement. Specifically, the funds were to be used to restore programs previously affected by the recession level funding and operating expenses associated with reading, physical education, art, music, library/media, vocational programs, meeting class size requirements and retaining teachers and paraprofessionals. Unexpended funds are shown as restricted fund balance in the General Fund.

A schedule of revenue from State sources for the current year is presented in Note II.K.1.

3. **District Property Taxes**

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

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

The Board adopted the 2015 tax levy on September 8, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund

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financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Marion County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes budgeted for the current year are presented in Note II.K.2.

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 fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for workers' compensation, automobile liability, general liability, and property 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.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

As of June 30, 2016, the District had the following investments and maturities:

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Security Type	Duration Year	Credit Rating (1)	Fair Value	Fair Value Measurement (3)
<u>Primary Government</u>				
State Board of Administration (SBA):				
Florida PRIME	0.11	AAAm	\$ 2,434,558	n/a
Debt Service Accounts	0.50	AAAm	49,865	n/a
U.S. Treasury Notes	1.81	AA+	11,304,913	2
Federal Home Loan Bank Notes (FHLB)	2.29	AA+	1,241,859	2
Federal National Mortgage Association Notes (FNMA)	1.99	AA+	1,342,377	2
Federal Home Loan Mortgage Notes (FHLMC)	1.76	AA+	1,004,825	2
Money Market Funds	n/a	AAAm	38,877,420	n/a
Corporate Bonds	1.42	AA+	1,497,047	2
Commercial Paper	0.14	A-1	6,773,979	3
Total Investments, Primary Government			<u>64,526,843</u>	
<u>Fiduciary Funds</u>				
Money Market Funds	n/a	AAAm	63,806	1
Common Stock	n/a	n/a	175,405	1
Other Equities	n/a	n/a	59,459	1
Fixed Income Securities - Short Term Bond Market		AAA to Below B	163,821	1
Total Investments, Fiduciary Funds			<u>462,491</u>	
<u>Component Units</u>				
Public Education Foundation of Marion County, Inc. (2)			591,544	
Total Investments, Component Units			<u>591,544</u>	
Total Investments			<u><u>\$ 65,580,878</u></u>	
Presented as Investments in the Financial Statements:				
Governmental Funds			\$ 55,774,947	
Proprietary Fund			8,751,896	
Fiduciary Funds			462,491	
Component Units			591,544	
Total Investments			<u><u>\$ 65,580,878</u></u>	

Notes: (1) Credit ratings provided by Standard and Poor's.

(2) Information regarding the maturities, risks, and ratings associated with investments in money market funds, bonds, and various equities made by a brokerage firm on behalf of the Public Education Foundation of Marion County, Inc., was not disclosed in the annual post audit of the Foundation filed in the District's administrative offices.

(3) The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, which is based on a matrix pricing model; Level 3 inputs are significant unobservable inputs and were evaluated using a curve-based approach.

**MARION COUNTY DISTRICT SCHOOL BOARD
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➤ **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds will have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds (core funds) shall have a term appropriate to the need for funds, and in accordance with debt covenants, but should not exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years.

The District utilizes duration as a measurement of interest rate risk and as of June 30, 2016, the investment portfolio had a weighted average duration of 1.81 years.

Florida PRIME had weighted average days to maturity (WAM) of 39 days at June 30, 2016. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Board policy provides that temporarily idle funds be invested as prescribed by Section 218.415(17), Florida Statutes, and SBE rules. The District's investment policy permits the following investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

- Florida PRIME, or any other intergovernmental investment pool, shall be rated AAAM or AAAM-G or better by Standard & Poor's or the equivalent by another rating agency.
- Commercial paper of any United States company that is rated, at the time of purchase, Prime-1 by Moody's Investors Service (Moody's) and A-1 by Standard & Poor's (prime commercial paper).
- Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum Aa by Moody's and a minimum long-term debt rating of AA by Standard & Poor's.
- Bankers' acceptances issued by a domestic bank or a Federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, P-1 by Moody's and A-1 by Standard & Poor's.
- State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least Aa by Moody's and AA by Standard & Poor's for long-term debt, or rated at least MIG-1 by Moody's and SP-1 by Standard & Poor's for short-term debt.
- Registered investment companies (money market mutual funds) shall be rated AAAM or AAAM-G or better by Standard & Poor's or the equivalent by another rating agency.

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
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- Bond funds shall be AAA rated or better by Standard & Poor's or the equivalent by another nationally recognized rating agency. Duration shall be no greater than 1.73 years.
- Endowment investments can be invested in domestic equity, international equity, real estate, inflation hedged, and fixed income.

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

➤ **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 the investment or collateral securities that are in the possession of an outside party. Pursuant to Section 218.415(18), Florida Statutes, the District's investment policy requires securities, with the exception of certificates of deposit, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2016, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy. The endowment funds of the Silver River Museum Private-Purpose Trust Fund are held by a bank and trust company.

➤ **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy has established asset allocation and issuer limits on the following investments which are designed to reduce concentration of credit risk of the District's investment portfolio.

A maximum of 25 percent of available funds may be invested in the Florida PRIME, 100 percent of available funds may be invested in the United States Government securities, 50 percent of available funds may be invested in United States Government agencies with a 25 percent limit on individual issuers, 80 percent of available funds may be invested in Federal instrumentalities with a 50 percent limit on individual issuers, 25 percent of available funds may be invested in non-negotiable interest bearing time certificates of deposit with a 15 percent limit on individual issuers, 50 percent of available funds may be invested in repurchase agreements with a 25 percent limit on individual issuers, 35 percent of available funds may be invested in commercial paper with a 10 percent limit on individual issuers, 15 percent of available funds may be invested in corporate notes with a 5 percent limit on individual issuers, 35 percent of available funds may be invested in bankers' acceptances with a 10 percent limit on individual issuers, 20 percent of available funds may be invested in State and/or local government taxable and/or tax-exempt debt, 75 percent of available funds may be invested in registered investment companies (money market mutual funds) with a 25 percent limit on individual issuers, 20 percent of available funds may be invested in mortgage-backed securities, 25 percent of available funds may be

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
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invested in short-term bond funds with a 10 percent limit on individual issuers, and 25 percent of available funds may be invested in intergovernmental investment pools.

➤ **Endowment Investments**

To achieve the greatest likelihood of meeting endowment investment objectives, the investment assets shall be diversified in accordance with the following asset allocation weightings: domestic equity (20%-40%); international equity (0%-30%); real estate (0%-10%); inflation hedged (10%-80%); and fixed income (10%-80%).

➤ **Foreign Currency Risk**

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

C. Receivables

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible accounts receivable is accrued. Accounts receivables are actual cash receipts received within 60 days of June 30, 2016, and were susceptible to accrual. Below is a schedule of due from other agencies at June 30, 2016:

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Funds/Source	Amount
Major Governmental Funds:	
General:	
United States Department of Defense:	
Navy ROTC	\$ 12,936
Army ROTC	11,073
State of Florida:	
Medicaid Outreach	72,995
Medicaid Administrative Claim	308,749
Marion County Tax Collector:	
Unremitted Property Taxes	4,066,233
Other Agencies:	
Miscellaneous	38,314
Special Revenue - Food Service:	
Florida Department of Agriculture and Consumer Services:	
Summer Food Service Program	236,852
Capital Projects - Local Capital Improvement:	
Marion County Tax Collector:	
Unremitted Property Taxes	915,754
Nonmajor Governmental Funds:	
Special Revenue - Other Federal Programs:	
University of South Florida:	
Federal Grant Reimbursements	15,423
Florida Department of Education:	
Federal Grant Reimbursements	1,113,653
Other Agencies:	
Grant Reimbursements	26,603
Capital Projects - Capital Outlay and Debt Service:	
Florida Department of Education:	
Capital Outlay and Debt Service	10,578
Capital Projects - Public Education Capital Outlay:	
Florida Department of Education:	
Public Education Capital Outlay	1,271,695
Total Due From Other Agencies	\$ 8,100,858

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
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D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 14,013,836	\$ -	\$ -	\$ 14,013,836
Construction in Progress	1,329,334	4,782,758	2,844,420	3,267,672
Total Capital Assets Not Being Depreciated	<u>15,343,170</u>	<u>4,782,758</u>	<u>2,844,420</u>	<u>17,281,508</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,961,905	1,174,841	-	6,136,746
Buildings and Fixed Equipment	689,666,852	2,101,379	20,395	691,747,836
Furniture, Fixtures, and Equipment	36,452,448	4,640,110	2,289,366	38,803,192
Motor Vehicles	33,671,563	2,122,562	363,003	35,431,122
Audio Visual Materials and Computer Software	3,110,357	2,644	50,755	3,062,246
Total Capital Assets Being Depreciated	<u>767,863,125</u>	<u>10,041,536</u>	<u>2,723,519</u>	<u>775,181,142</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,414,600	109,642	-	4,524,242
Buildings and Fixed Equipment	185,760,500	14,582,413	20,395	200,322,518
Furniture, Fixtures, and Equipment	26,619,975	2,451,543	2,118,231	26,953,287
Motor Vehicles	25,191,621	1,644,891	148,355	26,688,157
Audio Visual Materials and Computer Software	3,103,294	1,897	48,770	3,056,421
Total Accumulated Depreciation	<u>245,089,990</u>	<u>18,790,386</u>	<u>2,335,751</u>	<u>261,544,625</u>
Total Capital Assets Being Depreciated, Net	<u>522,773,135</u>	<u>(8,748,850)</u>	<u>387,768</u>	<u>513,636,517</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 538,116,305</u></u>	<u><u>\$ (3,966,092)</u></u>	<u><u>\$ 3,232,188</u></u>	<u><u>\$ 530,918,025</u></u>

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Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$14,982,876
Student Personnel Services	2,544
Instructional Media Services	34,001
Instruction and Curriculum Development	13,379
Instructional Staff Training Services	10,784
Instruction Related Technology	49,188
General Administration	3,169
School Administration	17,536
Facility Services	877,342
Fiscal Services	5,877
Food Services	713,052
Central Services	21,802
Student Transportation Services	1,652,224
Operation of Plant	73,640
Maintenance of Plant	53,879
Administrative Technology Services	279,094
Total Depreciation Expense - Governmental Activities	<u><u>\$18,790,386</u></u>

E. Retirement Plans – Defined Benefit Pension

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employers' proportionate share of the net pension liabilities for the FRS and HIS defined benefit pension plans.

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a cost-sharing, multiple-employer public-employee retirement system with two defined benefit plans and other nonintegrated programs administered by the Department of Management Services, Division of Retirement. A comprehensive annual financial report of the

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FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement. The FRS Investment Plan is administered by the Florida State Board Administration (SBA), and is reported in an SBA annual financial statement and in the State of Florida Comprehensive Annual Financial Report.

Florida Retirement System (FRS) Defined Benefit Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a 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 other classes. 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. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. 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 FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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Contributions. The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.67
Florida Retirement System, Elected County Officers	3.00	43.24
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of \$67,421,772 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportionate share was .521988161 percent, which was a decrease of .00025334809 percent from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,434,258. At June 30, 2016, 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
Differences between expected and actual experience	\$ 7,117,743	\$ 1,599,039
Change of assumptions	4,475,009	-
Net difference between projected and actual earnings on FRS pension plan investments	-	16,099,191
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	1,722,583
District FRS contributions subsequent to the measurement date	12,450,461	
Total	\$ 24,043,213	\$ 19,420,813

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The deferred outflows of resources related to pensions totaling \$12,450,461 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amorization</u>
2016	\$ (5,678,098)
2017	(5,678,098)
2018	(5,678,098)
2019	7,604,237
2020	1,199,102
Thereafter	402,894
Total	<u>\$ (7,828,061)</u>

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

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

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014. As a result of the 2014 actuarial experience study, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption as 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%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

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

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension liability	<u>\$ 174,705,059</u>	<u>\$ 67,421,772</u>	<u>\$ (21,855,545)</u>

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

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NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a defined benefit pension plan established to provide a monthly subsidy payment to retired members of any state-administered retirement system in order to assist such retired members in paying the costs of health insurance. Persons are eligible for health insurance subsidy payments who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system except those individuals who are pension recipients under Section 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes or any other special pension or relief act are not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminates employment with all employers participating in the Florida Retirement System and:

- For a member of the FRS investment plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes.
- For a member of the FRS defined benefit pension plan, or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan.

Any person retiring on or after July 1, 2001, as a member of the Florida Retirement System, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class under the pension plan as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes. Additionally, participants in the Senior Management Service Optional Annuity Program and the State District System Optional Retirement Program are not eligible to receive benefits from the HIS plan.

Benefits Provided. 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 Department of Management Services, Division of Retirement.

For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The state contributed 100 percent of its statutorily required contributions for the current and preceding

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

three years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS 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 defined-benefit pension plan totaled \$3,716,021 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$70,388,427 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportionate share was 0.690189062 percent, which was a decrease of .0006262425 from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,174,574. At June 30, 2016, 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
Change of assumptions	\$ 5,537,732	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	38,101	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	486,041	768,296
District contributions subsequent to the measurement date	3,716,021	-
Total	<u>\$ 9,777,895</u>	<u>\$ 768,296</u>

The deferred outflows of resources totaling \$3,716,021 was related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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JUNE 30, 2016**

<u>Fiscal Year Ending June 30</u>	<u>Amorization</u>
2016	\$ 907,933
2017	907,933
2018	907,933
2019	900,188
2020	896,471
Thereafter	773,120
Total	<u>\$ 5,293,578</u>

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.80 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.8 percent) or 1-percentage-point higher (4.8 percent) than the current rate:

	1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
District's proportionate share of the net pension liability	<u>\$ 8,010,561</u>	<u>\$ 70,388,427</u>	<u>\$ 62,203,433</u>

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

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 NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2016**

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 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 2015-16 fiscal year were as follows

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 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 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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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 \$915,582 for the fiscal year ended June 30, 2016.

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. The OPEB Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 476 retirees received other postemployment benefits. The District provided required contributions of \$1,467,464 toward the annual OPEB cost, net of retiree contributions totaling \$3,091,138, which represents 1.62 percent of covered payroll.

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

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<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 1,439,449
Amortization of Unfunded Actuarial Accrued Liability	<u>1,308,241</u>
Annual Required Contribution	2,747,690
Interest on Net OPEB Obligation	1,333,334
Adjustment to Annual Required Contribution	<u>(1,593,052)</u>
Annual OPEB Cost (Expense)	2,487,972
Contribution Toward the OPEB Cost	<u>(1,467,464)</u>
Increase in Net OPEB Obligation	1,020,508
Net OPEB Obligation, Beginning of Year	<u>33,333,360</u>
Net OPEB Obligation, End of Year	<u><u>\$ 34,353,868</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013-14	\$ 3,452,435	44.62%	\$ 31,332,283
2014-15	3,625,833	44.81%	33,333,360
2015-16	2,487,972	58.98%	34,353,868

Funded Status and Funding Progress. As of January 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$26,842,327, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$26,842,327 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$190,963,029, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.06 percent.

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

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

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

The District's OPEB actuarial valuation as of January 1, 2016, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2016, and the entry age normal cost actuarial method to estimate the District's 2015-16 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 6.5 percent initially beginning January 1, 2016, reduced annually to an ultimate rate of 4.34 percent after seven years. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2016, was 24 years.

G. Net Position - Net Investment in Capital Assets

In the government-wide Statement of Net Position, the difference between total assets and total liabilities is net position. Generally accepted accounting principles require that net position be subdivided into the following three components: Net investment in capital assets, restricted net position, and unrestricted net position. The composition of net investment in capital assets as of June 30, 2016, is shown in the table below:

Description	Amount
Total Capital Assets, Net of Accumulated Depreciation	\$ 530,918,025
Less related Debt, Net of Unspent Proceeds:	
Certificates of Participation Payable	\$ 93,700,000
Bonds Payable	4,584,000
Note Payable	3,949,000
Unamortized Debt Premiums	4,290,577
Deferred Amount on Refunding	(2,607,371)
Unspent Debt Proceeds	(126,483)
Prepaid Insurance on Refunding Debt	(102,813)
Total Related Debt, Net of Unspent Proceeds	(103,686,910)
Net Investment in Capital Assets	\$ 427,231,115

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, property damage, and boiler and machinery coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. Self-insured per occurrence retentions were \$500,000 for workers' compensation, \$300,000 for automobile and general liability, and \$100,000 or 2 percent named windstorm, for property. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of \$9,751,847 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2016.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2014-15	\$ 9,937,803	\$ 2,540,550	\$ (2,726,506)	\$ 9,751,847
2015-16	9,751,847	1,726,508	(2,194,446)	9,283,909

Health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

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I. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2016, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2007B	\$ 2,585,000	5.00	2027	\$ 21,150,000
Series 2009A	4,300,000	4.75	2018	21,420,000
Series 2012	16,495,000	2.55	2023	23,005,000
Series 2014	31,385,000	2.77	2025	37,380,000
Series 2015	6,075,000	2.36	2023	6,975,000
Series 2015B	32,860,000	3.13	2027	32,860,000
Total Certificates of Participation	<u>\$ 93,700,000</u>			<u>\$ 142,790,000</u>

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Marion County School Board Leasing Corporation (Leasing Corporation), whereby the District secured the financing of various educational facilities. The financing was accomplished through the issuance, by the Leasing Corporation to third-party investors, of certificates of participation. All the certificates issued and outstanding are subject to a master ground and facilities lease-purchase agreement between the District and the Leasing Corporation, which ends on the date that all certificates are paid in full. The lease payments, which are used to make debt service payments on the certificates, are payable from funds appropriated annually by the District for such purpose from current funds or other funds legally available. The District is not legally required to annually appropriate funds to make the lease payments.

