

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

THE DISTRICT SCHOOL BOARD
OF HERNANDO COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017



PREPARED BY:
FINANCE DEPARTMENT



District School Board of Hernando County, Florida
 Comprehensive Annual Financial Report
 for the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	1
List of Principal Officials.....	7
Organizational Chart.....	8
GFOA Certificate of Achievement.....	9
	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report on Financial Statements.....	10
Management’s Discussion and Analysis.....	13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	22
Statement of Activities.....	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	30
Statement of Fiduciary Net Position - Fiduciary Funds.....	31
Statement of Changes in Fiduciary Net Position - Fiduciary Fund.....	32
Notes to Financial Statements.....	33
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund.....	71
Budgetary Comparison Schedule – Special Revenue Fund – School Food Service.....	74
Budgetary Comparison Schedule – Other Federal Programs.....	75
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	77
Schedule of District’s Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan.....	78
Schedule of District Contributions – Florida Retirement System Pension Plan.....	79
Schedule of District’s Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan.....	80
Schedule of District Contributions – Health Insurance Subsidy Pension Plan.....	81

	<u>Page</u>
Notes to Required Supplementary Information	82
Other Supplementary Information:	
Combining and Individual Fund Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	85
Statement of Changes in Assets and Liabilities - Agency Funds	87
Other Supplementary Information - Budgetary Comparison Schedules:	
Debt Service Funds:	
SBE/COBI Bonds	88
Special Act Bonds	89
Capital Projects Funds:	
State Board of Education Bonds	90
Public Education Capital Outlay (PECO)	91
Capital Outlay and Debt Service	92
Nonmajor Component Units:	
Combining Schedule of Net Position - Nonmajor Component Units.....	93
Combining Schedule of Activities - Nonmajor Component Units.....	95

	<u>Table</u>	<u>Page</u>
STATISTICAL SECTION		
Financial Trend Information:		
Net Position by Component – Government-Wide	1	97
Changes in Net Position – Government-Wide	2	99
Governmental Activities Tax Revenues by Source	3	101
Fund Balances of Governmental Funds	4	103
Summary of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	5	105
Revenue Capacity Information:		
General Governmental Activities Tax Revenues by Source	6	107
Fair Market Value, Assessed Value, and Taxable Value of Property	7	108
Property Tax Rates - Direct and Overlapping Governments	8	109
Principal Property Taxpayers.....	9	111
Property Tax Levies and Collections	10	112
Debt Capacity Information:		
Ratios of Outstanding Debt by Type	11	113
Direct and Overlapping Governmental Activities Debt.....	12	114
Calculation of Legal Debt Margin.....	13	115
Ratio of Net General Bonded Debt Outstanding.....	14	117

District School Board of Hernando County, Florida
 Comprehensive Annual Financial Report
 for the Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Table</u>	<u>Page</u>
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures	15	118
Anticipated Capital Outlay Millage Levy Required to Cover Certificates of Participation Payments.....	16	119
Anticipated Sales Tax Revenue Collections Required to Cover Sales Tax Revenue Bond Payments.....	17	120
Demographic and Economic Information:		
County-wide Demographic Statistics	18	121
Principal Employers Non-Retail, Non-Government.....	19	122
Operating Information:		
School Building Information and Student Enrollment Data	20	123
Number of Personnel.....	21	125
Average Teacher Salaries	22	126
Operating Statistics	23	127
		<u>Page</u>
COMPLIANCE SECTION		
Schedule of Expenditures of Federal Awards		128
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> <i>Standards</i>		129
Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance		131
Schedule of Findings and Questioned Costs		133
Management Letter.....		135
Management Letter Comments		137
Independent Accountants’ Report.....		138
Management Response Letter.....		139
Management Response Letter Prior Year Audit Findings		140



(THIS PAGE INTENTIONALLY LEFT BLANK)

INTRODUCTORY SECTION





The School District of Hernando County, Florida

Office of the Superintendent

919 N. Broad Street

Brooksville, FL 34601

Phone: (352) 797-7000

Fax: (352) 797-7101



Superintendent: *Lori M. Romano, Ph.D.*

Board Chairperson: *Mark C. Johnson*

Vice Chairperson: *Linda K. Prescott*

Board Members:

Susan Duval

Gus Guadagnino

Beth Narverud

February 23, 2018

District School Board of Hernando County

919 North Broad Street

Brooksville, Florida 34601

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

The Comprehensive Annual Financial Report of the District School Board of Hernando County, Florida (District) for the fiscal year ended June 30, 2017, is submitted herewith. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and the changes in financial position of the District as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the District's financial affairs have been included. The responsibility for the preparation of the accompanying financial statements and other information contained in this report, based on the above standards, rests with the District's management.

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

The District's financial statements have been independently audited by the independent certified accounting firm, Purvis Gray and Company, CPA's. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report on financial statements is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grant agencies. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The standards of governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. Information related to this single audit, including the Schedule of Expenditures of Federal Awards (SEFA), schedule of findings and questioned costs, summary schedule of prior audit findings, and the independent auditor's reports on the system of internal control and on compliance with applicable requirements, is included in the compliance section.

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

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

PROFILE OF THE DISTRICT

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

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

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

During the 2016-2017 fiscal year, the District had 26 schools, including 9 elementary schools, 4 middle schools, 5 high schools, 4 K-8 schools (Challenger K-8, Explorer K-8, J.D. Floyd K-8, and Winding Waters K-8), 1 alternative school, and 3 charter schools, and served approximately 22,192 prekindergarten through adult students. The projected prekindergarten through grade 12 student enrollment for fiscal year 2017-2018 is 22,298 unweighted full-time equivalent students. The average age of the school buildings within the District is approximately 29.4 years.

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Economic Conditions

Hernando County has experienced limited population growth, increasing 5.4 percent (9,336) since the 2010 census. The County's current population as of February 1, 2017, is 182,114 with anticipated growth estimated to be 181,400 in the year 2020 and 193,200 in the year 2030. The median age is 47.7 years.

The local area economy continues to be affected by the national and State economic downturn. Unemployment improved during 2016-2017 but still remains high at 5.9 percent for Hernando County and 3.7 percent for the State as of December 2016. These rates are reportedly higher than the national average of 4.9 percent during the same period.

The final property tax roll for Hernando County increased approximately \$322 million or 3.83 percent, bringing the tax roll to \$8.73 billion. This marks the first year the final tax roll actually increased after three consecutive years of decline. Property taxable values experienced steady growth by double digit growth rates through the 2007-2008 fiscal year. Subsequent to the economic downturn, the tax roll significantly decreased and 2013-2014 taxable values are only slightly greater than the 2005-2006 taxable values.

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

The District recognizes that the continued enhancement of the local economy is of mutual benefit to both the District and the County and that an excellent system of public education is a significant factor in attracting new business and industry to the County. The District remains Hernando County's largest employer, employing 2,838 full-time employees, including 1,520 instructional personnel.

Long-Term Financial Planning

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

Relevant Financial Policies

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

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

The District has adopted a comprehensive set of financial policies. In accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (implemented in fiscal year 2015), the District now includes in the government-wide statements its proportionate share of the net pension liability of the cost-sharing pension plans in which it participates. This proportionate amount represents a share of the present value of projected benefit payments to be provided through the cost-sharing pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the cost-sharing pension plan's fiduciary net position. See Note 14 to the financial statements for more information.

ACADEMIC ACCOMPLISHMENTS

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

- Schools throughout Florida are held accountable and receive school grades based on the results of the Florida Standards Assessment Test (FSA). The 2016-2017 fiscal year marks the eighteenth year of this accountability program. The District received a "B" grade in the 2016-2017 fiscal year under the State A+ Plan. This year three schools received a grade of "A", nine received a grade of "B", nine received a grade of a "C", and one received a grade of "D".
- The District had 52 percent of all students scoring proficient in reading and 51 percent making learning gains in reading under the State's A+ Plan. Hernando had 44 percent of students in the lowest 25 percentile make learning gains in reading.
- District students scored at 59 percent proficient in math and 53 percent making learning gains in math under the State's A+ plan. Hernando had a 44 percent of students in the lowest 25th percentile making learning gains in math.

More than 33 percent of Hernando County School District teachers have earned Master's degrees or higher. Additionally, the District has 42 teachers who have successfully completed the rigorous and time-intensive program of the National Board of Professional Teaching Standards. To achieve the highly esteemed National Certification, teachers are required to provide a portfolio of information regarding teaching styles, examples of work performed by students, and successfully pass an examination.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District School Board Hernando County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the fifteen consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

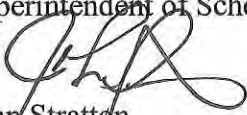
The preparation and completion of this Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation and completion of this report.