As a condition of the financing arrangements, the District has given a ground lease on District property acquired with proceeds from the certificates to the Leasing Corporation. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangements which may be up to 30 years from the date of inception of the arrangement.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

The District properties included in the various ground leases under these arrangements include:

Certificates	Description of Properties
Series 2007B Series 2009A	South Ocala Elementary School, Howard Middle School, Lake Weir High School Dunnellon Elementary School, Belleview Middle School, West Port High School, and Saddlewood Elementary School, Refunding 1998A and 1998B
Series 2012 Series 2014	Forest High School Replacement Facility, Partial Refunding 2003 Hammett Bowen, Jr., Elementary School; North Marion Middle School Cafeteria; Vanguard High School Classroom Additions and Cafeteria/Multi-Purpose Building, Refunding 2005B
Series 2015	Sadlewood Elementary School, Refunding 2005
Series 2015B	South Ocala Elementary School, Howard Middle School, Lake Weir High School Partial Refunding 2007B

The lease payments are payable by the District semiannually on June 1 and December 1 for the Certificates of Participation.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30	Total	Principal	Interest
2017	\$ 14,092,738	\$ 10,795,000	\$ 3,297,738
2018	13,997,052	11,070,000	2,927,052
2019	11,718,593	9,175,000	2,543,593
2020	11,721,857	9,485,000	2,236,857
2021	11,728,626	9,810,000	1,918,626
2022-2026	43,965,347	39,310,000	4,655,347
2027-2028	4,181,719	4,055,000	126,719
Total Minimum Lease Payments	<u>\$ 111,405,933</u>	<u>\$ 93,700,000</u>	<u>\$ 17,705,933</u>

2. Bonds Payable

Bonds payable at June 30, 2016, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Original Amount
State School Bonds:				
Series 2009A, Refunding	\$ 180,000	2.00 - 5.00	2019	\$ 520,000
Series 2010A, Refunding	105,000	3.00 - 5.00	2021	180,000
Series 2011A, Refunding	805,000	3.00 - 5.00	2023	2,840,000
Series 2014A, Refunding	821,000	3.00 - 5.00	2025	895,000
Series 2014B, Refunding	259,000	2.00 - 5.00	2020	396,000
District Revenue Bonds:				
Series 2013, Refunding	<u>2,414,000</u>	3.66 - 3.66	2031	<u>2,725,500</u>
Total Bonds Payable	<u>\$ 4,584,000</u>			<u>\$ 7,556,500</u>

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

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

➤ State School Bonds

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

➤ District Revenue Bonds

These bonds are authorized by Chapters 80-550 and 89-513, Laws of Florida, which provide that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Marion County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2011)). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$3,187,283 of pari-mutuel tax proceeds in connection with the District Revenue Bonds of 2013, described above. During the 2015-16 fiscal year, the District recognized pari-mutuel tax proceeds totaling \$223,250 and expended \$223,250 (100 percent) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax proceeds are committed until final maturity of the debt on December 1, 2033. Approximately 100 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
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Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2017	\$ 454,330	\$ 355,000	\$ 99,330
2018	447,330	365,000	82,330
2019	349,080	285,000	64,080
2020	285,030	235,000	50,030
2021	278,700	240,000	38,700
2022-2026	746,450	690,000	56,450
Total State School Bonds	<u>2,560,920</u>	<u>2,170,000</u>	<u>390,920</u>
District Revenue Bonds:			
2017	199,285	113,000	86,285
2018	199,076	117,000	82,076
2019	198,720	121,000	77,720
2020	198,218	125,000	73,218
2021	202,479	134,000	68,479
2022-2026	995,130	730,000	265,130
2027-2031	991,887	877,000	114,887
2032-2033	202,488	197,000	5,488
Total District Revenue Bonds	<u>3,187,283</u>	<u>2,414,000</u>	<u>773,283</u>
Total	<u>\$ 5,748,203</u>	<u>\$ 4,584,000</u>	<u>\$ 1,164,203</u>

3. Note Payable

The note payable at June 30, 2016, is as follows:

<u></u>	<u>Outstanding</u>	<u>Rates (Percent)</u>	<u>Maturity To</u>	<u>Amount</u>
Bus Purchase	\$ 3,949,000	1.54	2020	\$ 4,946,000

The note was issued to purchase 43 buses in the 2015-16 fiscal year.

4. Defeased Debt

On September 8, 2015, the Board issued \$32,860,000 in Certificates of Participation, Series 2015B, with interest of 3.13 percent, to partially advance-refund the District's Certificates of Participation, Series 2007B. The refunding certificates were issued to advance-refund \$33,850,000 of principal of the District's Certificates of Participation, Series 2007B, that mature on or after June 1, 2016. The net proceeds of \$36,775,305 (after payment of \$308,719 in issuance costs) were placed in an irrevocable trust to provide for future debt service payments on the Certificates of Participation, Series 2007B. As a result, \$33,850,000 of the Series Certificate of Participation, Series 2007B are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

The Certificates of Participation, Series 2007B, were refunded to reduce its total debt service payments over the next 12 years by approximately \$2,600,336 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,251,655.

5. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Debt Related to Capital Assets:					
Certificates of Participation Payable	\$ 105,135,000	\$ 32,860,000	\$ 44,295,000	\$ 93,700,000	\$ 10,795,000
Bonds Payable	5,057,500	-	473,500	4,584,000	468,000
Notes Payable	4,946,000	-	997,000	3,949,000	965,000
Premiums	1,784,586	4,327,461	1,821,470	4,290,577	-
Total Capital Asset Related Debt	116,923,086	37,187,461	47,586,970	106,523,577	12,228,000
Compensated Absences Payable	31,535,818	4,111,918	3,173,035	32,474,701	3,285,000
Other Postemployment Benefits Payable	33,333,360	2,487,972	1,467,464	34,353,868	-
Estimated Insurance Claims Payable	9,751,847	1,726,508	2,194,446	9,283,909	2,840,046
Net Pension Liability:					
Florida Retirement System	32,003,534	48,144,753	12,726,515	67,421,772	12,450,461
Health Insurance Subsidy	63,948,809	9,077,950	2,638,332	70,388,427	3,716,021
Total Governmental Activities	\$ 287,496,454	\$ 102,736,562	\$ 69,786,762	\$ 320,446,254	\$ 34,519,528

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the Internal Service Fund, as discussed in Note II.H.

6. Deferred Outflow / Inflow of Resources

The components of deferred inflow and outflow are:

Description	Beginning Balance	Change	Ending Balance
GOVERNMENTAL ACTIVITIES			
Non-pension Related Deferred Outflows:			
Deferred Amount on Refunding	\$ 1,715,206	\$ 892,165	\$ 2,607,371
Pension Related Deferred Outflows:			
Florida Retirement System	18,268,994	5,774,219	24,043,213
Health Insurance Subsidy	4,944,582	4,833,313	9,777,895
	<u>23,213,576</u>	<u>10,607,532</u>	<u>33,821,108</u>
Pension Related Deferred Inflows:			
Florida Retirement System	57,081,036	(37,660,223)	19,420,813
Health Insurance Subsidy	916,047	(147,751)	768,296
	<u>57,997,083</u>	<u>(37,807,974)</u>	<u>20,189,109</u>

J. Fund Balance Reporting

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

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

The deficit unassigned fund balance of the Other Governmental Funds represents prepaid items in a nonmajor special revenue fund which does not accumulate a fund balance.

K. Revenues

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 150,129,983
Categorical Educational Program - Class Size Reduction	43,548,737
Workforce Development Program	3,901,683
School Recognition	1,852,683
Voluntary Prekindergarten Program	1,477,592
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,177,026
Public Education Capital Outlay	917,392
Food Service Supplement	376,744
State License Tax	235,297
Workforce Education Performance Incentive	125,791
Charter School Capital Outlay	87,977
Miscellaneous	1,613,200
Total	<u>\$ 205,444,106</u>

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

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

2. Property Taxes

The following is a summary of millages and taxes budgeted from the 2015 tax roll for the 2015-16 fiscal year; taxes budgeted are stated at 96 percent of the actual tax roll levy to allow for early payment discounts and uncollectable amounts:

	<u>Millages</u>	<u>Taxes Budgeted</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.894	\$ 74,846,184
Required Local Effort - Prior Period Adjustment	0.030	458,804
Basic Discretionary Local Effort	0.748	11,439,507
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvement	1.500	22,940,188
Total	7.172	\$ 109,684,683

L. Donor-Restricted Endowments

The Silver River Museum Endowment was created to provide long-term funding for the continuation and enhancement of educational programs offered through the museum. The initial investment of \$410,000 must be invested for perpetuity and cannot be spent under any circumstances. Investments have appreciated to \$462,490 with \$52,490 available for expenditure. The Silver River Museum has sole access to the interest from the endowment.

M. Interfund Receivables, Payables, and Transfers

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

Funds	Interfund	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 5,883,002	\$ 23,266
Special Revenue:		
Food Service	23,266	-
Capital Projects:		
Local Capital Improvement	-	20,432,332
Other Capital Projects	-	111,129
Nonmajor Governmental	14,748,436	87,978
Total	\$ 20,654,704	\$ 20,654,704

Transfers from the Capital Projects Funds are for payments of principal and interest on certificates of participation and bonds, and to assist in funding maintenance operations of the District. The remaining transfers between funds were operational in nature.

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

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016**

Funds	Interfund	
	Due From	Due To
Major:		
General	\$ 737,661	\$ -
Nonmajor Governmental:	-	737,661
Total	\$ 737,661	\$ 737,661

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Litigation

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated claims payable for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on insured risks. It is the opinion of management, in consultation with legal counsel that the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Federal Direct:				
Reserve Officers Training Corps	\$ 478,135	\$ 478,135	\$ 477,235	\$ (900)
Federal Through State:				
Medicaid	3,000,000	3,000,000	2,934,246	(65,754)
National Forest Funds	100,000	100,000	263,268	163,268
Miscellaneous Federal Through State	-	719	719	-
Total Federal Through State	3,100,000	3,100,719	3,198,233	97,514
State:				
Florida Education Finance Program	151,005,682	152,802,793	150,129,983	(2,672,810)
Workforce Development Program	3,901,683	3,901,683	3,901,683	-
Workforce Education Performance Incentive	-	125,791	125,791	-
CO&DS Withheld for Administrative Expense	26,000	26,000	23,858	(2,142)
Discretionary Lottery Funds	140,979	-	-	-
Class Size Reduction - Operating Funds	43,448,341	43,546,946	43,548,737	1,791
School Recognition Funds	1,042,366	1,852,683	1,852,683	-
Voluntary Prekindergarten Program	2,149,537	2,149,537	1,477,592	(671,945)
Other State:				
State License Tax	250,000	250,000	235,298	(14,702)
Miscellaneous State Revenue	350,244	982,512	798,197	(184,315)
Total State	202,314,832	205,637,945	202,093,822	(3,544,123)
Local:				
District School Taxes	106,289,533	105,939,080	105,988,156	49,076
Tax Redemptions	500,000	500,000	579,156	79,156
Tuition	-	-	73,035	73,035
Rent	205,000	296,679	204,108	(92,571)
Investment Income	100,000	100,000	206,706	106,706
Net Increase in Fair Value of Investments	-	-	37,879	37,879
Gifts, Grants, and Bequests	205	82,495	83,945	1,450
Adult General Education Course Fees	60,000	63,527	50,585	(12,942)
Postsecondary Vocational Course Fees	1,438,059	1,379,061	929,985	(449,076)
Continuing Workforce Education Course Fees	262,001	295,012	277,140	(17,872)
Capital Improvement Fees	68,347	215,351	196,421	(18,930)
Postsecondary Lab Fees	861,207	1,360,459	816,632	(543,827)
Lifelong Learning Fees	960,000	878,670	547,492	(331,178)
General Education Testing	-	585	585	-
Financial Aid Fees	153,086	156,974	102,597	(54,377)
Other Student Fees	39,700	54,230	45,887	(8,343)
School Age Child Care Fees	3,898,495	3,898,495	4,287,759	389,264
Other Schools, Courses, and Classes Fees	1,600	2,770	2,770	-
Transportation Services Rendered for School Activities	100,000	100,000	111,487	11,487
Receipt of Federal Indirect Cost Rate	1,400,000	1,400,000	1,383,223	(16,777)
Miscellaneous Local Revenues	1,491,872	2,077,098	4,152,012	2,074,914
Other Income	-	-	33	33
Receipts of Food Service Indirect Costs	500,000	500,000	618,371	118,371
Refunds of Prior Year Expenses	-	1,069	(1,621)	(2,690)
Collection of Lost or Damaged	-	21,646	21,764	118
Sale of Junk	-	-	61,367	61,367
Bus Fees	-	-	48,385	48,385
Total Local	118,329,105	119,323,201	120,825,859	1,502,658
Total Revenues	324,222,072	328,540,000	326,595,149	(1,944,851)

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures				
Current Education:				
Instruction:				
Salaries	\$ 134,702,277	\$ 132,669,998	\$ 132,065,484	\$ 604,514
Employee Benefits	35,043,862	37,237,802	36,133,373	1,104,429
Purchased Services	15,367,515	16,178,621	15,132,612	1,046,009
Energy Services	12,857	33,090	17,266	15,824
Materials and Supplies	8,526,912	8,136,705	4,746,158	3,390,547
Capital Outlay	492,868	5,819,238	4,208,846	1,610,392
Other	5,467,362	3,837,855	2,371,632	1,466,223
Total Instruction	<u>199,613,653</u>	<u>203,913,309</u>	<u>194,675,371</u>	<u>9,237,938</u>
Student Personnel Services:				
Salaries	15,391,710	16,022,881	15,926,268	96,613
Employee Benefits	4,327,249	4,767,652	4,525,918	241,734
Purchased Services	1,903,257	1,907,463	1,816,227	91,236
Energy Services	5,300	3,858	2,193	1,665
Materials and Supplies	153,843	146,094	94,139	51,955
Capital Outlay	37,184	60,380	55,820	4,560
Other	4,500	5,275	4,000	1,275
Total Student Personnel Services	<u>21,823,043</u>	<u>22,913,603</u>	<u>22,424,565</u>	<u>489,038</u>
Instructional Media Services:				
Salaries	3,531,650	3,795,386	3,576,151	219,235
Employee Benefits	1,058,813	1,190,959	1,084,190	106,769
Purchased Services	61,045	97,298	92,361	4,937
Energy Services	3,500	1,725	1,127	598
Materials and Supplies	139,250	42,704	30,766	11,938
Capital Outlay	308,705	331,198	252,891	78,307
Other	19,000	19,000	6,927	12,073
Total Instructional Media Services	<u>5,121,963</u>	<u>5,478,270</u>	<u>5,044,413</u>	<u>433,857</u>
Instruction and Curriculum Development:				
Salaries	2,191,113	2,484,566	2,383,501	101,065
Employee Benefits	549,494	603,297	578,566	24,731
Purchased Services	446,873	291,346	193,909	97,437
Energy Services	3,500	3,500	2,241	1,259
Materials and Supplies	165,512	75,078	50,908	24,170
Capital Outlay	40,704	120,026	106,836	13,190
Other	693,570	580,820	335,479	245,341
Total Instruction and Curriculum Development	<u>4,090,766</u>	<u>4,158,633</u>	<u>3,651,440</u>	<u>507,193</u>
Instructional Staff Training Services				
Salaries	1,827,268	2,020,477	1,992,527	27,950
Employee Benefits	528,845	615,935	517,965	97,970
Purchased Services	314,555	291,756	162,576	129,180
Materials and Supplies	200,117	229,551	189,008	40,543
Capital Outlay	33,729	98,585	88,357	10,228
Other	593,905	418,232	285,743	132,489
Total Instructional Staff Training Services	<u>3,498,419</u>	<u>3,674,536</u>	<u>3,236,176</u>	<u>438,360</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Expenditures (continued)	Original Budget	Final Budget	Actual	Variance with Final Budget
Current Education (continued):				
Instruction Related Technology:				
Salaries	\$ 1,327,709	\$ 1,357,250	\$ 1,317,812	\$ 39,438
Employee Benefits	420,661	452,606	410,200	42,406
Purchased Services	508,079	527,259	503,057	24,202
Energy Services	7,200	7,200	5,339	1,861
Materials and Supplies	21,800	14,950	6,892	8,058
Capital Outlay	238,144	217,557	189,858	27,699
Other	2,500	500	118	382
Total Instruction Related Technology	<u>2,526,093</u>	<u>2,577,322</u>	<u>2,433,276</u>	<u>144,046</u>
Board of Education:				
Salaries	289,282	359,995	359,995	-
Employee Benefits	193,040	255,472	206,667	48,805
Purchased Services	209,105	197,632	87,473	110,159
Materials and Supplies	9,820	10,070	5,947	4,123
Capital Outlay	6,500	14,000	12,139	1,861
Other	24,300	25,139	23,441	1,698
Total Board of Education	<u>732,047</u>	<u>862,308</u>	<u>695,662</u>	<u>166,646</u>
General Administration:				
Salaries	923,320	1,014,109	1,014,105	4
Employee Benefits	13,730	232,124	232,124	-
Purchased Services	259,050	317,952	242,410	75,542
Materials and Supplies	13,500	11,498	7,286	4,212
Capital Outlay	2,300	6,209	4,325	1,884
Other	27,850	61,452	27,059	34,393
Total General Administration	<u>1,239,750</u>	<u>1,643,344</u>	<u>1,527,309</u>	<u>116,035</u>
School Administration:				
Salaries	14,820,003	14,879,586	14,434,212	445,374
Employee Benefits	3,815,747	4,112,041	3,831,619	280,422
Purchased Services	331,133	402,082	362,497	39,585
Materials and Supplies	148,351	58,708	43,421	15,287
Capital Outlay	62,544	97,207	76,758	20,449
Other	15,059	22,379	19,587	2,792
Total School Administration	<u>19,192,837</u>	<u>19,572,003</u>	<u>18,768,094</u>	<u>803,909</u>
Facility Services:				
Salaries	459,951	504,907	504,906	1
Employee Benefits	124,041	136,367	136,363	4
Purchased Services	70,500	75,008	47,772	27,236
Energy Services	5,000	5,000	3,126	1,874
Materials and Supplies	10,300	12,870	9,069	3,801
Capital Outlay	315,315	1,163,620	23,896	1,139,724
Other	3,000	3,000	535	2,465
Total Facility Services	<u>988,107</u>	<u>1,900,772</u>	<u>725,667</u>	<u>1,175,105</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (continued)				
Current Education (continued):				
Fiscal Services:				
Salaries	\$ 1,749,317	\$ 1,718,975	\$ 1,718,970	\$ 5
Employee Benefits	443,692	463,046	440,363	22,683
Purchased Services	641,504	721,586	597,858	123,728
Energy Services	700	700	153	547
Materials and Supplies	107,443	26,355	20,053	6,302
Capital Outlay	18,300	32,422	25,731	6,691
Other	5,666	20,926	7,846	13,080
Total Fiscal Services	2,966,622	2,984,010	2,810,974	173,036
Food Services:				
Capital Outlay	-	2,497	2,496	1
Central Services:				
Salaries	2,967,634	2,788,423	2,736,048	52,375
Employee Benefits	797,771	841,275	764,074	77,201
Purchased Services	598,005	483,373	350,425	132,948
Energy Services	50,400	50,200	20,608	29,592
Materials and Supplies	279,500	221,054	110,701	110,353
Capital Outlay	101,421	133,852	90,706	43,146
Other	33,250	65,911	32,464	33,447
Total Central Services	4,827,981	4,584,088	4,105,026	479,062
Student Transportation Services:				
Salaries	10,880,229	12,245,623	11,056,113	1,189,510
Employee Benefits	4,211,954	4,297,569	3,992,709	304,860
Purchased Services	1,507,196	1,461,163	1,400,839	60,324
Energy Services	2,844,660	1,768,065	1,511,664	256,401
Materials and Supplies	1,202,398	1,174,531	1,083,779	90,752
Capital Outlay	85,747	168,397	48,146	120,251
Other	62,475	42,325	32,743	9,582
Total Student Transportation Services	20,794,659	21,157,673	19,125,993	2,031,680
Operation of Plant:				
Salaries	6,800,567	6,706,412	6,669,032	37,380
Employee Benefits	2,387,760	2,433,037	2,417,431	15,606
Purchased Services	5,878,244	5,722,194	5,560,307	161,887
Energy Services	8,309,995	7,370,223	7,308,149	62,074
Materials and Supplies	1,218,470	1,219,641	1,097,143	122,498
Capital Outlay	198,275	86,504	33,257	53,247
Other	121,800	211,564	192,432	19,132
Total Operation of Plant	24,915,111	23,749,575	23,277,751	471,824
Maintenance of Plant:				
Salaries	5,346,585	5,041,325	5,020,380	20,945
Employee Benefits	1,619,525	1,713,666	1,601,045	112,621
Purchased Services	1,842,027	1,508,835	1,336,259	172,576
Energy Services	167,150	167,285	113,541	53,744
Materials and Supplies	1,172,841	1,440,358	1,243,376	196,982
Capital Outlay	9,186	125,050	10,557	114,493
Other	13,255	15,655	7,875	7,780
Total Maintenance of Plant	10,170,569	10,012,174	9,333,033	679,141

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Concluded)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (concluded)				
Current Education (concluded):				
Administrative Technology Services:				
Salaries	\$ 1,691,430	\$ 1,682,802	\$ 1,681,897	\$ 905
Employee Benefits	432,662	446,635	436,200	10,435
Purchased Services	3,182,315	3,362,284	2,498,463	863,821
Energy Services	1,500	2,730	2,551	179
Materials and Supplies	26,398	68,395	56,108	12,287
Capital Outlay	3,855,992	234,660	222,584	12,076
Other	2,450	1,700	75	1,625
Total Administrative Technology Services	<u>9,192,747</u>	<u>5,799,206</u>	<u>4,897,878</u>	<u>901,328</u>
Community Services:				
Salaries	3,193,330	3,182,810	2,619,534	563,276
Employee Benefits	692,568	706,234	609,769	96,465
Purchased Services	101,950	146,870	143,722	3,148
Materials and Supplies	63,895	59,960	51,560	8,400
Capital Outlay	11,000	37,726	37,102	624
Other	194,321	10,575	7,833	2,742
Total Community Services	<u>4,257,064</u>	<u>4,144,175</u>	<u>3,469,520</u>	<u>674,655</u>
Capital Outlay:				
Facility Acquisition and Construction	1,743,600	1,743,600	1,743,600	-
Other Capital Outlay	2,376,466	2,376,466	2,376,466	-
Total Capital Outlay	<u>4,120,066</u>	<u>4,120,066</u>	<u>4,120,066</u>	<u>-</u>
Total Expenditures	<u>340,071,496</u>	<u>343,247,563</u>	<u>324,324,710</u>	<u>18,922,853</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,849,424)</u>	<u>(14,707,563)</u>	<u>2,270,439</u>	<u>16,978,002</u>
Other Financing Sources (Uses)				
Insurance Loss Recoveries	-	71,483	81,895	10,412
Transfers In	5,913,701	5,889,619	5,883,002	(6,617)
Transfers Out	(20,000)	(23,266)	(23,266)	-
Total Other Financing Sources	<u>5,893,701</u>	<u>5,937,836</u>	<u>5,941,631</u>	<u>3,795</u>
Net Change in Fund Balance	(9,955,723)	(8,769,727)	8,212,070	16,981,797
Fund Balance - Beginning	<u>30,142,685</u>	<u>30,142,685</u>	<u>30,142,685</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 20,186,962</u>	<u>\$ 21,372,958</u>	<u>\$ 38,354,755</u>	<u>\$ 16,981,797</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FUND - SPECIAL REVENUE FUND - FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Food Service Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Federal Through State:				
National School Lunch Act	\$ 14,186,396	\$ 15,340,868	\$ 15,340,850	\$ (18)
School Breakfast Program	5,324,232	5,795,731	5,795,709	(22)
Miscellaneous Federal Revenues	3,200,801	3,767,517	3,710,486	(57,031)
Total Federal Through State	<u>22,711,429</u>	<u>24,904,116</u>	<u>24,847,045</u>	<u>(57,071)</u>
State:				
Breakfast Supplement	185,090	185,090	184,553	(537)
School Lunch Supplement	187,157	192,214	192,191	(23)
Total State	<u>372,247</u>	<u>377,304</u>	<u>376,744</u>	<u>(560)</u>
Local:				
Charges for Services - Food Service	2,649,725	2,689,637	2,580,880	(108,757)
Investment Income	27,900	27,900	27,344	(556)
Other	47,034	128,135	101,880	(26,255)
Total Local	<u>2,724,659</u>	<u>2,845,672</u>	<u>2,710,104</u>	<u>(135,568)</u>
Total Revenues	<u>25,808,335</u>	<u>28,127,092</u>	<u>27,933,893</u>	<u>(193,199)</u>
Expenditures				
Current Education:				
Food Services:				
Salaries	7,857,004	7,813,535	7,720,718	92,817
Employee Benefits	3,145,159	3,519,830	2,959,318	560,512
Purchased Services	1,276,835	724,201	640,546	83,655
Energy Services	536,931	1,516,065	1,013,270	502,795
Materials and Supplies	12,110,168	13,724,705	13,397,828	326,877
Capital Outlay	828,163	878,363	241,240	637,123
Other	1,319,620	1,219,204	952,730	266,474
Total Food Services	<u>27,073,880</u>	<u>29,395,903</u>	<u>26,925,650</u>	<u>2,470,253</u>
Capital Outlay:				
Facilities Acquisition and Construction	340,064	340,064	340,064	-
Other Capital Outlay	458,397	458,397	458,397	-
Total Expenditures	<u>27,872,341</u>	<u>30,194,364</u>	<u>27,724,111</u>	<u>2,470,253</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,064,006)</u>	<u>(2,067,272)</u>	<u>209,782</u>	<u>2,277,054</u>
Other Financing Sources				
Transfers In	20,000	23,266	23,266	-
Net Change in Fund Balance	<u>(2,044,006)</u>	<u>(2,044,006)</u>	<u>233,048</u>	<u>2,277,054</u>
Fund Balance - Beginning	<u>10,479,719</u>	<u>10,479,719</u>	<u>10,479,719</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 8,435,713</u>	<u>\$ 8,435,713</u>	<u>\$ 10,712,767</u>	<u>\$ 2,277,054</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Funding Progress was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 42,926,498	\$ 42,926,498	0.00%	\$ 165,366,095	25.96%
1/1/2014	-	38,101,622	38,101,622	0.00%	181,922,011	20.94%
1/1/2016	-	26,842,327	26,842,327	0.00%	190,963,029	14.06%

**Marion County District School Board
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years***

Florida Retirement System:

	<u>2015</u>	<u>2014</u>
Marion County School Board's proportion of the net pension liability (asset)	0.521988161%	0.524521642%
Marion County School Board's proportionate share of the net pension liability (asset)	\$ 67,421,772	\$ 32,003,534
Marion County School Board's covered-employee payroll	\$ 208,929,545	\$ 203,238,439
Marion County School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.27%	15.75%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

Health Insurance Subsidy Program:

	<u>2015</u>	<u>2014</u>
Marion County School Board's proportion of the net pension liability (asset)	0.690189062%	0.683926637%
Marion County School Board's proportionate share of the net pension liability (asset)	\$ 70,388,427	\$ 63,948,809
Marion County School Board's covered-employee payroll	\$ 208,929,545	\$ 203,238,439
Marion County School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.69%	31.46%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of 6/30. The District implemented GASB Statement No. 68 for the fiscal year ending June 30, 2015. As a result, this information is only available as of June 30, 2014.

**Marion County District School Board
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years***

Florida Retirement System:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,450,461	\$ 12,726,515	\$ 11,489,250
Contributions in relation to the contractually required contribution	\$ (12,450,461)	\$ (12,726,515)	\$ (11,489,250)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Marion County School Board's covered-employee payroll	\$ 223,856,707	\$ 208,929,545	\$ 203,238,439
Contributions as a percentage of covered-employee payroll	5.56%	6.09%	5.65%

Health Insurance Subsidy Program

	<u>2015</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,716,021	\$ 2,638,332	\$ 2,342,903
Contributions in relation to the contractually required contribution	\$ (3,716,021)	\$ (2,638,332)	\$ (2,342,903)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Marion County School Board's covered-employee payroll	\$ 223,856,707	\$ 208,929,545	\$ 203,238,439
Contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

* The amounts presented for each fiscal year were determined as of 6/30. The District implemented GASB Statement No. 68 for the fiscal year ending June 30, 2015. As a result, this information is only available as of June 30, 2014.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Budgetary Compliance and Accountability

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

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

Schedule of Funding Progress For Other Postemployment Benefits

Compared to the previous valuation, the Unfunded Actuarial Accrued Liability decreased significantly due to plan changes since the previous valuation was performed. Some of the more significant factors contributing to this decrease included

- *Initial Cost of Coverage:* The total cost of coverage increased from \$464 per employee per month to \$523 per employee per month. This change had an effect of slowing down increases in the cost and liability.
- *Population Changes:* The number of retirees currently receiving post-employment health benefits decreased from 553 in the previous valuation to 476 this year. At the same time, the number of active employees eligible for future post-employment benefits increased from 4,950 to 5,407.
- *Retiree Medical Coverage Assumptions:* Medicare Advantage options introduced by the District five years ago seem to be gaining popularity as more retirees eligible for Medicare elect this option. As a result, the lapsing coverage was revised from 85% to 90%.
- *Retiree Medicare Enrollment:* Based on data obtained in the actuarial study the assumption regarding percentage of claims paid by the Medicare was changed to 50%. This change had a significant decreasing effect on the cost and liability.
- *Long Term Medical Trend Assumption:* Beginning with the 2016 valuation, long term health trend assumptions are developed using a forecasted model sponsored by the Society of Actuaries. Under this model, assumed trend rates for costs decline over a 24-year period from 6.5% assumed for the year beginning January 1, 2017, to the ultimate level of 4.24%.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability was decreased from 4.29% to 3.80%.

SUPPLEMENTARY INFORMATION
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**MARION COUNTY DISTRICT SCHOOL BOARD
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2016**

	<u>Special Revenue</u>	<u>Debt Service</u>	
	<u>Other Federal Programs Fund</u>	<u>State Board of Education COBI Bonds Fund</u>	<u>Other Debt Service Fund</u>
Assets			
Cash	\$ -	\$ -	\$ 505,183
Accounts Receivable, Net	597	-	347
Investments	-	49,865	-
Due From Other Agencies	1,155,679	-	-
Prepaid Items	14,549	-	-
Total Assets	<u>\$ 1,170,825</u>	<u>\$ 49,865</u>	<u>\$ 505,530</u>
Liabilities and Fund Balances			
Liabilities			
Salaries and Benefits Payable	\$ 265,151	\$ -	\$ -
Payroll Deductions and Withholdings Payable	53,286	-	-
Accounts Payable	123,557	-	-
Due to Other Agencies	15,775	-	-
Due to Budgetary Funds	713,056	-	-
Construction Contracts Payable	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	<u>1,170,825</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Prepaid Items	14,549	-	-
Restricted for:			
Debt Service	-	49,865	505,530
Capital Projects	-	-	-
Total Restricted Fund Balance	<u>-</u>	<u>49,865</u>	<u>505,530</u>
Unassigned Fund Balance	<u>(14,549)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>49,865</u>	<u>505,530</u>
Total Liabilities and Fund Balances	<u>\$ 1,170,825</u>	<u>\$ 49,865</u>	<u>\$ 505,530</u>

Capital Projects		
Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Total
\$ 17,628	\$ 1,764,718	\$ 2,287,529
-	-	944
-	285	50,150
1,271,695	10,578	2,437,952
-	-	14,549
<u>\$ 1,289,323</u>	<u>\$ 1,775,581</u>	<u>\$ 4,791,124</u>
\$ -	\$ -	\$ 265,151
-	-	53,286
-	-	123,557
-	-	15,775
24,605	-	737,661
127,072	-	127,072
-	10,578	10,578
<u>151,677</u>	<u>10,578.00</u>	<u>1,333,080</u>
-	-	14,549
-	-	555,395
<u>1,137,646</u>	<u>1,765,003</u>	<u>2,902,649</u>
<u>1,137,646</u>	<u>1,765,003</u>	<u>3,458,044</u>
-	-	(14,549)
<u>1,137,646</u>	<u>1,765,003</u>	<u>3,458,044</u>
<u>\$ 1,289,323</u>	<u>\$ 1,775,581</u>	<u>\$ 4,791,124</u>

MARION COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>	<u>Debt Service</u>
	<u>Other</u>	<u>State Board</u>
	<u>Federal</u>	<u>of Education</u>
	<u>Programs</u>	<u>COBI Bonds</u>
	<u>Fund</u>	<u>Fund</u>
Revenues		
Intergovernmental:		
Federal Direct	\$ 1,142,683	\$ -
Federal Through State and Local	32,060,025	-
State	82,133	481,007
Local:		
Other	12,942	-
Total Revenues	<u>33,297,783</u>	<u>481,007</u>
Expenditures		
Current Education:		
Instruction	16,540,246	-
Student Personnel Services	4,972,057	-
Instruction and Curriculum Development	2,080,147	-
Instructional Staff Training Services	5,924,808	-
Instruction Related Technology	251,657	-
General Administration	1,382,049	-
School Administration	79,329	-
Student Transportation Services	337,271	-
Community Services	1,174,490	-
Capital Outlay:		
Facilities Acquisition and Construction	8,122	-
Other Capital Outlay	547,607	-
Debt Service:		
Retirement of Principal	-	365,000
Interest and Fiscal Charges	-	117,829
Total Expenditures	<u>33,297,783</u>	<u>482,829</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>-</u>	<u>(1,822)</u>
Other Financing Sources (Uses)		
Issuance of Refunding Debt	-	-
Premium on Refunding Debt	-	-
Payment to Refunded Debt Escrow Agent	-	-
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(1,822)
Fund Balances - Beginning	<u>-</u>	<u>51,687</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 49,865</u>

<u>Debt Service</u>	<u>Capital Projects</u>		
<u>Other Debt Service Fund</u>	<u>Public Education Capital Outlay Fund</u>	<u>Capital Outlay and Debt Service Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1,142,683
-	-	-	32,060,025
223,250	1,005,369	1,181,781	2,973,540
1,445	38	2,056	16,481
<u>224,695</u>	<u>1,005,407</u>	<u>1,183,837</u>	<u>36,192,729</u>
-	-	-	16,540,246
-	-	-	4,972,057
-	-	-	2,080,147
-	-	-	5,924,808
-	-	-	251,657
-	-	-	1,382,049
-	-	-	79,329
-	-	-	337,271
-	-	-	1,174,490
-	521,474	345,885	875,481
-	-	-	547,607
11,550,500	-	-	11,915,500
3,811,271	-	1,147	3,930,247
<u>15,361,771</u>	<u>521,474</u>	<u>347,032</u>	<u>50,010,889</u>
<u>(15,137,076)</u>	<u>483,933</u>	<u>836,805</u>	<u>(13,818,160)</u>
32,860,000	-	-	32,860,000
4,327,462	-	-	4,327,462
(36,775,929)	-	-	(36,775,929)
14,748,436	-	-	14,748,436
-	(87,977)	-	(87,977)
<u>15,159,969</u>	<u>(87,977)</u>	<u>-</u>	<u>15,071,992</u>
22,893	395,956	836,805	1,253,832
<u>482,637</u>	<u>741,690</u>	<u>928,198</u>	<u>2,204,212</u>
<u>\$ 505,530</u>	<u>\$ 1,137,646</u>	<u>\$ 1,765,003</u>	<u>\$ 3,458,044</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Other Federal Programs Fund		
	Final Budget	Actual	Variance with Final Budget
Revenues			
Federal Direct			
Pell Grants	\$ 1,250,000	\$ 1,142,683	\$ (107,317)
Federal Through State			
Career and Technical Education	685,884	645,625	(40,259)
Individuals with Disabilities Education Act (IDEA)	13,044,210	11,194,001	(1,850,209)
Adult General Education	494,853	428,170	(66,683)
English Literacy and Civics Education	56,303	53,773	(2,530)
Elementary and Secondary Education Act	18,615,979	16,300,499	(2,315,480)
Teacher and Principal Training and Recruiting	2,925,797	1,834,744	(1,091,053)
Math and Science Partnerships	175,041	145,460	(29,581)
Language Instruction	272,656	272,622	(34)
Twenty-First Century Schools	1,358,353	851,833	(506,520)
Miscellaneous Federal Through State	412,680	333,298	(79,382)
Federal Through Local	89,923	-	(89,923)
Total Federal Through State	38,131,679	32,060,025	(6,071,654)
State			
Miscellaneous State	109,110	82,133	(26,977)
Local			
Adult General Education Course Fees	-	12,942	12,942
Total Revenues	39,490,789	33,297,783	(6,193,006)
Expenditures			
Current Education:			
Instruction:			
Salaries	10,454,333	9,186,113	1,268,220
Employee Benefits	4,242,265	3,480,100	762,165
Purchased Services	2,426,679	1,952,457	474,222
Materials and Supplies	1,583,054	1,080,564	502,490
Capital Outlay	777,066	692,296	84,770
Other	199,021	148,716	50,305
Total Instruction	19,682,418	16,540,246	3,142,172
Student Personnel Services:			
Salaries	3,791,947	3,573,676	218,271
Employee Benefits	1,255,551	1,025,592	229,959
Purchased Services	227,642	156,359	71,283
Energy Services	6,300	1,140	5,160
Materials and Supplies	262,448	196,773	65,675
Capital Outlay	64,512	13,702	50,810
Other	7,561	4,815	2,746
Total Student Personnel Services	5,615,961	4,972,057	643,904