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

Respectfully submitted,



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



John Stratton
Executive Director of Business Services



Joyce McIntyre
Director of Finance & Purchasing

District School Board of Hernando County, Florida

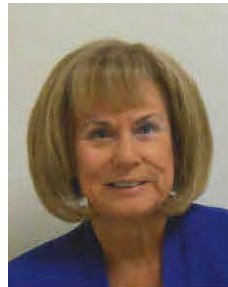
List of Principal Officials

School Board Members and Superintendent

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



Mark Johnson
District 1
3rd Year
November 2018



Linda K. Prescott
District 2
1st Year



Beth Narverud
District 3
3rd Year
November 2018



Gus Guadagnino
District 4
Member Since Nov 2012
Term Expires Nov 2020

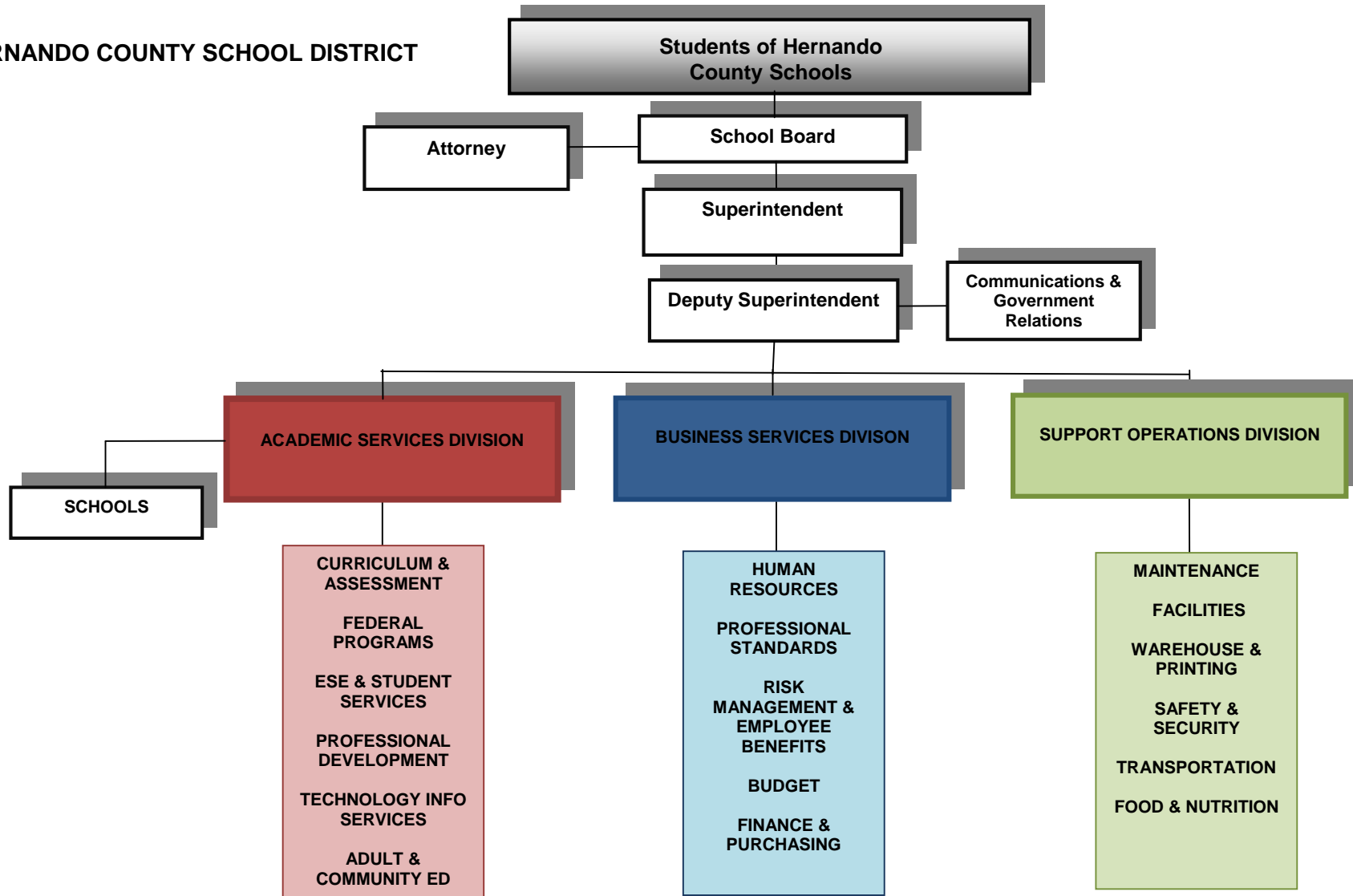


Susan Duval
District 5
3rd Year
November 2018



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

HERNANDO COUNTY SCHOOL DISTRICT





Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

Reports on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hernando County District School Board (the District) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principle 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 three Charter Schools listed with the aggregate discretely presented component units, nor did we audit the Agency Funds listed as a Fiduciary Fund in the aggregate remaining fund information. The Charter Schools represent 67% of the assets, 62% of the net position, and 73% of the revenues of the discretely presently component units; and the Agency Funds represent 62% of the assets of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and aggregate remaining fund information, 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 of material misstatement.

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Auditors' Responsibility (Concluded)

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for other postemployment benefit plans, schedules related to the Florida Retirement System (FRS) and the FRS Health Insurance Subsidy Pension Plan and major fund budgetary comparison information, as listed in the table of contents, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, other budgetary comparison schedules, 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 financial statements, other budgetary comparison schedules, and the schedule of expenditures of federal awards are the responsibility of management were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements.

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

Other Information (Concluded)

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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, other budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

February 23, 2018
Ocala, Florida

District School Board of Hernando County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hernando County District School Board (District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2017. 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 2016-2017 fiscal year are as follows:

- Total Net Position is \$210,757,298 which represents a 4.82 percent increase from the 2015-2016 fiscal year.
- General revenues totaled \$199,558,959, or 94 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital gains and contributions total \$13,302,669 or 6.25 percent of all revenues.
- Expenses total \$203,166,169; only \$13,302,669 of these expenses were offset by program revenues, with the remainder paid from general revenues.
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$210,757,298.
- The total combined assigned and unassigned fund balance of the General Fund representing the net fund balance that is spendable and not restricted, totals \$17,497,289, or 10.79 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements can be found in Exhibits B-1 and B-2 of this report.

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

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

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

The District maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal Economic Stimulus Programs Funds, Special Revenue – Federal Fund, Capital Improvement Section 1011.71 Project Fund and Other Capital Projects Fund all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements and the budgetary comparison schedules presented as required supplementary information can be found in Exhibit C-1 through Exhibit C-4 and Exhibit E of this report.

- **Fiduciary Funds.** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses private-purpose trust funds to account for scholarship funds established by private donors. The District uses agency funds to account for resources held for student activities and groups.

The basic fiduciary funds financial statements can be found in Exhibit C-8 and Exhibit C-9 of this report.

Notes to Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found in Exhibit D-1 of this report.

Other Supplementary Information. In addition to this management's discussion and analysis, this report also presents certain required supplementary information concerning the District's progress in funding its obligations to provide postemployment benefits other than pensions to its employees. The schedule of funding progress, other postemployment benefits plan, required supplementary information can be found in Exhibit D-2 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Required Supplementary Information. Combining and individual fund statements and other schedules can be found in Exhibits F-1 through J-2 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the District's net position as of June 30, 2017, compared to net position as of June 30, 2016:

Net Position

	Governmental Activities	
	June 30, 2017	June 30, 2016
Current and Other Assets	\$ 61,968,496	\$ 53,512,708
Capital Assets	377,767,259	375,071,595
Total Assets	<u>439,735,755</u>	<u>428,584,303</u>
Deferred Outflows of Resources	<u>38,900,974</u>	<u>17,024,361</u>
Long-Term Liabilities	256,578,549	230,497,234
Other Liabilities	2,794,141	2,101,321
Total Liabilities	<u>259,372,690</u>	<u>232,598,555</u>
Deferred Inflows of Resources	<u>8,506,741</u>	<u>11,948,270</u>
Net Position:		
Net Investment in Capital Assets	249,506,834	243,008,106
Restricted	41,168,493	36,222,596
Unrestricted	(79,918,029)	(78,168,863)
Total Net Position	<u>\$ 210,757,298</u>	<u>\$ 201,061,839</u>

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 net of depreciation), 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 key elements of the changes in the District's net position for the fiscal years ended June 30, 2017, and June 30, 2016, are as follows:

Changes in Net Position

	Governmental Activities	
	June 30, 2017	June 30, 2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,034,302	\$ 2,094,671
Operating Grants and Contributions	9,731,565	9,842,901
Capital Grants and Contributions	1,536,802	1,549,777
General Revenues:		
Property Taxes	57,208,577	58,664,420
Other Taxes	10,391,995	4,955,233
Grants and Contributions Not Restricted to Specific Programs	127,269,757	120,575,310
Unrestricted Investment Earnings	305,927	276,542
Miscellaneous	4,382,703	4,708,050
Total Revenues	<u>212,861,628</u>	<u>202,666,904</u>
Functions/Program Expenses:		
Instruction	108,581,464	105,595,214
Student Personnel Services	8,978,591	8,570,746
Instructional Media Services	1,580,760	1,832,370
Instruction and Curriculum Development Services	4,606,251	4,345,473
Instructional Staff Training Services	3,366,519	2,992,562
Instruction Related Technology	634,787	740,282
Board	485,796	501,111
General Administration	1,646,718	1,297,242
School Administration	11,297,615	11,166,980
Facility Services - Non-Capitalized	2,188,737	2,470,261
Fiscal Services	854,703	778,107
Food Services	11,602,638	10,358,424
Central Services	1,841,843	1,381,116
Student Transportation Services	7,033,814	6,980,040
Operation of Plant	14,972,754	14,482,370
Maintenance of Plant	5,374,764	5,201,852
Administrative Technology Services	2,734,734	2,580,640
Community Services	1,452	6,104
Unallocated Interest on Long-Term Debt	4,042,505	6,102,038
Unallocated Depreciation Expense	11,339,724	12,090,214
Total Functions/Program Expenses	<u>203,166,169</u>	<u>199,473,146</u>
Increase in Net Position	9,695,459	3,193,758
Net Position, Beginning	201,061,839	197,868,081
Adjustment to Net Position (a)	-	-
Net Position, Ending	<u>\$ 210,757,298</u>	<u>\$ 201,061,839</u>

The total governmental net position increased by \$9,695,459 during the current year, as compared to a net increase of \$3,193,758 in the previous year. Total revenues increased by \$10,194,724 compared to the prior year. District expenses increased \$3,693,023.