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Concluded)

	Other Federal Programs Fund		
	Final Budget	Actual	Variance with Final Budget
Expenditures (continued)			
Current Education (concluded):			
Instruction and Curriculum Development:			
Salaries	\$ 1,449,380	\$ 1,402,058	\$ 47,322
Employee Benefits	399,742	372,019	27,723
Purchased Services	126,974	102,780	24,194
Energy Services	-	-	-
Materials and Supplies	101,644	88,771	12,873
Capital Outlay	72,535	40,486	32,049
Other	114,659	74,033	40,626
Total Instruction and Curriculum Development	<u>2,264,934</u>	<u>2,080,147</u>	<u>184,787</u>
Instructional Staff Training Services			
Salaries	3,892,516	3,617,807	274,709
Employee Benefits	1,259,810	949,966	309,844
Purchased Services	1,195,720	849,944	345,776
Materials and Supplies	516,941	189,551	327,390
Capital Outlay	50,636	15,468	35,168
Other	540,282	302,072	238,210
Total Instructional Staff Training Services	<u>7,455,905</u>	<u>5,924,808</u>	<u>1,531,097</u>
Instruction Related Technology:			
Purchased Services	<u>251,676</u>	<u>251,657</u>	<u>19</u>
General Administration:			
Other	<u>1,653,042</u>	<u>1,382,049</u>	<u>270,993</u>
School Administration:			
Salaries	\$ 64,665	\$ 64,665	\$ -
Employee Benefits	13,970	13,965	5
Purchased Services	1,102	699	403
Total School Administration	<u>79,737</u>	<u>79,329</u>	<u>408</u>
Facility Services			
Capital Outlay	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Student Transportation Services:			
Salaries	225,805	123,253	102,552
Employee Benefits	44,026	22,653	21,373
Purchased Services	6,518	-	6,518
Energy Services	322,961	191,365	131,596
Total Student Transportation Services	<u>599,310</u>	<u>337,271</u>	<u>262,039</u>
Community Services:			
Salaries	43,594	24,858	18,736
Employee Benefits	7,170	3,716	3,454
Purchased Services	1,864	355	1,509
Materials and Supplies	1,893	1,695	198
Capital Outlay	2,556	1,183	1,373
Other	1,250,000	1,142,683	107,317
Total Community Services	<u>1,307,077</u>	<u>1,174,490</u>	<u>132,587</u>
Capital Outlay:			
Facilities Acquisition and Construction	8,122	8,122	-
Other Capital Outlay	547,607	547,607	-
Total Capital Outlay	<u>555,729</u>	<u>555,729</u>	<u>-</u>
Total Expenditures	<u>39,490,789</u>	<u>33,297,783</u>	<u>6,193,006</u>
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>State Board of Education COBI Bonds Fund</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
State:			
Debt Service for State Board of Education/COBI Bonds	\$ 480,917	\$ 480,917	\$ -
State Board of Education/COBI Bond Interest	90	90	-
Total Revenues	<u>481,007</u>	<u>481,007</u>	<u>-</u>
Expenditures			
Debt Service:			
Retirement of Principal	365,000	365,000	-
Interest and Fiscal Charges	117,682	117,682	-
Dues and Fees	147	147	-
Total Expenditures	<u>482,829</u>	<u>482,829</u>	<u>-</u>
(Deficiency) of Revenues Over Expenditures	<u>(1,822)</u>	<u>(1,822)</u>	<u>-</u>
Net Change in Fund Balance	(1,822)	(1,822)	-
Fund Balance - Beginning	<u>51,687</u>	<u>51,687</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 49,865</u>	<u>\$ 49,865</u>	<u>\$ -</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Other Debt Service Fund		
	Final Budget	Actual	Variance with Final Budget
Revenues			
State:			
Racing Commission Funds	\$ 223,250	\$ 223,250	\$ -
Local:			
Investment Income	1,450	1,445	(5)
Total Revenues	224,700	224,695	(5)
Expenditures			
Debt Service:			
Retirement of Principal	11,550,500	11,550,500	-
Interest and Fiscal Charges	3,387,759	3,387,757	2
Dues and Fees	423,515	423,514	1
Total Expenditures	15,361,774	15,361,771	3
Excess (Deficiency) of Revenues Over Expenditures	(15,137,074)	(15,137,076)	(2)
Other Financing Sources (Uses)			
Issuance of Refunding Debt	32,860,000	32,860,000	-
Premium on Refunding Debt	4,327,462	4,327,462	-
Payment to Refunded Debt Escrow Agent	(36,775,929)	(36,775,929)	-
Transfers in	14,748,439	14,748,436	(3)
Total Other Financing Sources	15,159,972	15,159,969	(3)
Net Change in Fund Balance	22,898	22,893	(5)
Fund Balance - Beginning	482,638	482,637	(1)
Fund Balance - Ending	\$ 505,536	\$ 505,530	\$ (6)

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Public Education Capital Outlay Fund		
	Final Budget	Actual	Variance with Final Budget
Revenues			
State:			
Public Education Capital Outlay (PECO)	\$ 917,392	\$ 917,392	\$ -
Charter School Capital Outlay Funding	87,977	87,977	-
Total State Sources	<u>1,005,369</u>	<u>1,005,369</u>	<u>-</u>
Local:			
Interest on Investments	39	38	(1)
Total Local Sources	<u>39</u>	<u>38</u>	<u>(1)</u>
Total Revenues	<u>1,005,408</u>	<u>1,005,407</u>	<u>(1)</u>
Expenditures			
Capital Outlay:			
Improvements Other Than Buildings	250,000	169,851	80,149
Remodeling and Renovations	1,409,082	351,623	1,057,459
Total Expenditures	<u>1,659,082</u>	<u>521,474</u>	<u>1,137,608</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(653,674)</u>	<u>483,933</u>	<u>(1,137,609)</u>
Other Financing Uses			
Transfers Out	(87,977)	(87,977)	-
Net Change in Fund Balance	(741,651)	395,956	(1,137,609)
Fund Balance - Beginning	741,690	741,690	-
Fund Balance - Ending	<u>\$ 39</u>	<u>\$ 1,137,646</u>	<u>\$ 1,137,607</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Capital Outlay and Debt Service Fund		
	Final Budget	Actual	Variance with Final Budget
Revenues			
State:			
Capital Outlay/Debt Service Distributed	\$ 1,177,027	\$ 1,177,026	\$ 1.00
Interest on Undistributed Capital Outlay and Debt Service	<u>4,755</u>	<u>4,755</u>	<u>-</u>
Total State	<u>1,181,782</u>	<u>1,181,781</u>	<u>1</u>
Local:			
Investment Income	<u>2,056</u>	<u>2,056</u>	<u>-</u>
Total Revenues	<u>1,183,838</u>	<u>1,183,837</u>	<u>1</u>
Expenditures			
Capital Outlay:			
Facilities Acquisition and Construction:			
Remodeling and Renovation	1,236,468	345,885	890,583
Debt Service:			
Interest and Fiscal Charges	<u>1,148</u>	<u>1,147</u>	<u>1</u>
Total Expenditures	<u>1,237,616</u>	<u>347,032</u>	<u>890,584</u>
Net Change in Fund Balance	(53,778)	836,805	890,583
Fund Balance - Beginning	<u>282,751</u>	<u>928,198</u>	<u>645,447</u>
Fund Balance - Ending	<u>\$ 228,973</u>	<u>\$ 1,765,003</u>	<u>\$ 1,536,030</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Local Capital Improvement Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local:				
District Local Capital Improvement Tax	\$ 23,896,028	\$ 23,828,352	\$ 23,828,351	\$ (1)
Tax Redemptions	-	150,726	150,726	-
Investment Income	-	36,128	36,120	(8)
Total Revenues	<u>23,896,028</u>	<u>24,015,206</u>	<u>24,015,197</u>	<u>(9)</u>
Expenditures				
Capital Outlay:				
Furniture, Fixtures and Equipment	-	11,108	11,086	22
Motor Vehicles	469,767	545,488	394,261	151,227
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	100,000	145,000	36,765	108,235
Land	-	19,718	-	19,718
Land Improvements	223,730	623,730	117,685	506,045
Remodeling and Renovations	9,406,627	8,893,082	3,418,385	5,474,697
Total Expenditures	<u>10,200,124</u>	<u>10,238,126</u>	<u>3,978,182</u>	<u>6,259,944</u>
Excess of Revenues Over Expenditures	<u>13,695,904</u>	<u>13,777,080</u>	<u>20,037,015</u>	<u>6,259,935</u>
Other Financing Uses				
Transfers Out	(21,074,399)	(21,063,399)	(20,432,332)	631,067
Net Change in Fund Balance	(7,378,495)	(7,286,319)	(395,317)	6,891,002
Fund Balance - Beginning	<u>7,418,422</u>	<u>7,418,422</u>	<u>7,418,422</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 39,927</u>	<u>\$ 132,103</u>	<u>\$ 7,023,105</u>	<u>\$ 6,891,002</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Other Capital Projects Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Local:				
Investment Income	\$ -	\$ 48,000	\$ 47,995	\$ (5)
Gain on Sale of Investments	-	428	427	(1)
Net Increase (Decrease) in Fair Value of Investments	-	(4,753)	(4,753)	-
Impact Fees	-	3,967	3,967	-
Refunds of Prior Year's Expenditures	-	50,446	50,446	-
Total Revenues	<u>-</u>	<u>98,088</u>	<u>98,082</u>	<u>(6)</u>
Expenditures				
Capital Outlay:				
Library Books	2,774	-	-	-
Computer Hardware Under \$1,000	11,347	-	-	-
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	6,589,542	3,340,400	55,432	3,284,968
Land	875,850	875,000	9,506	865,494
Improvements Other Than Buildings	-	-	-	-
Remodeling and Renovations	2,413	-	-	-
Total Facilities Acquisition and Construction	<u>7,481,926</u>	<u>4,215,400</u>	<u>64,938</u>	<u>4,150,462</u>
Other Capital Outlay:				
Furniture, Fixtures and Equipment	11,696	-	-	-
Computer Hardware Over \$1,000	1,209	-	-	-
Motor Vehicles	1,608,690	1,608,690	1,597,170	11,520
Total Other Capital Outlay	<u>1,621,595</u>	<u>1,608,690</u>	<u>1,597,170</u>	<u>11,520</u>
Debt Service:				
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>9,103,521</u>	<u>5,824,090</u>	<u>1,662,108</u>	<u>4,161,982</u>
Deficiency of Revenues Over Expenditures	<u>(9,103,521)</u>	<u>(5,726,002)</u>	<u>(1,564,026)</u>	<u>4,161,976</u>
Other Financing Uses				
Transfers Out	-	(111,129)	(111,129)	-
Net Change in Fund Balance	<u>(9,103,521)</u>	<u>(5,837,131)</u>	<u>(1,675,155)</u>	<u>4,161,976</u>
Fund Balance - Beginning	<u>12,881,635</u>	<u>12,881,635</u>	<u>12,881,635</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,778,114</u>	<u>\$ 7,044,504</u>	<u>\$ 11,206,480</u>	<u>\$ 4,161,976</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Internal Accounts - Student Activity Funds				
	July 1, 2015	Additions	Deletions	June 30, 2016
Assets				
Cash	\$ 2,148,504	\$ 13,093,874	\$ 13,122,605	\$ 2,119,773
Investments	2,145,265	14,903	164,000	1,996,168
Total Assets	4,293,769	13,108,777	13,286,605	4,115,941
Liabilities				
Internal Accounts Payable	\$ 4,293,769	\$ 13,108,777	\$ 13,286,605	\$ 4,115,941

NONMAJOR COMPONENT UNITS

Foundation

Public Education Foundation of Marion County, Inc.

Charter Schools

Marion Charter School, Inc.
McIntosh Area Charter School, Incorporated
Francis Marion Military Academy, Inc.
Francis Marion Charter School, Inc.

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**MARION COUNTY DISTRICT SCHOOL BOARD
NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016**

	Public Education Foundation of Marion County, Inc.	Marion Charter School, Inc.	McIntosh Area Charter School, Incorporated	Francis Marion Military Academy, Inc.	Francis Marion Charter School, Inc.	Total
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 365,899	\$ 538,356	\$ 118,799	\$ 21,935	\$ 34,826	\$ 1,079,815
Investments	591,544	-	-	-	-	591,544
Accounts Receivable	72,669	6,777	2,755	-	31,836	114,037
Deposits Receivable	-	1,600	-	-	14,304	15,904
Inventories	615,851	-	-	-	-	615,851
Prepaid Items	5,304	1,355	16,516	865	4,785	28,825
Total Current Assets	1,651,267	548,088	138,070	22,800	85,751	2,445,976
Noncurrent Assets:						
Assets Held by Others	2,231,747	-	-	-	-	2,231,747
Capital Assets Not Being Depreciated	-	248,319	116,514	-	-	364,833
Capital Assets Being Depreciated, Net	21,989	447,126	330,225	115,440	12,221	927,001
Total Noncurrent Assets	2,253,736	695,445	446,739	115,440	12,221	3,523,581
Total Assets	3,905,003	1,243,533	584,809	138,240	97,972	5,969,557
Deferred Outflows of Resources						
Deferred Amount on Pension	-	135,564	-	-	-	135,564
Liabilities						
Current Liabilities:						
Accounts Payable	42,081	1,360	32,421	12,290	5,101	93,253
Funds Held for Others	2,384	-	-	-	-	2,384
Notes Payable	-	56,974	34,798	10,679	-	102,451
Total Current Liabilities	44,465	58,334	67,219	22,969	5,101	198,088
Noncurrent Liabilities:						
Portion Due After One Year	-	582,373	-	27,106	-	609,479
Total Noncurrent Liabilities	-	582,373	-	27,106	-	609,479
Total Liabilities	44,465	640,707	67,219	50,075	5,101	807,567
Deferred Inflows of Resources						
Deferred Amount on Pension	-	76,585	-	-	-	76,585
Total Deferred Inflows of Resources	-	76,585	-	-	-	76,585
Net Position						
Net Investment in Capital Assets	21,989	531,924	411,941	115,440	12,221	1,093,515
Restricted for:						
Capital Projects	-	1,523	-	-	-	1,523
Permanent Endowments:						
Nonexpendable	144,490	-	-	-	-	144,490
Other Purposes	2,997,335	-	-	-	4,785	3,002,120
Unrestricted (Deficit)	696,724	128,358	105,649	(27,275)	75,865	979,321
Total Net Position	\$ 3,860,538	\$ 661,805	\$ 517,590	\$ 88,165	\$ 92,871	\$ 5,220,969

**MARION COUNTY DISTRICT SCHOOL BOARD
NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Nonmajor Component Units				
Governmental Activities				
Public Education Foundation of Marion County, Inc.:				
Community Services	\$ 1,832,742	\$ -	\$ 1,937,052	\$ -
Marion Charter School, Inc.:				
Instruction	855,200	13,576	-	-
Student Support Services	74,755	-	-	-
General Administration	340,291	-	-	67,354
Community Services	25,118	48,747	-	-
Unallocated Interest on Long-term Debt	9,715	-	-	9,715
Total Marion Charter School, Inc.	<u>1,305,079</u>	<u>62,323</u>	<u>-</u>	<u>77,069</u>
McIntosh Area Charter School, Incorporated:				
Instruction	394,301	5,413	-	-
General Administration	201,236	-	-	-
Maintenance of Plant	14,515	-	-	10,908
Community Services	16,799	10,601	-	-
Unallocated Interest on Long-term Debt	2,853	-	-	-
Total McIntosh Area Charter School, Incorporated	<u>629,704</u>	<u>16,014</u>	<u>-</u>	<u>10,908</u>
Francis Marion Military Academy, Inc.:				
Instruction	345,553	15,887	82,479	-
General Administration	291,500	-	-	-
Maintenance of Plant	11,045	-	-	-
Community Services	7,504	-	-	-
Unallocated Interest on Long-term Debt	2,244	-	-	-
Total Francis Marion Military Academy, Inc.	<u>657,846</u>	<u>15,887</u>	<u>82,479</u>	<u>-</u>
Francis Marion Charter School, Inc.:				
Instruction	279,475	-	-	-
General Administration	333,798	-	-	-
Maintenance of Plant	4,519	-	-	-
Community Services	7,168	-	-	-
Total Francis Marion Charter School, Inc.	<u>624,960</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonmajor Component Units	<u>\$ 5,050,331</u>	<u>\$ 94,224</u>	<u>\$ 2,019,531</u>	<u>\$ 87,977</u>

General Revenues

Grants and Contributions Not Restricted
To Specific Programs

Unrestricted Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

**Net (Expense) Revenue and Changes in Net Position
Component Units**

Public Education Foundation of Marion County, Inc.	Marion Charter School, Inc.	McIntosh Area Charter School, Incorporated	Francis Marion Military Academy, Inc.	Francis Marion Chater School, Inc.	Total
\$ 104,310	\$ -	\$ -	\$ -	\$ -	\$ 104,310
-	(841,624)	-	-	-	(841,624)
-	(74,755)	-	-	-	(74,755)
-	(272,937)	-	-	-	(272,937)
-	23,629	-	-	-	23,629
-	-	-	-	-	-
-	(1,165,687)	-	-	-	(1,165,687)
-	-	(388,888)	-	-	(388,888)
-	-	(201,236)	-	-	(201,236)
-	-	(3,607)	-	-	(3,607)
-	-	(6,198)	-	-	(6,198)
-	-	(2,853)	-	-	(2,853)
-	-	(602,782)	-	-	(602,782)
-	-	-	(247,187)	-	(247,187)
-	-	-	(291,500)	-	(291,500)
-	-	-	(11,045)	-	(11,045)
-	-	-	(7,504)	-	(7,504)
-	-	-	(2,244)	-	(2,244)
-	-	-	(559,480)	-	(559,480)
-	-	-	0	(279,475)	(279,475)
-	-	-	0	(333,798)	(333,798)
-	-	-	0	(4,519)	(4,519)
-	-	-	0	(7,168)	(7,168)
-	-	-	0	(624,960)	(624,960)
104,310	(1,165,687)	(602,782)	(559,480)	(624,960)	(2,848,599)
-	1,386,010	521,222	611,286	762,861	3,281,379
43,608	-	-	-	-	43,608
43,608	1,386,010	521,222	611,286	762,861	3,324,987
147,918	220,323	(81,560)	51,806	137,901	476,388
3,712,620	441,482	599,150	36,359	(45,030)	4,744,581
\$ 3,860,538	\$ 661,805	\$ 517,590	\$ 88,165	\$ 92,871	\$ 5,220,969

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STATISTICAL SECTION

This part of the Marion County District School Board's Comprehensive Annual Financial Report presents detailed information as a context for understanding what information in the financial statements, note disclosures, required and supplementary information says about the School Board's overall financial health.

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These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	92
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These schedules present information to help the reader assess the District's most significant local revenue sources, which is property taxes.	97
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	103
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	108
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These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	110

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

MARION COUNTY DISTRICT SCHOOL BOARD
NET POSITION BY COMPONENT - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

Table 1

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 304,419,959	\$ 341,762,148	\$ 361,414,395	\$ 385,274,585	\$ 397,845,050	\$ 401,984,084	\$ 424,639,560	\$ 421,531,025	\$ 428,040,562	\$ 427,231,115
Restricted	74,133,587	89,525,923	112,533,192	100,747,187	76,016,201	61,243,195	39,563,126	38,543,429	36,140,288	40,344,387
Unrestricted (Deficit)	(4,211,094)	(7,254,735)	(26,496,521)	(28,893,693)	(31,610,672)	(38,520,766)	(42,686,045)	(38,717,427)	(45,124,347)	(157,210,634)
Total Governmental Net Position	\$ 374,342,452	\$ 424,033,336	\$ 447,451,066	\$ 457,128,079	\$ 442,250,579	\$ 424,706,513	\$ 421,516,641	\$ 421,357,027	\$ 419,056,503	\$ 310,364,868

Source: Marion County District School Board, Finance Department Records

MARION COUNTY DISTRICT SCHOOL BOARD
CHANGES IN NET POSITION - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

Table 2

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Functions/Program Expenses:										
Instruction	\$ 192,867,939	\$ 209,504,540	\$ 200,716,797	\$ 207,738,856	\$ 212,253,161	\$ 195,573,215	\$ 193,104,354	\$ 204,444,783	\$ 218,354,709	\$ 222,627,462
Student Personnel Services	21,672,610	24,166,357	23,670,282	24,231,179	24,133,279	22,098,150	22,318,281	23,289,985	23,950,509	26,921,637
Instructional Media Services	5,291,431	5,543,724	5,087,765	4,840,227	4,977,843	4,265,084	4,085,164	3,729,590	3,911,410	4,950,533
Instruction and Curriculum Development	7,048,331	7,977,806	7,375,377	6,923,344	7,700,687	7,019,856	6,273,460	5,645,058	5,829,576	5,614,973
Instructional Staff Training Services	6,150,737	5,512,266	6,990,939	8,053,287	9,080,596	7,872,397	7,165,977	7,194,947	8,055,859	9,031,233
Instruction Related Technology	2,283,275	2,542,527	2,317,596	2,678,244	2,794,199	2,246,830	2,089,873	2,229,226	2,500,438	2,669,681
Board of Education	839,764	633,551	621,036	576,161	660,329	609,104	610,546	634,052	590,682	693,524
General Administration	2,285,407	2,143,608	2,084,111	3,243,177	3,301,514	2,235,331	2,357,108	2,316,446	2,789,387	2,847,397
School Administration	17,841,733	18,696,988	18,185,673	18,305,607	18,642,721	16,562,768	17,063,273	17,249,608	18,929,426	18,132,771
Facility Services	10,543,899	12,931,761	9,725,266	10,439,477	16,456,978	9,623,561	4,411,906	3,848,722	1,138,582	1,602,808
Fiscal Services	2,698,021	2,736,896	2,518,283	2,668,741	2,750,245	2,509,716	2,528,497	2,464,671	3,236,667	2,752,024
Food Services	17,397,012	19,280,277	20,124,044	20,228,293	20,559,098	21,649,060	22,368,022	23,066,934	25,092,655	27,389,859
Central Services	4,809,401	4,893,471	4,456,886	4,299,653	4,407,750	3,973,337	3,819,998	3,987,410	5,973,248	4,001,834
Student Transportation Services	22,588,074	25,390,210	21,091,291	19,758,533	20,334,725	18,990,431	18,604,907	21,274,194	20,088,339	20,774,721
Operation of Plant	23,957,644	27,357,197	27,818,480	26,984,427	26,997,233	23,026,130	22,464,976	23,861,211	24,035,990	23,055,086
Maintenance of Plant	10,477,455	11,298,938	10,839,742	9,314,330	9,848,470	8,982,975	8,577,801	8,846,764	9,740,872	9,133,472
Administrative Technology Services	3,866,119	4,336,244	4,387,626	4,356,504	4,559,778	3,985,071	4,868,187	4,157,489	5,275,929	5,049,540
Community Services	2,923,540	3,475,705	3,681,787	3,914,444	4,224,491	3,818,043	3,759,890	4,416,678	4,643,795	4,629,729
Unallocated Interest on Long-term Debt	5,812,574	8,424,083	8,065,434	7,525,224	7,131,032	7,020,315	5,965,804	5,679,051	4,432,956	3,989,079
Unallocated Depreciation Expense (a)	6,932,916	8,024,189	10,126,994	10,361,493	10,543,476	12,299,937	12,649,334	-	-	387,768
Loss on Disposal of Capital Assets	-	-	-	-	-	-	246,664	18,286	193,054	-
Total Functions/Program Expenditures	368,287,882	404,870,338	389,885,409	396,441,201	411,357,605	374,361,311	365,334,022	368,355,105	388,764,083	396,255,131
Program Revenues:										
Charges for Services:										
Instruction	4,387,090	4,894,294	5,163,169	5,531,573	5,216,738	5,393,459	6,640,861	6,448,549	7,241,668	7,257,853
Food Services	5,627,409	5,662,999	5,398,770	4,931,558	4,747,902	4,586,357	4,394,926	3,226,221	2,646,279	2,583,097
Student Transportation Services	209,175	323,601	335,932	312,460	238,274	153,100	146,869	127,208	190,060	159,872
Operating Grants and Contributions:										
Food Services	12,701,597	13,639,524	15,149,055	16,861,818	17,528,387	18,524,571	19,095,554	20,831,097	23,120,564	25,323,451
Student Transportation Services	10,666,279	11,467,327	10,517,358	-	-	-	-	-	-	-
Capital Grants and Contributions:										
Facility Services	32,252,115	20,125,293	5,853,001	8,051,663	302,732	292,553	450,199	539,517	727,911	1,273,724
Maintenance of Plant	-	-	-	814,191	2,298,626	-	-	-	824,100	917,392
Unallocated Interest on Long-term Debt	1,448,476	1,247,550	1,246,755	1,253,179	1,268,967	1,285,599	1,273,182	1,266,075	898,176	481,012
Total Functions/Program Expense	67,292,141	57,360,588	43,664,040	37,756,442	31,601,626	30,235,639	32,001,591	32,438,667	35,648,758	37,996,401
Net Expense	300,995,741	347,509,750	346,221,369	358,684,759	379,755,979	344,125,672	333,332,431	335,916,438	353,115,325	358,258,730
General Revenues:										
Property Taxes Levied for:										
Operational Purposes	99,928,192	119,479,605	124,589,357	116,423,617	104,543,105	99,086,319	91,929,027	86,908,625	89,283,913	106,567,311
Capital Projects	34,037,909	42,611,688	38,043,765	29,293,207	26,226,951	23,954,343	22,351,178	22,325,029	23,097,597	23,979,076
Local Sales Taxes	23,144,189	20,770,565	19,414,830	9,238,526	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	205,507,165	193,336,608	179,696,112	205,886,975	223,978,645	196,381,947	204,350,332	222,724,894	232,050,823	239,340,767
Unrestricted Investment Earnings	7,562,309	7,199,706	(328,594)	2,356,932	1,398,387	968,085	984,783	322,748	254,671	403,219
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
Miscellaneous	6,140,377	13,802,462	8,223,630	5,162,516	8,731,391	6,190,912	6,463,438	5,402,788	6,127,797	6,678,133
Total Revenues	376,320,141	397,200,634	369,639,100	368,361,773	364,878,479	326,581,606	326,078,758	337,684,084	350,814,801	376,968,506
Change in Net Position	\$ 75,324,400	\$ 49,690,884	\$ 23,417,731	\$ 9,677,014	\$ (14,877,500)	\$ (17,544,066)	\$ (7,253,673)	\$ 1,767,646	\$ (2,300,524)	\$ 18,709,776

Source: Marion County District School Board, Finance Department Records

(a) Prior to 2014 the District's accounting system did not allocate all depreciation to the various functions. Beginning in 2014 the District was able to allocate depreciation to all of the applicable functions.

MARION COUNTY DISTRICT SCHOOL BOARD
CHANGES IN FUND BALANCES, ALL GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

Table 3

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Federal Direct	\$ 1,008,726	\$ 981,697	\$ 1,069,180	\$ 1,609,243	\$ 2,379,764	\$ 2,072,312	\$ 2,148,187	\$ 1,942,361	\$ 1,728,450	\$ 1,619,918
Federal Through State and Local State	40,942,212	42,018,298	44,295,565	69,840,822	80,060,063	53,587,286	50,650,606	51,211,480	58,177,325	60,105,303
Local	220,624,694	196,816,307	167,097,534	160,672,169	162,937,531	160,825,072	172,104,392	192,098,173	197,617,735	205,444,106
Total Revenues	443,605,617	453,976,386	413,037,838	405,980,520	394,984,955	358,052,480	357,920,317	369,975,961	386,320,370	414,835,050
Expenditures										
Current - Education:										
Instruction	190,279,971	203,666,254	192,555,029	202,978,125	208,115,441	193,742,555	190,865,971	188,985,303	200,557,137	211,215,617
Student Personnel Services	21,471,163	23,574,904	22,985,235	23,930,121	23,881,248	22,044,740	22,230,371	23,014,906	23,520,438	27,396,622
Instructional Media Services	5,211,569	5,402,131	4,797,188	4,814,832	4,967,925	4,295,754	4,070,111	3,641,443	3,785,464	5,044,413
Instruction and Curriculum Development	6,918,098	7,770,173	7,101,176	6,847,503	7,689,989	7,024,155	6,248,797	5,570,332	5,696,150	5,731,587
Instructional Staff Training Services	6,138,389	5,383,146	6,770,652	7,960,268	8,977,471	7,850,706	7,137,393	7,135,820	7,906,996	9,160,984
Instruction Related Technology (a)	2,270,949	2,481,471	2,249,285	2,645,417	2,763,705	2,241,295	2,082,139	2,141,157	2,404,936	2,684,933
Board of Education	833,915	620,847	600,024	562,013	639,789	599,619	601,336	627,489	583,584	695,662
General Administration	2,228,249	2,082,280	2,047,677	3,186,466	3,251,400	2,219,000	2,342,176	2,291,020	2,714,190	2,909,358
School Administration	17,387,163	18,165,186	17,603,349	18,017,619	18,454,258	16,527,237	16,969,889	16,935,587	17,198,183	18,847,423
Facility Services	903,451	853,056	574,478	18,438	8,439,024	6,425,156	733,226	2,597,831	680,787	725,667
Fiscal Services	2,636,470	2,660,367	2,450,046	2,614,061	2,700,701	2,489,566	2,504,775	2,423,416	2,603,285	2,810,974
Food Services	17,353,436	18,392,997	19,581,193	19,824,364	20,048,272	21,418,705	22,125,473	22,381,865	24,787,895	26,928,146
Central Services	4,558,679	4,751,967	4,100,340	4,065,784	4,140,917	3,800,660	3,639,891	3,919,053	4,367,091	4,105,026
Student Transportation Services	22,463,825	24,736,052	20,477,342	19,675,741	20,052,193	18,901,755	18,496,270	19,526,977	19,702,264	19,463,264
Operation of Plant	23,842,434	26,621,750	27,042,358	26,591,041	26,573,504	22,888,806	22,316,850	23,531,438	23,679,597	23,277,751
Maintenance of Plant	10,359,939	10,924,839	10,372,930	9,180,879	9,702,580	8,956,293	8,489,604	8,684,861	9,333,260	9,333,033
Administrative Technology Services (a)	3,715,664	4,145,610	3,959,590	4,167,870	4,297,042	3,853,533	4,723,110	3,971,669	5,165,926	4,897,878
Community Services	2,926,497	3,393,735	3,560,481	3,870,685	4,170,742	3,804,867	3,741,872	4,384,158	4,608,859	4,644,010
Capital Outlay:										
Facilities Acquisition and Construction	77,713,964	73,326,980	65,010,879	50,084,138	37,103,268	13,410,419	24,002,370	4,554,498	9,520,375	6,596,918
Other Capital Outlay	3,198,158	2,402,392	1,845,579	1,842,850	1,648,151	1,636,109	1,410,753	2,483,145	3,848,106	5,384,987
Debt Service:										
Principal	7,309,157	9,053,112	9,452,526	10,132,414	10,367,792	10,275,000	10,145,000	10,479,000	11,065,000	11,915,500
Interest and Fiscal Charges	6,117,389	8,397,333	8,149,354	7,382,505	7,150,589	6,992,311	5,906,887	5,567,168	4,300,873	3,505,439
Dues, Fees and Issuance Costs	585,354	94,879	14,895	377,219	19,700	75,916	70,035	215,027	134,021	424,808
Total Expenditures	436,423,883	458,901,461	433,301,606	430,770,353	435,155,701	381,474,157	380,854,299	365,063,163	388,164,417	407,700,000
Excess (Deficiency) of Revenues Over Expenditures	7,181,734	(4,925,075)	(20,263,768)	(24,789,833)	(40,170,746)	(23,421,677)	(22,933,982)	4,912,798	(1,844,047)	7,135,050

MARION COUNTY DISTRICT SCHOOL BOARD
CHANGES IN FUND BALANCES, ALL GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

Table 3

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Long-term Capital Outlay Bonds Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,975,000.00	\$ -
Certificates of Participation Issued	57,348,101	-	-	21,420,000	-	-	-	37,380,000	-	32,860,000
Loans Incurred	-	-	-	-	-	-	-	-	4,946,000	-
Bonds Issued	-	-	-	520,000	180,000	25,845,000	-	3,620,500	396,000	-
Premium on Debt	-	-	-	52,193	27,740	300,397	-	137,879	35,955	4,327,462
Discount on Debt Issued	-	-	-	(12,828)	-	-	-	-	-	-
Payments to Refunded Debt Escrow Agent	-	-	-	(21,606,898)	(208,420)	(24,875,279)	(1,158,933)	(39,919,642)	(8,349,298)	(36,775,929)
Proceeds from Sale of Capital Assets	-	12,000	3,600	96,680	-	-	-	-	-	-
Insurance Loss Recoveries	54,809	120,516	88,623	9,318	23,977	108,500	58,443	108,571	74,416	81,895
Transfers In	16,234,114	20,673,467	24,759,695	23,332,714	23,069,632	21,754,970	20,844,390	21,603,700	20,860,316	20,654,704
Transfers Out	(16,234,114)	(20,673,467)	(24,759,695)	(23,332,714)	(23,069,632)	(21,754,970)	(20,844,390)	(21,603,700)	(20,860,316)	(20,654,704)
Total Other Financing Sources (Uses)	<u>57,402,910</u>	<u>132,516</u>	<u>92,223</u>	<u>478,465</u>	<u>23,297</u>	<u>1,378,618</u>	<u>(1,100,490)</u>	<u>1,327,308</u>	<u>4,078,073</u>	<u>493,428</u>
Net Change in Fund Balances	<u>64,584,644</u>	<u>(4,792,559)</u>	<u>(20,171,545)</u>	<u>(24,311,368)</u>	<u>(40,147,449)</u>	<u>(22,043,059)</u>	<u>(24,034,472)</u>	<u>6,240,106</u>	<u>2,234,026</u>	<u>7,628,478</u>
Fund Balances - Beginning	-	64,584,644	59,792,085	39,620,540	15,309,172	(24,838,277)	(46,881,336)	54,652,541	60,892,649	63,126,673
Fund Balances - Ending	<u>\$ 64,584,644</u>	<u>\$ 59,792,085</u>	<u>\$ 39,620,540</u>	<u>\$ 15,309,172</u>	<u>\$ (24,838,277)</u>	<u>\$ (46,881,336)</u>	<u>\$ (70,915,808)</u>	<u>\$ 60,892,647</u>	<u>\$ 63,126,675</u>	<u>\$ 70,755,151</u>
Debt Service as a Percentage of Noncapital Expenditures	3.78%	4.55%	4.80%	4.62%	4.42%	4.71%	4.52%	4.48%	4.10%	3.90%

(a) In fiscal year ending June 30, 2006, two new functional expenditure classifications were implemented to report technology expenses that were previously reported in central services.