Direct instructional expenses, including school administration increased \$3,802,360. District-level expenses increased \$2,700,686. Unallocated expenses for interest and depreciation decreased \$2,810,023.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$53,831,094, an increase of \$7,284,017 in comparison with the prior year. The following schedule indicates the fund balances and changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2017 and June 30, 2016.

Fund Balance	June 30, 2017	June 30, 2016	Increase (Decrease)	Percentage Change
Major Governmental Funds:				
General Fund	\$ 19,500,773	\$ 10,035,572	\$ 9,465,201	94.32%
Food Services	4,254,466	3,932,628	321,838	8.18%
Other Debt Service Fund	6,824,570	14,048,219	(7,223,649)	-51.42%
Nonvoted Capital Improvement Fund	12,065,987	12,075,280	(9,293)	-0.08%
Other Capital Projects	10,204,525	5,614,764	4,589,761	81.74%
Other Governmental Funds (nonmajor)	980,773	840,614	140,159	16.67%
Total Fund Balance	\$ 53,831,094	\$ 46,547,077	\$ 7,284,017	15.65%

General Fund. The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$13,288,610, while total fund balance was \$19,500,773. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total revenues. Unassigned fund balance represents 8.20 percent of General Fund revenues, while total assigned and unassigned fund balance represents 10.79 percent of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$9,465,201.

The following schedule shows the changes in General Fund revenues and transfers in for fiscal years ended June 30, 2017 and June 30, 2016.

General Fund Revenues and Other Financing Sources	June 30, 2017	June 30, 2016	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 210,176	\$ 212,975	\$ (2,799)	-1.31%
Federal through State Sources:				
Medicaid	1,050,099	663,611	386,488	58.24%
Other Federal through State Sources	-	-	-	100.00%
State Sources:				
Florida Education Finance Program (FEFP)	87,219,990	82,146,741	5,073,249	6.18%
Categorical Programs	24,053,925	24,656,609	(602,684)	-2.44%
Other State Sources	2,031,692	1,061,767	969,925	91.35%
Local Sources:				
Ad Valorem Taxes	44,718,926	46,435,418	(1,716,492)	-3.70%
Interest Income	104,113	49,074	55,039	112.16%
Other Local Sources	2,720,339	4,139,541	(1,419,202)	-34.28%
	<u>\$ 162,109,260</u>	<u>\$ 159,365,736</u>	<u>\$ 2,743,524</u>	<u>1.72%</u>
Other Financing Sources:				
Transfers In	5,300,000	5,068,054	231,946	4.58%
Other Financing Sources	28,595	59,156	(30,561)	-51.66%
Total Revenues and Other Financing Sources	<u>\$ 167,437,855</u>	<u>\$ 164,492,946</u>	<u>\$ 2,944,909</u>	<u>1.79%</u>

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2017 and June 30, 2016.

General Fund Expenditures by Major Object	June 30, 2017	June 30, 2016	Increase (Decrease)	Percentage Change
Salaries	\$ 100,414,932	\$ 102,340,759	\$ (1,925,827)	-1.88%
Employee Benefits	30,780,420	31,737,509	(957,089)	-3.02%
Purchased Services	11,206,165	10,901,252	304,913	2.80%
Energy Services	5,857,006	6,207,479	(350,473)	-5.65%
Materials and Supplies	5,167,620	4,561,962	605,658	13.28%
Capital Outlay	2,247,723	2,498,652	(250,929)	-10.04%
Other Expenditures	935,220	957,000	(21,780)	-2.28%
Total Expenditures by Major Object	<u>\$ 156,609,086</u>	<u>\$ 159,204,613</u>	<u>\$ (2,595,527)</u>	<u>-1.63%</u>

As the table above illustrates, the largest portions of General Fund expenditures are for salaries and employee benefits with \$131,195,352 expended or 83.77 percent of total expenditures in the 2016-2017 fiscal year compared to \$134,078,268 or 84.22 percent in the 2015-2016 fiscal year. Expenditures are down \$2,595,527 or 1.63 percent lower than the 2015-2016 fiscal year due to the implementation of budget reduction strategies.

Special Revenue – Other Federal Programs Fund. These funds are federally provided grants and entitlements that are received by the District from various federal and state agencies. Special Revenue Funds do not report fund balance because revenues are reported to the extent of expenditures.

Other Debt Service – The Fund balance of the Debt Service Fund decreased from \$14,048,219 to \$6,824,570. This decrease was due to debt service payments paid directly from Debt Service funds.

Capital Projects – Nonvoted Capital Improvements Fund. The fund balance of the Capital Projects – Nonvoted Capital Improvements Fund decreased by \$9,833 to \$12,065,987.

Capital Projects – Other Fund. The fund balance of the Capital Projects – Other Fund increased by \$5,431,283 to \$10,204,525 primarily due to the reinstatement of the local half cent sales tax.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following schedule shows the changes in General Fund revenues and other financing sources between the original and final budgets for the fiscal year ended June 30, 2017.