Source: Marion County District School Board, Finance Department Records

**MARION COUNTY DISTRICT SCHOOL BOARD
FUND BALANCES, ALL GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**
(Modified Accrual Basis of Accounting)
(UNAUDITED)

Table 4

	Fiscal Year Ending June 30:									
	2007(a)	2008(a)	2009(a)	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ 2,337,748	\$ 2,350,940	\$ 2,249,011	\$ 3,410,988	\$ 2,364,515	\$ 2,258,504	\$ 2,262,561	\$ 2,644,114	\$ 2,423,202	\$ 3,158,561
Spendable:										
Restricted	2,598,777	2,060,664	7,540,364	2,317,781	1,615,396	2,240,303	3,007,480	4,422,676	3,745,725	8,423,116
Assigned	996,584	601,554	330,685	16,573,438	12,723,576	4,843,480	-	7,547,747	3,866,310	11,347,442
Unassigned	27,036,524	23,798,971	22,226,646	8,970,560	10,206,082	9,250,956	11,241,171	11,469,003	20,107,447	15,425,636
Total General Fund	\$ 32,969,633	\$ 28,812,129	\$ 32,346,706	\$ 31,272,767	\$ 26,909,569	\$ 18,593,243	\$ 16,511,212	\$ 26,083,540	\$ 30,142,684	\$ 38,354,755
All Other Government Funds										
Nonspendable	\$ 881,932	\$ 747,421	\$ 509,359	\$ 541,201	\$ 850,502	\$ 822,146	\$ 761,754	\$ 1,439,665	\$ 828,337	\$ 895,462
Spendable:										
Restricted	156,325,389	155,825,086	132,357,583	109,087,802	73,026,310	59,332,102	37,432,904	33,384,745	32,155,653	31,519,483
Unassigned (b)	(23,961)	(24,202)	(24,759)	(24,249)	(56,309)	(60,478)	(53,329)	(15,303)	-	(14,549)
Total All Other Governmental Funds	\$ 157,183,360	\$ 156,548,305	\$ 132,842,183	\$ 109,604,754	\$ 73,820,503	\$ 60,093,770	\$ 38,141,329	\$ 34,809,107	\$ 32,983,990	\$ 32,400,396
Combined Governmental Funds	\$ 190,152,993	\$ 185,360,434	\$ 165,188,889	\$ 140,877,521	\$ 100,730,072	\$ 78,687,013	\$ 54,652,541	\$ 60,892,647	\$ 63,126,674	\$ 70,755,151

(a) The District implemented GASB 54 in the 2010 fiscal year. The fund balances from the prior fiscal years were restated for comparison purposes.

(b) The District reported a negative unassigned fund balance for All Other Governmental Funds as a result of prepaid items exceeding the ending fund balances in the Special Revenue - Other Federal Programs Fund.

Source: Marion County District School Board, Finance Department Records

MARION COUNTY DISTRICT SCHOOL BOARD
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCES
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

Table 5

Fiscal Year Ending June 30,	Property Taxes		Sales Surtax (a)	Impact Fees (b)	Total
	Operational Purposes	Capital Projects			
2007	99,928,192	34,037,909	23,144,189	1,685,718	158,796,008
2008	119,479,605	42,611,688	20,770,565	4,967,977	187,829,835
2009	124,589,357	38,043,765	19,414,830	2,484,914	184,532,866
2010	114,728,839	28,787,837	9,238,526	740,445	153,495,647
2011	104,543,105	26,226,951	-	958,161	131,728,217
2012	99,086,319	23,954,343	-	220,642	123,261,304
2013	91,929,027	22,351,178	-	57,874	114,338,079
2014	86,908,625	22,325,029	-	26,953	109,260,607
2015	89,283,913	23,097,598	-	20,790	112,402,301
2016	106,567,312	23,979,076	-	3,967	130,550,355

(a) A half-cent sales surtax was voted in by the citizens of Marion County effective January 1, 2005, for a period of five years.

(b) In response to the growing population and new home sales in Marion County, the Marion County Board of County Commissioners approved an impact fee on new home sales to begin on October 1, 2006, to aid funding for new schools. Due to a downturn in the local housing market, impact fees significantly declined in 2010. In 2011, the School Board suspended the collection of the fees.

Source: Marion County District School Board, Finance Department Records

MARION COUNTY DISTRICT SCHOOL BOARD
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 6

Fiscal Year Ending June 30,	Real Property	Tangible Property	Railroad Property	Less: Tax-Exempt Property	Total Taxable Assessed Value (a)	Total Direct Tax Rate
2007	28,210,781,781	1,398,251,481	16,831,233	12,082,162,532	17,543,701,963	7.869
2008	36,918,976,765	1,531,172,245	18,006,999	16,120,773,828	22,347,382,181	7.607
2009	36,172,335,899	1,608,354,450	15,007,701	15,472,964,184	22,322,733,866	7.498
2010	31,005,053,635	1,547,921,757	15,121,409	12,592,151,804	19,975,944,997	7.478
2011	27,141,206,875	1,424,892,450	13,690,221	10,703,365,015	17,876,424,531	7.487
2012	24,124,431,238	1,372,246,797	15,044,813	9,006,785,016	16,504,937,832	7.708
2013	21,713,674,702	1,325,660,677	18,381,187	7,642,130,994	15,415,585,572	7.671
2014	21,662,690,013	1,365,147,480	19,153,005	7,689,024,236	15,357,966,262	7.339
2015	22,545,666,860	1,421,016,339	20,017,720	8,095,173,721	15,891,527,198	7.298
2016	22,946,649,486	1,515,661,515	20,342,991	7,952,550,884	16,530,103,108	8.172

(a) Assessed values are as of January 1.

Source: Marion County Property Appraiser - <http://www.pa.marion.fl.us/>

**MARION COUNTY DISTRICT SCHOOL BOARD
PROPERTY TAX RATES (a) OF
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 7

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Direct										
Marion County District School Board										
General Fund (Required Local Effort)	5.1090	4.8960	5.0530	5.2300	5.2390	5.4600	5.4230	5.0910	5.0500	4.9240
General Fund (Discretionary)	0.7600	0.7110	0.6950	0.7480	0.7480	0.7480	0.7480	0.7480	0.7480	0.7480
Capital Projects Fund	2.0000	2.0000	1.7500	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
Additional Voted Millage	-	-	-	-	-	-	-	-	-	1.0000
Total School Board	<u>7.8690</u>	<u>7.6070</u>	<u>7.4980</u>	<u>7.4780</u>	<u>7.4870</u>	<u>7.7080</u>	<u>7.6710</u>	<u>7.3390</u>	<u>7.2980</u>	<u>8.1720</u>
Overlapping										
Board of County Commissioners										
General Fund	3.6200	2.7300	3.1300	3.1300	3.1900	3.1900	3.1900	3.1900	3.1900	3.1900
Fine and Forfeiture Fund	0.7100	0.5600	0.5600	0.5600	0.5300	0.5300	0.5300	0.5300	0.5300	0.5300
Parks and Land Acquisition Debt Service Fund	0.1000	0.0800	0.0800	0.0900	0.0500	0.0500	0.0500	0.0600	0.0600	0.0600
Marion County Health Department Fund	0.1400	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Total General County	<u>4.5700</u>	<u>3.4900</u>	<u>3.8900</u>	<u>3.9000</u>	<u>3.8900</u>	<u>3.8900</u>	<u>3.8900</u>	<u>3.9000</u>	<u>3.9000</u>	<u>3.9000</u>
Total County-Wide	<u>12.4390</u>	<u>11.0970</u>	<u>11.3880</u>	<u>11.3780</u>	<u>11.3770</u>	<u>11.5980</u>	<u>11.5610</u>	<u>11.2390</u>	<u>11.1980</u>	<u>12.0720</u>
Special Districts										
Rainbow Lakes Estates MSD (b)	1.4000	1.0800	1.5600	2.0000	2.0000	2.2500	2.2500	2.2500	2.2500	2.2500
Rainbow Lakes Estates MSTU (c)	0.4500	0.2100	0.3000	0.3400	0.3400	0.3800	0.4700	0.4700	0.4700	0.4700
Marion Oaks MSTU For Fire Protection (c)	1.6300	1.0200	1.0200	1.0200	1.0200	1.0200	1.0200	1.0200	1.0200	1.0200
MSTU for Law Enforcement (c)	2.2800	2.0300	2.0300	2.3300	2.8100	2.8100	2.8100	3.2100	3.4700	3.4700
MSTU for EMS (c)	1.0400	0.8300	0.8300	0.8300	0.8300	0.7700	0.7700	0.7700	0.7700	0.7700
MSTU for EMT (c)	0.2100	0.4000	-	-	-	-	-	-	-	-
Silver Springs Shores Special Tax District	3.0000	2.8500	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000
Hills of Ocala MSTU for Recreation (c)	0.1400	0.0900	0.1400	0.1400	0.1800	0.1800	0.1800	0.1800	0.1800	0.1800
Southwest Florida Water Management District	0.6870	0.6174	0.6174	0.6174	0.6078	0.3928	0.3928	0.3818	0.3658	0.3488
St. Johns River Water Management District	0.4620	0.4158	0.4158	0.4158	0.4158	0.3313	0.3313	0.3283	0.3164	0.3023
Municipalities										
Ocala	5.6760	4.5288	4.5288	4.9664	5.6183	5.9332	6.1502	6.2502	6.1638	6.6177
Ocala (Downtown Development District "A")	1.8667	1.5470	1.3726	1.3967	1.5647	1.5862	1.6461	1.5967	1.4966	1.4966
Ocala (Downtown Development District "B")	1.5361	1.1981	1.1566	1.2163	1.5508	1.6191	1.6542	1.7013	1.6332	1.6332
Ocala (Downtown Development District "C")	1.2187	1.0115	0.9493	1.0062	1.1347	1.1772	1.2332	1.2810	1.2825	1.2825
Bellevue	3.8188	2.8905	2.8905	2.9544	3.3472	3.9912	3.9912	3.9912	3.9912	4.5000
Dunnellon	6.5000	5.2266	5.2266	6.4469	6.9101	7.1408	6.8013	7.1408	7.5000	7.5000
McIntosh	1.0540	0.8681	1.8050	1.9670	2.1344	2.2988	2.5546	2.5198	2.4087	2.3175

- (a) Rates are stated per \$1,000 of assessed value. Rates were adopted after June 30 for all years presented. Collections on the related tax levy occur in the succeeding fiscal year.
- (b) MSD is an abbreviation for municipal service district.
- (c) MSTU is an abbreviation for municipal service taxing unit.

**MARION COUNTY DISTRICT SCHOOL BOARD
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 8

<u>Fiscal Year Ending June 30,</u>	<u>Direct Marion County School Board Discretionary Sales Surtax (a)</u>	<u>Overlapping State of Florida Sales Tax (b)</u>
2007	0.5%	6.0%
2008	0.5%	6.0%
2009	0.5%	6.0%
2010	0.5%	6.0%
2011	-	6.0%
2012	-	6.0%
2013	-	6.0%
2014	-	6.0%
2015	-	6.0%
2016	-	6.0%

(a) The Marion County School Board discretionary sales tax rate of one half cent was voted in by the citizens of Marion County in November 2004, to be in effect for five years, commencing on January 1, 2005. The surtax had a designated purpose to construct certain school facilities in the county. The surtax expired on December 31, 2009.

(b) The State of Florida sales tax rate is set as mandated by Florida State Statute to be six cents per one dollar.

Source: Florida Department of Revenue - <http://dor.myflorida.com/dor/taxes/discretionary.html>

**MARION COUNTY DISTRICT SCHOOL BOARD
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Table 9

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Duke Energy (Progress Energy)	\$ 195,056,475	1	1.18%	\$ 119,509,905	2	0.68%
Sumter Electric Cooperative, Inc.	117,000,942	2	0.71%	87,672,900	3	0.50%
Marion County Hospital District	107,198,876	3	0.65%			
Wal-Mart	74,464,289	4	0.45%	67,616,489	7	0.39%
Embarq (formerly Sprint-Florida, Inc.)	64,161,277	5	0.39%	150,389,517	1	0.86%
Marion Community Hospital	54,128,440	6	0.33%	52,887,649	9	0.30%
K-Mart Distribution	52,199,564	7	0.32%	64,208,013	8	0.37%
Paddock Mall Associates	41,414,762	8	0.25%			
On Top of the World	40,099,549	9	0.24%	72,768,973	4	0.41%
Clay Electric Cooperative, Inc.	32,449,793	10	0.20%			
SBI Group				71,912,918	5	0.41%
Deltona Corp				69,528,017	6	0.40%
Carlton Arms of Ocala				37,421,736	10	0.21%
Total Principal Taxpayers	<u>778,173,967</u>		<u>4.71%</u>	<u>793,916,117</u>		<u>4.53%</u>
All Other Taxpayers	<u>15,751,929,141</u>		<u>95.29%</u>	<u>16,749,785,846</u>		<u>95.47%</u>
Total Taxable Valuation	<u><u>\$ 16,530,103,108</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 17,543,701,963</u></u>		<u><u>100.00%</u></u>

Source: Marion County Property Appraiser Office and website - <http://www.pa.marion.fl.us>

**MARION COUNTY DISTRICT SCHOOL BOARD
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 10

Fiscal Year Ending June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (a)	Percentage of Levy		Amount (a)	Percentage of Levy
2007	137,150,917	133,644,030	97.44%	322,071	133,966,101	97.68%
2008	170,492,916	161,800,192	94.90%	291,101	162,091,293	95.07%
2009	168,776,671	158,593,292	93.97%	4,039,831	162,633,123	96.36%
2010	150,217,728	143,516,676	95.54%	2,200,148	145,716,824	97.00%
2011	134,903,407	129,266,064	95.82%	1,503,993	130,770,057	96.94%
2012	127,785,556	122,361,191	95.76%	679,471	123,040,662	96.29%
2013	118,252,957	113,380,571	95.88%	899,634	114,280,205	96.64%
2014	112,712,184	108,509,196	96.27%	724,458	109,233,654	96.91%
2015	115,976,561	111,543,948	96.18%	646,105	112,190,053	96.74%
2016	135,084,154	129,816,507	96.10%	729,881	130,546,388	96.64%

(a) Net of allowable discounts. Florida law allows a 4 percent discount starting November and reducing 1 percent each month until February.

Sources: Marion County Property Appraiser
Marion County School Board Superintendent's Annual Financial Report

MARION COUNTY DISTRICT SCHOOL BOARD
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 11

Fiscal Year Ending June 30,	Bonds Payable	Certificates of Participation	Note Payable	Capital Lease	Deferred Amounts	Total	Total Debt Per Capita (a)	Total Debt as a Percentage of Personal Income (b)
2007	13,345,000	172,380,000	-	1,840,843	3,431,108	190,996,951	606	2.34%
2008	12,485,000	164,625,000	-	1,402,731	3,254,899	181,767,630	559	1.99%
2009	11,585,000	156,525,000	-	950,205	3,078,687	172,138,892	521	1.75%
2010	10,615,000	148,445,000	-	482,792	593,898	160,136,690	483	1.57%
2011	9,590,000	139,570,000	-	-	586,144	149,746,144	451	1.47%
2012	9,425,000	131,360,000	-	-	2,098,067	142,883,067	426	1.38%
2013	7,185,000	122,335,000	-	-	1,965,489	131,485,489	391	1.21%
2014	6,966,500	115,075,000	-	-	196,175	122,237,675	360	1.03%
2015	5,057,500	105,135,000	4,946,000	-	1,784,586	116,923,086	342	1.01%
2016	4,584,000	93,700,000	3,949,000	-	4,290,577	106,523,577	312	0.96%

(a) See Table 12 for Population.

(b) See Table 16 for Personal Income.

Source: Marion County District School Board, Finance Department Records
United States Department of Commerce, Bureau of Economic Analysis

**MARION COUNTY DISTRICT SCHOOL BOARD
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 12

Fiscal Year Ending June 30,	Population (a)	Assessed Value (b)	Bonds Payable	Certificates of Participation	Deferred Amounts	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	Net Bonded Debt as a Percentage of Personal Income (c)
2007	315,074	17,543,701,963	13,345,000	172,380,000	3,431,108	189,156,108	673,270	188,482,838	1.07%	598.22	2.31%
2008	325,023	22,347,382,181	12,485,000	164,625,000	3,254,899	180,364,899	596,319	179,768,580	0.80%	553.09	1.97%
2009	330,440	22,322,733,866	11,585,000	156,525,000	3,078,687	171,188,687	571,608	170,617,079	0.76%	516.33	1.74%
2010	331,800	19,975,944,997	10,615,000	148,445,000	593,898	159,653,898	554,960	159,098,938	0.80%	479.50	1.56%
2011	332,387	17,876,424,531	9,590,000	139,570,000	586,144	149,746,144	525,621	149,220,523	0.83%	448.94	1.46%
2012	335,697	16,504,937,832	9,425,000	131,360,000	2,098,067	142,883,067	1,102,538	141,780,529	0.86%	422.35	1.37%
2013	336,659	15,415,585,572	7,185,000	122,335,000	1,965,489	131,485,489	-	131,485,489	0.85%	390.56	1.21%
2014	340,018	15,357,966,262	6,966,500	115,075,000	196,175	122,237,675	1,116,930	121,120,745	0.79%	356.22	1.02%
2015	341,591	15,891,527,198	5,057,500	105,135,000	1,784,586	111,977,086	131,035	111,846,051	0.70%	327.43	0.96%
2016	341,205	16,530,103,108	4,584,000	93,700,000	4,290,577	102,574,577	202,753	102,371,824	0.62%	300.03	0.93%

- (a) Population is as of December 31 of the previous calendar year.
- (b) Assessed values are as of January 1 for all years presented. Collections on the related tax levies occur in the succeeding fiscal year.
- (c) See Table 16 for Personal Income.