General Fund Revenues and Other Financing Sources	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 193,945	\$ 210,176	\$ 16,231	8.37%
Federal through State Sources:				
Medicaid	486,594	1,050,099	563,505	115.81%
State Sources:				
Florida Education Finance Program (FEFP)	79,104,378	87,219,990	8,115,612	10.26%
Categorical Programs	30,777,724	24,053,925	(6,723,799)	-21.85%
Other State Sources	1,015,937	2,031,692	1,015,755	99.98%
Local Sources:				
Ad Valorem Taxes	44,356,506	44,718,926	362,420	0.82%
Interest Income	46,163	104,113	57,950	125.53%
Other Local Sources	1,981,743	2,720,339	738,596	37.27%
Other Financing Sources:				
Transfers In	5,300,000	5,300,000	-	0.00%
Other Financing Sources	25,500	28,595	3,095	12.14%
Total Revenues and Other Financing Sources	<u>\$ 163,288,490</u>	<u>\$ 167,437,855</u>	<u>\$ 4,149,365</u>	<u>2.54%</u>

Final budgeted revenues and other financing sources for the General Fund when compared to the initial budget were 2.54 percent higher. Medicaid billing reimbursements increased \$563,505 due to actual collections came in higher than anticipated during budget planning. Increases in FEFP and categorical programs funding from the State totaling \$1,391,813 were due to the increase in the based student allocation. Ad Valorem Tax collections were budgeted at 96 percent as required by Section 1011.62(4)(a), Florida Statutes. However, actual collections were .85 percent higher or an increase of \$362,420. Actual Collections from Other Local Sources resulted in an increase of \$738,596 in revenues.

The following schedule shows the changes in General Fund expenditures by function between the original and final budgets for the fiscal year ended June 30, 2017.

General Fund Expenditures by Function	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Current:				
Instruction	\$ 108,379,673	\$ 101,303,203	\$ (7,076,470)	-6.53%
Pupil Personnel Services	6,552,589	6,448,460	(104,129)	-1.59%
Instructional Media Services	1,478,948	1,532,605	53,657	3.63%
Instruction and Curriculum Development	1,304,385	1,810,404	506,019	38.79%
Instructional Staff Training	525,842	735,892	210,050	39.95%
Instruction Related Technology	355,171	254,549	(100,622)	-28.33%
School Board	538,042	470,445	(67,597)	-12.56%
General Administration	956,533	974,376	17,843	1.87%
School Administration	10,836,572	10,940,619	104,047	0.96%
Facility Services - Non Capitalized	329,936	271,087	(58,849)	-17.84%
Fiscal Services	830,347	827,696	(2,651)	-0.32%
Central Services	1,482,452	1,786,425	303,973	20.50%
Pupil Transportation Services	7,978,551	6,779,403	(1,199,148)	-15.03%
Operation of Plant	15,075,273	14,528,801	(546,472)	-3.62%
Maintenance of Plant	5,377,494	5,251,716	(125,778)	-2.34%
Administrative Related Technology Services	2,721,174	2,691,999	(29,175)	-1.07%
Community Services	2,050	1,406	(644)	-31.41%
Total Expenditures by Function	<u>\$ 164,725,032</u>	<u>\$ 156,609,086</u>	<u>\$ (8,115,946)</u>	<u>-4.93%</u>

The final budgeted expenditures were lower than the original budget by \$8,115,946 or 4.93 percent. Reductions were realized through the District's conservative spending and through savings initiatives that were implemented during the fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets. The District's investment in capital assets for governmental activities as of June 30, 2017, amounts to \$377,767,259 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; and motor vehicles. The total increase of \$2,695,664 in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was .72 percent.

	Activities	
	June 30, 2017	June 30, 2016
Land	\$ 10,317,174	\$ 10,317,174
Improvements Other Than Buildings	10,743,490	11,428,117
Buildings and Fixed Equipment	346,761,795	348,535,161
Furniture, Fixtures, and Equipment	2,760,363	1,458,066
Motor Vehicles	351,669	13,764
Construction in Progress	6,832,768	3,319,314
Total Capital Assets	<u>\$ 377,767,259</u>	<u>\$ 375,071,595</u>

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

Long-Term Debt. At the end of the current fiscal year, the District has total long-term debt outstanding of \$116,768,170. This amount is comprised of a note payable of \$3,598,654;

\$108,672,516 in Certificates of Participation; and Bonds Payable \$4,497,000 of which is backed by full faith and credit of the State of Florida.

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

During the current fiscal year, the District paid \$4,711,753 for principal payments on long-term debt as follows:

State School Bonds	\$	563,000
Other Debt Service:		
District Revenue Bonds		95,000
Certificates of Participation		2,792,152
Note Payable		1,261,601
Total Principal Payments	\$	<u>4,711,753</u>

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

ECONOMIC FACTORS AND FORECAST

As of June 2016, the unemployment rate for Hernando County is currently 5.9 percent, which is a decrease from the rate of 6.2 percent a year ago. This compares to the State's average unemployment rate of 3.7 percent. These factors were considered in preparing the District budget for the 2017-2018 fiscal year.

During the current fiscal year, the fund balance in the General Fund increased by \$9,465,201 to \$19,500,773. Included in this total, the District has inventories of \$1,343,934 that are classified as nonspendable, \$547,735 in State categorical funds reported as restricted, and \$263,993 in encumbrances reported as assigned, which are re appropriated in the budget for the 2017-2018 fiscal year. Assigned fund balance also includes \$2,308,698 health insurance rebates and profit sharing, which will be held in fund balance until appropriated. It is anticipated that this use of unassigned fund balance will be replenished at year-end through unspent appropriations and operating fund property tax revenues in excess of the budget. It is anticipated that the fund balance at June 30, 2018, will be in excess of 3 percent of general fund revenues.

REQUESTS FOR INFORMATION

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

BASIC
FINANCIAL STATEMENTS





(THIS PAGE INTENTIONALLY LEFT BLANK)

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 25,802,489	\$ 488,490
Investments	27,822,119	
Accounts Receivable	75,686	88,145
Due from Other Agencies	2,613,501	10,338
Inventories	1,485,622	49,099
Prepaid Items		41,637
Capital Credits Receivable	4,169,079	
Capital Assets:		
Nondepreciable Capital Assets	17,149,942	
Depreciable Capital Assets, Net	360,617,317	256,720
	Total Assets	934,429
 DEFERRED OUTFLOWS OF RESOURCES		
Bond Insurance	468,703	
Pensions	38,432,271	
	Total Deferred Outflows of Resources	38,900,974
 LIABILITIES		
Salaries and Benefits Payable	180	33,985
Accounts Payable	2,758,658	20,098
Due to Other Agencies	2,804	10,151
Accrued Interest Payable	29,167	
Deposits Payable	3,260	
Sales Tax Payable	72	
Long-Term Liabilities:		
Due Within One Year	8,892,500	52,526
Due in More Than One Year	247,686,049	59,617
	Total Liabilities	176,377
 DEFERRED INFLOWS OF RESOURCES		
Unearned Revenue	1,174,182	
Gain on Refunding	735,062	
Pensions	6,597,497	
	Total Deferred Inflows of Resources	8,506,741
 NET POSITION		
Net Investment in Capital Assets	249,506,834	144,577
Restricted for:		
State Required Carryover Programs	547,735	
Food Service	4,254,466	
Debt Service	6,824,570	
Capital Projects	22,889,601	
Other Purposes	6,652,121	227,277
Unrestricted	(79,918,029)	386,198
	Total Net Position	\$ 758,052