Sources: Florida Office of Economic and Demographic Research, Demographic Estimating Conference, February 2014- <http://www.edr.state.fl.us/content/population-demographics/data/county-population>
Marion County Property Appraiser - <http://www.pa.marion.fl.us/>
Marion County District School Board, Finance Department Records

**MARION COUNTY DISTRICT SCHOOL BOARD
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 13

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value (a)	<u>\$ 17,543,701,963</u>	<u>\$ 22,347,382,181</u>	<u>\$ 22,322,733,866</u>	<u>\$ 19,975,944,997</u>	<u>\$ 17,876,424,531</u>	<u>\$ 16,504,937,832</u>	<u>\$ 15,415,585,572</u>	<u>\$ 15,357,966,262</u>	<u>\$ 15,891,527,198</u>	<u>\$ 16,530,103,108</u>
Debt Limit on Assessed Value (b)	<u>\$ 17,543,701,963</u>	<u>\$ 22,347,382,181</u>	<u>\$ 22,322,733,866</u>	<u>\$ 19,975,944,997</u>	<u>\$ 17,876,424,531</u>	<u>\$ 16,504,937,832</u>	<u>\$ 15,415,585,572</u>	<u>\$ 15,357,966,262</u>	<u>\$ 15,891,527,198</u>	<u>\$ 16,530,103,108</u>
Amount of Debt Applicable to Debt Limit:										
Bonds Payable (c)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Amount Available for Debt Service	-	-	-	-	-	-	-	-	-	-
Total Debt Applicable to the Debt Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 17,543,701,963</u>	<u>\$ 22,347,382,181</u>	<u>\$ 22,322,733,866</u>	<u>\$ 19,975,944,997</u>	<u>\$ 17,876,424,531</u>	<u>\$ 16,504,937,832</u>	<u>\$ 15,415,585,572</u>	<u>\$ 15,357,966,262</u>	<u>\$ 15,891,527,198</u>	<u>\$ 16,530,103,108</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(a) Assessed value is as of January 1.

(b) The State of Florida does not have a limit on the amount of voter approved (general obligation) debt.

(c) Includes General Obligation Bonds only.

Source: Marion County Property Appraiser - <http://www.pa.marion.fl.us/>

MARION COUNTY DISTRICT SCHOOL BOARD
ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 14

Fiscal Year Ending June 30,	Taxable Assessed Value (a)	Annual Lease Payment	Millage Levy Required (b)
2007	\$ 17,543,702	\$ 11,239,811	0.67
2008	22,347,382	15,472,497	0.73
2009	22,322,734	15,615,721	0.74
2010	19,975,945	15,524,129	0.82
2011	17,876,425	15,508,904	0.91
2012	16,504,938	15,572,720	0.98
2013	15,415,586	14,543,870	0.98
2014	15,357,966	14,424,705	0.98
2015	15,891,527	14,251,527	0.93
2016	16,530,103	12,526,916	0.79

(a) In thousands as of January 1.

(b) Millage rate calculated using 95% of the taxable assessed valuation prior to 2010-11 fiscal year and 96% after 2009-10 fiscal year.

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

Sources: Marion County Property Appraiser - <http://www.pa.marion.fl.us/>
Marion County District School Board, Finance Department Records

**MARION COUNTY DISTRICT SCHOOL BOARD
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Table 15

Fiscal Year Ending June 30,	District Revenue Bonds					
	Pari-Mutuel Revenues	Miscellaneous Revenue	Debt Service		Other Dues & Fees	Coverage
			Principal	Interest		
2007	\$ 223,250	\$ 15,251	\$ 65,000	\$ 152,080	\$ 539	1.10
2008	223,250	11,744	70,000	149,580	539	1.07
2009	223,250	4,071	70,000	146,850	539	1.05
2010	223,250	1,009	75,000	143,913	539	1.02
2011	223,250	1,299	80,000	140,725	539	1.01
2012	223,250	1,398	80,000	137,375	539	1.03
2013	223,250	1,379	85,000	133,805	539	1.02
2014 (a)	223,250	776	94,000	104,207	350	1.13
2015	223,250	1,417	109,000	93,748	350	1.11
2016	223,250	1,073	108,500	90,251	350	1.13

(a) These bonds were refunded in 2014. Only the applicable debt service for the 2014 fiscal year is shown.

Source: Marion County School District Finance Department - Funds 2900 and 2910, District Revenue Bonds.

**MARION COUNTY DISTRICT SCHOOL BOARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 16

Fiscal Year Ending June 30,	Population (a)	Personal Income (b) (in thousands)	Per Capita Personal Income	Unemployment Rate (c)		
				Marion County	Florida	United States
2007	315,074	\$ 8,160,559	\$ 25,900	4.8%	4.2%	4.9%
2008	325,023	9,118,829	28,056	7.2%	5.7%	5.7%
2009	330,440	9,827,058	29,739	12.6%	10.8%	9.7%
2010	331,800	10,215,839	30,789	13.9%	11.6%	9.6%
2011	332,387	10,216,751	30,738	12.6%	11.1%	9.3%
2012	335,697	10,351,583	30,836	10.5%	9.3%	8.2%
2013	336,659	10,876,674	32,308	7.8%	7.0%	7.6%
2014	340,018	11,920,530	35,059	7.8%	6.7%	6.1%
2015	346,964	11,617,618	33,484	6.6%	5.6%	5.3%
2016	341,205	11,047,141	32,377	5.8%	4.7%	4.9%

- (a) Population is as of December 31 of the previous calendar year.
- (b) The personal income and per capita is as of 2012 (the most recent year available).
- (c) The unemployment rates are as of June.

Sources: Florida Research and Economic Information Database - <http://fred.labormarketinfo.com>
and freida.labormarketinfo.com
National Conference of State Legislatures
Florida Demographic Estimating Conference, February 2014 [http://www.edr.state.fl.us/content/population-demographics/data/county population](http://www.edr.state.fl.us/content/population-demographics/data/county%20population)
Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Statistics
Bureau of Economic Analysis

**MARION COUNTY DISTRICT SCHOOL BOARD
PRINCIPAL EMPLOYERS, TEN LARGEST EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Table 17

<u>Employer</u>	<u>2016</u>			<u>2007 (a)</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Marion County Public Schools	6,058	1	4.90%	5,991	1	4.49%
Munroe Regional Medical Center	2,648	2	2.14%	2,427	2	1.82%
State of Florida (all departments)	2,600	3	2.10%	2,263	4	
Wal-Mart (Combined)	2,370	4	1.92%	2,385	3	1.79%
Ocala Regional Medical Center & West Marion Community Hospital	2,020	5	1.63%	1,301	7	0.97%
Publix Supermarkets (combined)	1,488	6	1.20%	1,450	5	1.09%
Marion County Government (all departments)	1,462	7	1.18%	1,342	6	
AT&T	1,000	8	0.81%			
Lockheed Martin	981	9	0.79%			
City of Ocala (all departments)	942	10	0.76%	1,244	9	
Emergency One, Inc.				1,281	8	0.96%
Cingular Wireless				1,000	10	0.75%
Totals	<u>21,569</u>		<u>17.43%</u>	<u>20,684</u>		<u>11.87%</u>
All Others	<u>102,143</u>		<u>82.57%</u>	<u>112,834</u>		<u>88.13%</u>
Total Employment	<u><u>123,712</u></u>		<u><u>100.00%</u></u>	<u><u>133,518</u></u>		<u><u>100%</u></u>

(a) Information regarding governmental employees was not available prior to 2006.

Sources: Florida Research and Economic Database - <http://fred.labormarketinfo.com>
Marion County Chamber and Economic Partnership - <http://www.ocalacep.com>

**MARION COUNTY DISTRICT SCHOOL BOARD
NUMBER OF FULL TIME EMPLOYEES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 18

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instructors	2,876	2,934	2,863	2,891	2,961	2,852	2,811	2,734	2,749	2,894
Administrators	173	175	173	174	171	165	165	169	173	189
Non-Instructional	1,244	1,219	1,123	1,057	1,020	1,004	965	1,028	1,099	1,147
Educational Support	1,724	1,762	1,717	1,753	1,761	1,674	1,684	1,673	1,690	1,828
Total Full Time Employees	6,017	6,090	5,876	5,875	5,913	5,695	5,625	5,604	5,711	6,058

Source: Marion County District School Board, Payroll Department records

**MARION COUNTY DISTRICT SCHOOL BOARD
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 19

Fiscal Year Ending June 30,	Number of Schools	Expenditures (a) (e)	Student Membership (b)	Cost Per Student	Percentage Change	Total All Employees	Teaching Staff	Student/ Teacher Ratio	Student Attendance Percentage (c)	Unweighted FTE (d)	Ratio of FTE to Instructors	Ratio of FTE to All Employees
2007	47	\$ 344,393,653	42,332	\$ 8,136	n/a	6,017	2,876	14.7	93.78%	41,966	14.59	6.97
2008	48	367,382,376	42,691	8,606	5.78%	6,090	2,934	14.6	96.93%	41,668	14.20	6.84
2009	48	350,240,755	41,498	8,440	-1.93%	5,876	2,863	14.5	95.41%	41,792	14.60	7.11
2010	49	362,794,059	41,173	8,811	4.40%	5,875	2,891	14.2	95.41%	41,659	14.41	7.09
2011	49	331,924,409	41,331	8,031	-8.86%	5,913	2,961	14.0	93.33%	41,500	14.02	7.02
2012	49	310,639,993	41,415	7,501	-6.60%	5,695	2,852	14.5	93.39%	41,689	14.62	7.32
2013	49	308,758,317	41,589	7,424	-1.02%	5,625	2,811	14.8	93.34%	41,544	14.78	7.39
2014	49	313,829,453	41,632	7,538	1.54%	5,604	2,734	15.2	92.99%	41,407	15.15	7.39
2015	49	329,666,943	42,194	7,813	3.65%	5,711	2,749	15.3	93.33%	41,756	15.19	7.31
2016	0	352,048,821	42,474	8,289	6.09%	6,058	2,894	14.7	93.62%	42,192	14.58	6.96

(a) Expenditures are General Fund and Special Revenue - Food Service Fund.

(b) Student membership is based on the 180 day count.

(c) Attendance is a calculation based on the average daily attendance.

(d) FTE is an abbreviation for full-time equivalent student.

(e) Expenditures for 2010 and 2011 include State Fiscal Stabilization and Education Jobs Funds which were provided to supplement State and local funding for operating costs.

Source: Marion County District School Board, Finance Department, Payroll Department, Student Records Department records

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**MARION COUNTY DISTRICT SCHOOL BOARD
FOOD SERVICE OPERATING DATA
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 20

	Fiscal Year Ending June 30:									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Days Meals Were Served	180	180	180	180	180	180	180	180	180	180
Average Number of Free and Reduced Meals Served Daily	29,647	31,794	33,590	36,106	38,045	39,489	38,901	37,858	40,633	42,957
Number of Free and Reduced Meals Served	5,336,404	5,722,889	6,046,250	6,499,156	6,848,032	7,108,030	7,002,247	6,814,409	7,314,008	7,732,274
Average Daily Subsidy	\$ 64,226	\$ 70,172	\$ 78,690	\$ 87,589	\$ 90,968	\$ 95,717	\$ 99,581	\$ 107,516	\$ 119,137	\$ 128,714
Total Subsidy Received	\$ 11,560,705	\$ 12,630,918	\$ 14,164,256	\$ 15,765,930	\$ 16,374,206	\$ 17,229,038	\$ 17,924,530	\$ 19,352,795	\$ 21,444,731	\$ 23,168,602
Average Number of Meals Served Daily	41,831	43,978	45,203	45,808	47,869	48,868	47,342	49,658	50,407	46,282
Number of Meals Served	7,529,593	7,916,097	8,136,563	8,245,488	8,616,330	8,796,166	8,521,536	8,938,373	9,073,235	8,330,782
Percentage of Free and Reduced Meals Served to Total Meals Served	71%	72%	74%	79%	79%	81%	82%	76%	81%	93%
Average Daily Sales	\$ 102,797	\$ 108,124	\$ 114,594	\$ 121,164	\$ 123,899	\$ 128,579	\$ 130,665	\$ 133,740	\$ 143,356	\$ 155,188
Total Revenue	\$ 18,503,456	\$ 19,462,242	\$ 20,626,922	\$ 21,809,462	\$ 22,301,828	\$ 23,144,141	\$ 23,519,665	\$ 24,073,189	\$ 25,804,156	\$ 27,933,893
Average Daily Costs	\$ 97,820	\$ 104,691	\$ 109,885	\$ 112,828	\$ 113,623	\$ 124,341	\$ 125,570	\$ 135,218	\$ 148,114	\$ 154,023
Total Costs	\$ 17,607,657	\$ 18,844,391	\$ 19,779,218	\$ 20,309,079	\$ 20,452,132	\$ 22,381,392	\$ 22,602,560	\$ 24,339,287	\$ 26,660,543	\$ 27,724,111

Source: Marion County District School Board, Finance Department records

MARION COUNTY DISTRICT SCHOOL BOARD
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 21

	Year Acquired (a)	Square Footage (b)	Student Membership (c) Fiscal Year Ending June 30:									
			2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary Schools												
Anthony	1925	57,628	331	351	310	371	340	357	361	340	343	394
Belleview	1963	67,530	696	701	683	658	645	659	693	728	661	656
Belleview-Santos	1953	112,560	860	828	863	869	800	782	752	548	535	559
College Park	1993	124,473	649	644	711	713	713	753	744	761	776	826
Dr. NH Jones	1959	107,211	753	741	741	739	751	740	712	648	648	643
Dunnellon	1993	103,758	683	764	711	743	648	706	686	718	706	600
East Marion	1974	84,726	786	730	741	725	718	748	725	687	695	669
Eighth Street	1914	35,591	382	348	344	317	298	342	322	342	334	398
Emerald Shores	1988	89,976	673	690	704	647	590	611	671	653	647	592
Evergreen	1988	111,305	767	753	607	619	624	584	596	580	573	544
Fessenden	1953	65,757	504	485	489	476	472	489	506	490	503	491
Fort McCoy School (d)	1986	177,679	578	564	551	578	569	524	520	530	514	533
Greenway	1995	122,462	1,036	1,012	989	974	925	927	919	720	726	756
Hammett Bowen, Jr.	2004	95,679	789	870	901	951	776	805	781	776	746	792
Harbour View	1991	115,704	688	701	693	731	756	727	683	755	816	800
Horizon Academy at Marion Oaks (d)	1988	190,765	-	-	529	477	158	153	149	141	112	158
Legacy	2011	103,987	-	-	-	-	-	-	-	593	703	727
Madison Street	1949	56,624	477	459	459	454	459	459	452	417	397	432
Maplewood	1990	130,536	879	928	874	895	856	838	818	712	738	783
Marion Oaks	2010	129,446	-	-	-	-	679	804	766	784	844	888
Oakcrest	1952	113,941	496	478	587	654	706	728	716	753	784	777
Ocala Springs	1985	92,444	623	668	626	636	624	601	584	599	648	616
Reddick-Collier	1935	107,162	428	447	417	418	411	386	375	349	334	298
Romeo	1991	111,906	791	800	756	744	764	789	738	756	726	708
Saddlewood	1998	129,949	585	623	596	674	746	766	823	835	897	871
Shady Hill	1985	103,723	618	702	625	609	605	622	600	611	658	665
South Ocala	1955	102,767	546	609	612	588	616	664	703	668	711	664
Sparr	1964	53,327	408	391	365	388	404	359	343	359	357	348
Stanton-Weirsdale	1955	73,750	539	575	560	505	527	511	499	494	533	595
Sunrise	1987	114,540	1,226	1,402	950	899	752	679	741	742	822	888
Ward-Highlands	1959	104,006	856	883	842	799	777	796	771	772	855	851
Wyomina Park	1948	50,240	585	538	520	495	549	541	608	662	685	649
Total Elementary Schools			19,232	19,685	19,356	19,346	19,258	19,450	19,357	19,523	20,027	20,171
Middle Schools												
Belleview	1992	188,723	1,223	1,190	1,131	1,071	1,070	1,092	1,067	1,015	944	1,047
Dunnellon	1936	117,731	1,086	1,118	689	636	672	648	646	619	653	611
Fort King	1962	124,328	974	1,020	1,212	1,187	1,202	1,131	1,121	1,083	1,032	1,058
Fort McCoy School (d)	1986	177,679	545	540	543	513	521	514	494	493	483	471
Horizon Academy at Marion Oaks (d)	1988	190,765	-	-	704	708	722	642	673	675	662	617
Howard	1954	165,397	1,084	1,017	1,003	975	918	1,025	1,125	1,211	1,181	1,096
Lake Weir	1953	163,805	1,350	1,380	1,392	1,262	1,261	1,263	1,272	1,311	1,297	1,213
Liberty	2005	195,448	1,266	1,267	1,098	1,027	1,086	1,036	1,131	1,083	1,132	1,127
North Marion	1973	160,380	863	781	795	779	764	792	823	816	784	812
Osceola	1924	91,248	1,182	1,190	925	892	930	947	955	938	909	893
Total Middle Schools			9,573	9,503	9,492	9,050	9,146	9,090	9,307	9,244	9,077	8,945