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government:		
Governmental Activities:		
Instruction	\$ 108,581,464	\$ 87,244
Student Personnel Services	8,978,591	
Instructional Media Services	1,580,760	
Instruction and Curriculum Development Services	4,606,251	
Instructional Staff Training Services	3,366,519	
Instruction Related Technology Board	634,787	
General Administration	485,796	
School Administration	1,646,718	
School Administration	11,297,615	
Facility Services - Non-Capitalized	2,188,737	
Fiscal Services	854,703	
Food Services	11,602,638	1,796,468
Central Services	1,841,843	
Student Transportation Services	7,033,814	150,590
Operation of Plant	14,972,754	
Maintenance of Plant	5,374,764	
Administrative Technology Services	2,734,734	
Community Services	1,452	
Unallocated Interest on Long-Term Debt	4,042,505	
Unallocated Depreciation Expense *	11,339,724	
Total Primary Government	\$ 203,166,169	\$ 2,034,302
Component Units		
Educational Foundation/Charter School	\$ 3,446,782	\$ 220,690

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purp
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes
- Grants and Contributions Not Restricted to Sp
- Unrestricted Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Position

Net Position - July 1, 2016

Net Position - June 30, 2017

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

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

(Concluded)

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$	\$	\$	\$
		(108,494,220)	
		(8,978,591)	
		(1,580,760)	
		(4,606,251)	
		(3,366,519)	
		(634,787)	
		(485,796)	
		(1,646,718)	
		(11,297,615)	
	854,786	(1,333,951)	
		(854,703)	
9,731,565		(74,605)	
		(1,841,843)	
		(6,883,224)	
		(14,972,754)	
		(5,374,764)	
		(2,734,734)	
		(1,452)	
	682,016	(3,360,489)	
		(11,339,724)	
<u>\$ 9,731,565</u>	<u>\$ 1,536,802</u>	<u>(189,863,500)</u>	
<u>\$ 955,908</u>	<u>\$ 100,639</u>		<u>(2,169,545)</u>
oses		44,718,926	
		12,489,651	
		10,391,995	
pecific Programs		127,269,757	90,224
		305,927	
		4,382,703	2,206,280
		<u>199,558,959</u>	<u>2,296,504</u>
		9,695,459	126,959
		201,061,839	631,093
		<u>\$ 210,757,298</u>	<u>\$ 758,052</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Food Service	Other Federal Programs
ASSETS			
Cash and Cash Equivalents	\$ 8,728,971	\$ 3,961,953	\$ 15,411
Investments	9,209,348	1,014,495	-
Accounts Receivable	72,567	3,119	
Due from Other Funds	520,997		-
Due from Other Agencies	59,258	-	515,461
Inventories	1,343,934	141,688	
TOTAL ASSETS	\$ 19,935,075	\$ 5,121,255	\$ 530,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$	\$ 180	\$
Accounts Payable	236,918	650,838	9,875
Due to Other Funds		-	520,997
Due to Other Agencies	2,804		
Deposits Payable	3,260		
Sales Tax Payable	72		-
Total Liabilities	243,054	651,018	530,872
Deferred Inflow of Resources			
Unavailable State Grant	191,248		
Unavailable Revenue - Impact Fees			
Unavailable Revenue - Capital Outlay and Debt Service		215,771	
Total Deferred Inflows of Resources	191,248	215,771	-
Fund Balances:			
Nonspendable	1,343,934	141,688	
Spendable:			
Restricted	659,550	2,581,169	
Assigned	4,208,679	1,531,609	
Unassigned	13,288,610		
Total Fund Balances	19,500,773	4,254,466	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,935,075	\$ 5,121,255	\$ 530,872

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

(Concluded)

<u>Other Debt Service</u>	<u>Nonvoted Capital Improvement</u>	<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,083,957	\$ 2,653,367	\$ 4,377,949	\$ 1,068,103	\$ 25,889,711
1,744,113	9,925,090	5,836,542	5,309	27,734,897
	-	-	8,261	83,947
	1,559	2,021,045	-	520,997
			7,917	2,605,240
				1,485,622
<u>\$ 6,828,070</u>	<u>\$ 12,580,016</u>	<u>\$ 12,235,536</u>	<u>\$ 1,089,590</u>	<u>\$ 58,320,414</u>
				\$ 180
3,500	514,029	1,263,848	79,650	2,758,658
				520,997
			29,167	31,971
				3,260
				72
<u>3,500</u>	<u>514,029</u>	<u>1,263,848</u>	<u>108,817</u>	<u>3,315,138</u>
				191,248
				-
		767,163		982,934
<u>-</u>	<u>-</u>	<u>767,163</u>	<u>-</u>	<u>1,174,182</u>
				1,485,622
6,824,570	9,994,199	5,905,484	980,773	26,945,745
	2,071,788	4,299,041		12,111,117
<u>6,824,570</u>	<u>12,065,987</u>	<u>10,204,525</u>	<u>980,773</u>	<u>13,288,610</u>
				53,831,094
<u>\$ 6,828,070</u>	<u>\$ 12,580,016</u>	<u>\$ 12,235,536</u>	<u>\$ 1,089,590</u>	<u>\$ 58,320,414</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Fund Balances - Governmental Funds \$ 53,831,094

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

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

Nondepreciable Capital Assets	\$ 17,149,942	
Depreciable Capital Assets, Net	<u>360,617,317</u>	377,767,259

Capital credits to be received in future years are not available to liquidate liabilities in governmental funds, but are accrued in the government-wide statements. 4,169,079

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

Deferred Outflows of Resources	\$ 38,432,271	
Deferred Inflows of Resources	<u>(6,597,497)</u>	31,834,774

Bond Insurance for 2016 COPS Refunding Debt 468,703

Gain on Refunding of the 2005 COPS (735,062)

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

Bonds Payable	\$ 4,747,978	
Certificates of Participation Payable	119,648,434	
Note Payable	3,598,654	
Other Postemployment Benefits Payable	11,243,926	
Net Pension Liability	103,007,509	
Compensated Absences Payable	<u>14,332,048</u>	<u>(256,578,549)</u>

Total Net Position - Governmental Activities \$ 210,757,298

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Food Services Fund	Other Federal Programs Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 210,176	\$	\$
Federal Through State and Local	1,050,099	9,599,553	12,343,173
State	113,305,607	132,012	
Local:			
Property Taxes Levied for Operational Purposes	44,718,926		
Property Taxes Levied for Capital Projects			
Local Sales Taxes			
Impact Fees			
Charges for Service - Food Services		1,796,468	
Other	2,824,452	7,183	
Total Revenues	162,109,260	11,535,216	12,343,173
Expenditures			
Current:			
Instruction	101,092,860		4,057,510
Student Personnel Services	6,448,460		2,246,415
Instructional Media Services	1,530,809		
Instruction and Curriculum Development Services	1,810,404		2,650,293
Instructional Staff Training Services	735,892		2,524,248
Instruction Related Technology	254,550		360,179
Board	470,445		
General Administration	974,376		471,779
School Administration	10,940,618		
Facility Services - Non-Capitalized	261,216		
Fiscal Services	827,696		
Food Services	-	11,231,422	
Central Services	1,782,914		
Student Transportation Services	6,776,681		32,749
Operation of Plant	14,496,847		
Maintenance of Plant	5,199,010		
Administrative Technology Services	2,647,241		
Community Services	1,406		
Debt Service:			
Principal			
Interest and Fiscal Charges			
Dues and Fees			
Capital Outlay:			
Facilities Acquisition and Construction	38,774		
Other Capital Outlay	318,887		
Total Expenditures	156,609,086	11,231,422	12,343,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,500,174	303,794	-
Other Financing Sources (Uses)			
Issuance of Refunding Bonds			
Premium on Refunding Bonds			
Payments to Refunded Bonds Escrow Agent			
Transfers In	5,300,000	16,379	
Insurance Loss Recoveries	28,595		
Transfers Out	(1,363,568)		
Total Other Financing Sources (Uses)	3,965,027	16,379	-
Net Change in Fund Balances	9,465,201	320,173	-
Fund Balances, July 1, 2016	10,035,572	3,934,293	
Fund Balances, June 30, 2017	\$ 19,500,773	\$ 4,254,466	\$ -

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

(Concluded)

Other Debt Service Fund	Nonvoted Capital Improvement Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$	\$
				210,176
		63,466	-	22,992,825
			1,834,038	115,335,123
				44,718,926
-	12,489,651			12,489,651
		10,391,995		10,391,995
		1,631,051		1,631,051
			-	1,796,468
72,105	98,165	30,308	606	3,032,819
<u>72,105</u>	<u>12,587,816</u>	<u>12,116,820</u>	<u>1,834,644</u>	<u>212,599,034</u>
				105,150,370
				8,694,875
				1,530,809
				4,460,697
				3,260,140
				614,729
				470,445
				1,446,155
				10,940,618
				261,216
				827,696
				11,231,422
				1,782,914
				6,809,430
				14,496,847
				5,199,010
				2,647,241
				1,406
4,053,753			658,000	4,711,753
4,437,273			243,042	4,680,315
151,917			1,458	153,375
	7,297,109	7,524,500	790,320	15,650,703
		2,559	-	321,446
<u>8,642,943</u>	<u>7,297,109</u>	<u>7,527,059</u>	<u>1,692,820</u>	<u>205,343,612</u>
<u>(8,570,838)</u>	<u>5,290,707</u>	<u>4,589,761</u>	<u>141,824</u>	<u>7,255,422</u>
			-	-
			-	-
			-	-
4,574,927	-	-	-	9,891,306
				28,595
<u>(3,227,738)</u>	<u>(5,300,000)</u>	<u>-</u>	<u>-</u>	<u>(9,891,306)</u>
<u>1,347,189</u>	<u>(5,300,000)</u>	<u>-</u>	<u>-</u>	<u>28,595</u>
(7,223,649)	(9,293)	4,589,761	141,824	7,284,017
14,048,219	12,075,280	5,614,764	838,949	46,547,077
<u>\$ 6,824,570</u>	<u>\$ 12,065,987</u>	<u>\$ 10,204,525</u>	<u>\$ 980,773</u>	<u>\$ 53,831,094</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Governmental Funds \$ 7,284,017

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

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

Capital Outlay - Facilities and Construction - Governmental Funds	\$ 6,923,048	
Capital Outlay - Other Capital Outlay - Governmental Funds	7,130,214	
Less: Depreciation Expense	(11,357,598)	2,695,664

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

Debt Repayments	4,711,753	4,711,753
-----------------	-----------	-----------

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

Unamortized Premium:

Prior Year	\$ 11,850,687	
Less: Current Year	(11,226,896)	623,791

Bond Insurance for the 2016 COPS Refunding Debt Amortization

Prior Year	\$ (493,372)	
Less: Current Year	468,703	(24,669)

Gain on Refunding of the 2005 COPS - Amortization

Prior Year	\$ 773,750	
Less: Current Year	(735,062)	38,688

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. (3,789,543)

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

Current Year Accruals	\$ 4,169,079	
Less: Prior Year Accruals	(3,935,080)	
Net Increase in Capital Credits Receivable		233,999

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period. (842,845)

Other postemployment benefits costs are recorded in the governmental funds under the pay-as-you-go method, but under the full accrual method in the government-wide statements. This is the net increase in the other postemployment benefits liability for the current period. (1,235,396)

Change in Net Position - Governmental Activities \$ 9,695,459

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 192	\$ 1,770,324
Investments	57,479	
Accounts Receivable		15,704
TOTAL ASSETS	\$ 57,671	\$ 1,786,028
LIABILITIES		
Accounts Payable		311
Internal Accounts Payable	\$	\$ 1,785,717
Total Liabilities		\$ 1,786,028
NET POSITION		
Held in Trust for Scholarships and Other Purposes	\$ 57,671	

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2017

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings	\$ (1,378)
DEDUCTIONS	
Scholarship Payments	<u>3,200</u>
Change in Net Position	(4,578)
Net Position, July 1, 2016	<u>62,249</u>
Net Position, June 30, 2017	<u><u>\$ 57,671</u></u>

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

The Hernando County District School Board (Board) has direct responsibility for operation, control, and supervision of Hernando County School District (District) schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Hernando County.