Table 21

High Schools												
Bellevue	1992	235,758	1,626	1,545	1,438	1,351	1,427	1,395	1,360	1,425	1,448	1,486
Dunnellon	1980	145,849	1,360	1,465	1,432	1,338	1,176	1,072	1,018	1,005	975	1,052
Forest	2001	302,822	2,147	2,249	2,372	2,233	2,091	2,012	2,014	1,964	1,984	2,066
Lake Weir	1974	236,533	1,662	1,709	1,611	1,556	1,503	1,523	1,555	1,557	1,562	1,474
Marion Technical Institute	1955	187,257	308	1,469	357	398	359	340	306	286	277	239
North Marion	1963	200,970	1,540	1,606	1,433	1,278	1,320	1,249	1,249	1,192	1,245	1,279
Vanguard	1969	201,774	1,689	1,711	1,573	1,558	1,666	1,687	1,596	1,616	1,571	1,607
West Port	1999	401,724	1,702	353	1,778	1,731	1,870	2,091	2,225	2,397	2,472	2,502
Total High Schools			<u>12,034</u>	<u>12,107</u>	<u>11,994</u>	<u>11,443</u>	<u>11,412</u>	<u>11,369</u>	<u>11,323</u>	<u>11,442</u>	<u>11,534</u>	<u>11,705</u>
Charter Schools												
FLAAS	n/a	n/a	-	-	-	-	-	-	-	-	-	-
Francis Marion Military Academy	n/a	n/a	-	-	46	100	149	167	150	134	94	104
Francis Marion Charter	n/a	n/a	-	-	-	-	-	-	-	-	76	112
McIntosh Charter	n/a	n/a	84	104	104	97	94	92	91	86	83	78
Marion Charter	n/a	n/a	196	176	179	182	181	167	157	187	185	202
Total Charter Schools			<u>280</u>	<u>280</u>	<u>329</u>	<u>379</u>	<u>424</u>	<u>426</u>	<u>398</u>	<u>407</u>	<u>438</u>	<u>496</u>
Special Programs												
ARC (Age 3) PK	n/a	n/a	37	34	32	34	35	37	37	40	36	37
Drop Back In Academy	n/a	n/a	-	-	-	-	-	-	168	102	128	144
Hillcrest School	1971	50,214	174	170	159	154	154	154	164	176	168	170
Infinity	1979	21,159	96	61	-	-	-	-	-	-	-	-
Kingsbury Academy	n/a	n/a	242	201	214	188	198	188	182	165	185	159
Marion County Marine Institute	n/a	n/a	-	58	-	-	-	-	-	-	-	-
Marion County Jail	n/a	n/a	2	2	17	11	16	17	14	15	25	21
Marion Youth Development Ctr.	n/a	n/a	-	-	-	-	-	-	-	-	-	-
MJDC	n/a	n/a	70	55	56	32	26	14	10	14	20	11
MJCF	n/a	n/a	40	40	37	22	38	40	35	36	42	39
MRMC Speech/Language	n/a	n/a	206	186	-	-	-	-	-	-	-	-
Pace Center for Girls	n/a	n/a	50	52	51	51	50	54	59	56	67	64
Pre-K Program ESE	n/a	n/a	-	-	122	148	161	149	117	103	101	99
Silver River Marine Institute	n/a	n/a	184	134	176	242	284	264	307	267	304	309
Student Services (Homebound)	n/a	n/a	55	54	68	27	93	119	86	21	27	83
Teen Parent/Comm. Ed	n/a	n/a	40	45	29	36	9	12	4	5	4	7
Teen Parent PK	n/a	n/a	17	24	17	10	27	32	21	16	11	14
Total Special Programs			<u>1,213</u>	<u>1,116</u>	<u>978</u>	<u>955</u>	<u>1,091</u>	<u>1,080</u>	<u>1,204</u>	<u>1,016</u>	<u>1,118</u>	<u>1,157</u>
Total District			<u>42,332</u>	<u>42,691</u>	<u>42,149</u>	<u>41,173</u>	<u>41,331</u>	<u>41,415</u>	<u>41,589</u>	<u>41,632</u>	<u>42,194</u>	<u>42,474</u>

(a) Year acquired is generally the land acquisition year.

(b) The square footage is for permanent buildings only and does not include relocatable units.

(c) Student membership is based on the 180 day count.

(d) Fort McCoy and Horizon Academy at Marion Oaks are both elementary and middle schools. The square footage is presented on both lines. The student enrollment is presented at each school individually.

Enrollment is based on the student membership on the 180 day count.

Sources: Marion County District School Board FISH (Florida Inventory of School Houses) Report
Marion County District School Board, Management Information Services Department Records

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**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH THE *GOVERNMENT AUDITING STANDARDS*
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;
AND THE PROVISIONS OF THE UNIFORM GUIDANCE; AND THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA**

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 5,795,709
National School Lunch Program	10.555	300	15,340,850
National School Lunch Program	10.555 (2)	None	<u>2,078,216</u>
Total Child Nutrition Cluster			23,214,775
Florida Department of Education:			
Fresh Fruit and Vegetable Program	10.582	None	320,427
After School Snack Program	10.582	None	664,040
Summer Food Service Program	10.582	None	442,306
Child Care Food Program	10.558	None	205,497
Florida Department of Banking and Finance:			
Secure Payments for States and Counties Containing Federal Lands	10.665	None	<u>263,268</u>
Total United States Department of Agriculture			<u>25,110,313</u>
United States Department of Education			
Direct:			
Federal Pell Grant Program	84.063	N/A	1,125,696
Federal Supplemental Educational Opportunity Grant	84.007	N/A	<u>16,987</u>
Total Direct			<u>1,142,683</u>
Indirect:			
Florida Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	212, 223, 226	16,208,451
Special Education Cluster (3):			
Special Education - Grants to States	84.027	262, 263	10,783,534
Special Education - Preschool Grants	84.173	266, 267	<u>410,467</u>
Total Special Education Cluster			11,194,001
Education for Homeless Children and Youth	84.196	127	97,760
Adult Education - Basic Grants to States	84.002	191, 193	481,943
Migrant Education - State Grant Program	84.011	217	92,048
PAEC Vision	84.027		1,296
Career and Technical Education - Basic Grants to States	84.048	161	645,625
Twenty-First Century Community Learning Centers	84.287	244	851,833
English Language Acquisition Grants	84.365	102	272,622
Improving Teacher Quality State Grants	84.367	224	1,834,744
Charter Schools	84.282	298	(45,836)
School Leadership	84.363	964	142,919
Eisenhower Math	84.366		<u>145,460</u>
Total Indirect			<u>31,922,866</u>
Total United States Department of Education			<u>33,065,550</u>

**DISTRICT SCHOOL BOARD OF MARION COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 Health and Human Services			
Indirect:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	137,158
Total United States Department of Health and Human Services			<u>137,158</u>
United States Department of Defense			
Direct:			
Air Force Junior Reserve Officer Training Corps	None	N/A	235,452
Army Junior Reserve Office Training Corps	None	N/A	182,886
Navy Junior Reserve Officer Training Corps	None	N/A	58,897
Total United States Department of Defense			<u>477,235</u>
United States Department of Emergency Management			
Indirect:			
Division of Emergency Management			
Tropical Storm Fay	None	N/A	720
Total Expenditures of Federal Awards			<u>\$ 58,790,975</u>

Notes to Schedule of Federal Financial Assistance:

- (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2015-2016 fiscal year determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance. Food Distribution represents the amount of donated food received during the 2015-16 fiscal year. Fair value is determined at the time of donation.
- (3) Subrecipients. The District provided Federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Special Education - Grants to States	84.027	\$72,457
Special Education - Preschool Grants	84.173	8,683
<u>Total- Special Education Cluster:</u>		<u>\$81,140</u>

- (4) Indirect Cost Rate Election. The district received a negotiated indirect cost rate for federal awards; therefore, the district did not elect to charge the minimus rate 10% for determining indirect cost amount.

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

Marion County District School Board and
Superintendent
Ocala, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion County District School Board (the District), as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2016. Other auditors audited the financial statements of the Marion Charter School and the McIntosh Area School, which represent 42%, 22.5%, and 37.5%, respectively of the assets, net positon, and revenues of the aggregate discretely presented component units. 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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants

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Marion County District School Board and
Superintendent
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OFFINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 17, 2016.

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 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.



November 17, 2016
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Marion County District School Board and
Superintendent
Ocala, Florida

Report on Compliance for Each Major Federal Program

We have audited the Marion County District School Board's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of the 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 that circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

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, 2016.

Certified Public Accountants

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Marion County District School Board and
Superintendent
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(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 compliance 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's 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 the 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


November 17, 2016
Ocala, Florida

**MARION COUNTY DISTRICT SCHOOL BOARD - OCALA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH UNIFORM GUIDANCE**

1. Summary of Audit Results

I. Type of Audit Report Issued on General Purpose Financial Statements

The auditors' report expresses an unmodified opinion on the financial statements of Marion County District School Board (the District).

II. Reportable Conditions and/or Material Weaknesses in Internal Control

No significant deficiencies or material weaknesses relating to the audit of the financial statements are identified in the report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements of the District.

III. Noncompliance Material to Auditee General Purpose Financial Statements

No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

IV. Reportable Conditions and/or Material Weaknesses in Internal Control Over the Major Programs

No significant deficiencies or material weaknesses relating to the audit of the major federal programs are reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to the Major Programs

The auditors' report on compliance for major federal programs expresses an unmodified opinion.

VI. Audit Findings Relative to Section .516(a) of the Uniform Guidance

The audit disclosed no findings required to be reported in accordance with the Uniform Guidance relative to the major federal programs.

VII. Major Federal Programs:

■ **Department of Education**

- IDEA Special Education Cluster:
 - ▶ Grants to States (CFDA No. 84.027)
 - ▶ Preschool Grants (CFDA No. 84.173)
- Title II—Improving Teacher Quality—State Grants (CFDA No. 84.367)

MARION COUNTY DISTRICT SCHOOL BOARD - OCALA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Concluded)

1. **Summary of Audit Results** *(Concluded)*

VIII. **Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

\$1,763,729

IX. **Auditee Qualification as Low-risk Auditee**

The auditee does qualify as a low-risk auditee per criteria set forth in Section .520 of the Uniform Guidance

2. **Findings Related to the Basic Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)**

The audit disclosed no findings which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Federal Awards Required to be Reported Under Section .516 of the Uniform Guidance**

No matters were reported.

4. **Status of Prior Audit Findings**

See Summary Schedule of Prior Year Audit Findings.

5. **Corrective Action Planned for Current Year Audit Findings**

See Management's Response for the Corrective Action Planned for Current Year Audit Findings.

MANAGEMENT LETTER

Marion County District School Board and
 Superintendent
 Ocala, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Marion County District School Board (the District), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon November 17, 2016. Other auditors audited the financial statements of two of the discretely presented component units, as described in our report on the District’s financial statements. This letter does not include the results of the other auditors’ and such information related to that audit is reported on separately by those auditors.

Auditors’ Responsibility

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs, and our Independent Accountant’s Report in accordance with Chapter 218.415, *Rules of the Auditor General*. Disclosures in those reports and schedule which are dated November 17, 2016, 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 report. Corrective actions have been taken to address findings and recommendations in the preceding annual financial report except as noted below:

Current Year Finding No.	2014-2015 Finding No.	2013-2014 Finding No.
2016-1	2015-1	N/A

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 as described in Section 218.503(1), Florida Statutes.

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Marion County District School Board and
Superintendent
Ocala, 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 representations made by management and the review of the 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. 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 (please see accompanying management letter comments).

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 17, 2016
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Marion County District School Board and
Superintendent
Ocala, Florida

During the course of our 2016 audit, the following items came to our attention. These items involve primarily operational matters, which, if improved, will result in more efficient and effective operations.

Prior Year Comments Remaining

2016-1—Payroll Processing Controls

The District processes payroll for over 6,000 employees spread across various categories of instructional and non-instructional employee classes, making payroll the single most significant operating expense of the District. Due to the size, complexity, and time sensitivity of payroll, the payroll processing group has access to substantially all areas of the payroll application. Some of this access would ideally be segregated for internal control purposes such as access to pay rates, hours, and direct deposit banking files.

Prior to the implementation of the new Skyward software system in 2013, the District was able to remedy the segregation of duties issue through the use of edit reports that identified all changes made to the employee profiles, such as pay rates, hours, and direct deposit banking files. These system edit reports were then compared to all known authorized changes that were generated by the Human Resources department to determine if there were any unauthorized changes. This detect control worked well but is currently not available as a demand report in the new Skyward system.

The District has reorganized the payroll process group and made several changes to processing routines to reflect how the new payroll system works but has not been able to restrict application access to a level that would overcome the lack of segregation of duties identified above. Accordingly, we recommend that the District work with the Skyward vendor to develop edit reports similar to those generated by the previous system so that all changes to the employee profile can be reviewed by someone outside of the payroll function for appropriateness.

Current Year Comments

2016-2—Fund Balance Stabilization

Fund Balance is the difference between the total assets and total liabilities of a governmental fund and represents the net working capital reserves of the fund that are used to bridge cash flow needs prior to the distributions of ad valorem taxes which begin in November of each year and provide for unforeseen emergencies, storm damage, etc.

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Marion County District School Board and
Superintendent
Ocala, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments (Concluded)

2016-2—Fund Balance Stabilization (Concluded)

In our previous Management Letter Comments related to the audit of the June 30, 2013 financial statements, it was noted that the District's Uncommitted General Fund Balance at that time had then dropped to a level barely above the 3% of annual revenues level identified in Florida Statute 1011.051. This statute specifies certain actions that would have been taken if fund balance dips below 3%, and that future fund balance declines to the 2% level could have resulted in Department of Education's direct involvement with management of the District if it is not improved.

Since 2013 the District has successfully added to its Fund Balance each year and is now at approximately 9% of revenues. This level of fund balance appears to provide an adequate level of working capital that would ensure that the District can pay its employees, vendors and lenders at all times, especially in the event of an emergency, that might otherwise disrupt the flow of state and local funding that is relied upon to pay those items under normal conditions. The District expects based upon budgetary projections, to add further to its fund balance in the for 2017 fiscal year.

Accordingly, we recommend that the District review its reserve levels and cash flow needs and consider establishing a fund balance stabilization policy that would set the minimum level of uncommitted fund balance reserves to be set aside over time. Setting a minimum level of uncommitted fund balance would ensure that the District has ongoing adequate working capital reserves which often take many years to accumulate once they are depleted.

2016-3—Internal Controls Review

The District has an active Business Services Department that monitors the internal controls over the District financial operations. These procedures include various reconciliations along with periodic site visits performed at decentralized locations for cash receipting and maintenance work order processes. These procedures are performed to ensure internal controls are operating as intended and to identify potential risks.

With the District being such a large entity employing approximately 6,000 employees at over 40 schools through the county, there are likely additional operational areas that might benefit from such reviews. We recommend the District consider expanding the Business Service Department's internal controls reviews to cover more operational and financial processes within the District.

2016-4—IT Controls

Security Logging and Monitoring

There is a limited retention period for continuous or periodic monitoring of user account activity that includes adding and deleting users to groups, logging unsuccessful sign on attempts, and user rights assignments, policy changes such as password and audit policy changes, group policy changes and system events.

The District's policy is for the history of activity to be kept for only 1-3 days, which may not be a sufficient length to provide support for after-the-fact research of security events, if needed or required for administrative, legal, audit or other operational purposes. Although, management indicated they do monitor and remove inactive accounts, support user management in the revalidation of user access and have security logging and monitoring set up on various systems, which is good practice. We recommend that the District consider keeping this history for several months or consider archiving it if it presents a storage issue.

Marion County District School Board and
Superintendent
Ocala, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

We would like to thank the Board, Superintendent, and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, accompanying reports, or other matters.

Purvis, Gray and Company, LLP

November 17, 2016
Ocala, Florida

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

Marion County District School Board and
Superintendent
Ocala, Florida

Report on Compliance

We have examined the Marion County District School Board (the District) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended June 30, 2016, 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.

Auditors' 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, 2016.

Restriction on Use

This report 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, the District, its 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 17, 2016
Ocala, Florida

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November 17, 2016

Purvis, Gray, and Company, L.L.P.
Laurel Ridge Professional Center
2347 S. E. 17th Street
Ocala, FL 34471

In response to the auditors' comments relative to the 2015-16 financial audit of our District, we offer the following:

Finding #2016-1 – Payroll Processing

The District acknowledges the need to strengthen payroll processing procedures and has requested our software vendor to create enhancements so that edit reports of changes to the employee profile can be created and reviewed by someone outside of the payroll function.

Finding #2016-2 – Fund Balance Stabilization

The District will take this under advisement and seek the Board's direction on creating such a policy.

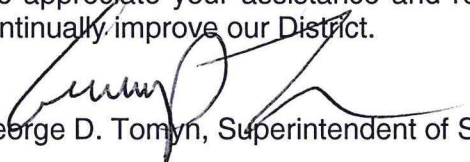
Finding #2016-3 – Internal Controls Review

The District will continue to perform risk assessments to identify and analyze potential risks. Reviews will continue to be performed and expanded within current workload restraints.

Finding #2016-4 – IT Controls – Security Logging and Monitoring

The District is currently working to address these concerns.

We appreciate your assistance and review of our systems and look forward to working together to continually improve our District.


George D. Tomin, Superintendent of Schools


Theresa Boston-Ellis, Deputy Superintendent, Support Services


Alice A. Posada, Director of Finance

George D. Tomin
Superintendent

Nancy Stacy
District 1

Carol Ely
District 2

Bobby L. James
District 3

Angie Boynton
District 4

Kelly King
District 5



**MARION COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016**

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
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There were no Federal Awards findings in the June 30, 2015, audit.

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