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

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

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

- **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's motor vehicles is allocated to the applicable functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fund Financial Statements - Fund financial statements provide detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Food Service Fund – to account for and report on activities of the food service program in serving breakfast and lunch at the schools. These activities are primarily funded through local charges and federal awards.
- Special Revenue – Other Federal Programs Fund – to account for certain Federal Grant program revenue sources that are legally restricted for specified purposes. This Special Revenue Fund tracks Federal grants and entitlements that are received by the District from various Federal and State agencies.
- Capital Project – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation, and remodeling project, and debt service payments on lease-purchase agreements for educational facilities.
- Capital Projects – Other Fund – to account for the financial resources generated by the local voted sales tax and the impact fees levied by the Hernando County Board of County Commissioners. The sales tax is to be used for new school construction. The impact fees may be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.

Additionally, the District reports the following fiduciary fund types:

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. Interfund services provided and used are not eliminated in the process of consolidation. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements to report only the net amount of transfers.

- **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers property taxes, sales taxes, and interest to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, pensions, and other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

- **Deposits**

The District's cash and cash equivalents are considered to be demand deposits. On June 30, 2017, the carrying amount of the District's bank deposit accounts was \$25,802,489 (Statement of Net Position) and \$192 (Fiduciary Funds).

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

- **Investments**

The District holds assets that are defined as investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79.

Fair Value Measurement The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 inputs-are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs-are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 inputs-are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

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

The District's investments in Florida PRIME and the Florida Education Investment Trust Fund (FEIT) are external investment pools and are similar to money market funds in which shares are owned in the fund rather than the underlying investments. In accordance with GASB 79, the investments are recorded at amortized costs.

None of the external investment pools have limitations or restrictions on participant withdrawals including items such as redemption notices, maximum transaction amounts, and the pool's authority to impose liquidity fees or redemption gates.

The District's other investments consist of United States Treasury securities, and are reported at fair value. Under the fair value hierarchy, investments in United States Treasury securities are considered to be Level 1.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Inventories**

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

- **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement (if any) should be recorded at acquisition value.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the composite method over the following estimated useful lives:

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

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

- **Pensions**

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

- **Long-Term Liabilities**

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

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

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

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

- **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District has two types of items that qualify for reporting in this category. The first is the deferred amount on pension reported only in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five years. The second item is unavailable revenue from Hernando County impact fees and the State of Florida for Capital Outlay and Debt Service.

- **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years.

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **District Property Taxes**

The School Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District.

Property values are determined by the Hernando County Property Appraiser, and property taxes are collected by the Hernando County Tax Collector.

The School Board adopted the 2016 tax levy on July 19, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

- **Local Sales Tax**

On March 9, 2004, the voters of Hernando County approved a one-half cent school capital outlay sales tax on sales in Hernando County for ten years, commencing January 1, 2005 and ending December 31, 2014, to pay for the construction of certain educational facilities and other related costs, in accordance with Section 212.055(6), Florida Statutes. An extension of the one half cent school capital outlay sales tax was not approved by the voters on November 4, 2014, however a new ten year one-half cent sales tax, commencing on January 1, 2017, was subsequently approved in a special election held on September 8, 2015.

- **Educational Impact Fees**

The District receives residual educational impact fees based on an ordinance adopted by the Hernando County Commission (County) on October 28, 1986. The fees are collected by the County and each municipality within the County for most new residential construction based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements. The District anticipates reinstatement of the impact fees in the future.

2. INVESTMENTS

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

Investment Portfolio. Investment holdings, totaling \$27,822,119 (Statement of Net Position) and \$57,479 (Fiduciary Funds) consist of amounts placed in a Local Government Surplus Funds Trust Fund, Registered Investment Companies (Money Market Mutual Funds), an Intergovernmental Investment Pool, and U.S. Treasury Bonds

Section 218,415, Florida Statutes, limits the types of investments that the District can invest in unless specifically authorized in the District's investment policy. The District's formal investment policy allows for the following investments: United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-Negotiable Interest Bearing Time Certificates of Deposit, Commercial Paper, Bankers Acceptances, Corporate Notes, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), Local Government Surplus Funds Trust Fund ("Florida PRIME"), and Intergovernmental Investment Pools.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. INVESTMENTS (Continued)

As of June 30, 2017, the District has the following investments and maturities:

Security Type	Value	Weighted Average Duration
State Board of Administration:		
Florida PRIME	\$10,384,779	39 days
Debt Service Accounts	83,992	.50
Intergovernmental Investment Pool:		
FEIT	17,353,473	37 days
U.S. Treasury Bonds	57,354	5.63 years
Total	\$27,879,598	0.12

The Florida PRIME (the “SBA) June 30, 2017, report was the source for of the weighted average maturity and credit rating for Florida Prime. <https://www.sbafla.com/prime/>

The Fund Fact Sheet as of June 30, 2017, was the source for the Florida Education Investment Trust Fund’s credit rating and weighted average maturity. <http://www.feitfund.com/>

Interest Rate Risk

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

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

The District also uses WAM as a measurement of interest rate risk and as of June 30, 2017, the investment portfolio had a weighted average duration of 0.12 years. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. INVESTMENTS *(Continued)*

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy permits for investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). In addition, corporate obligations allowed are corporate obligations issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC and are guaranteed by the full faith and credit of the United States Government.

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

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum single "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's. In addition, corporate obligations allowed are corporate obligations issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC and are guaranteed by the full faith and credit of the United States Government.

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

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

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

As of June 30, 2017, \$27,822,119 of the District's investment securities were individually rated "AAAm" by Standard & Poor's, and \$57,354 rated "AA+" by Standard & Poor's.

The District's bank balance of \$25,802,489 was deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

2. INVESTMENTS (Continued)

As of June 30, 2017, the District had the following credit quality:

Security Type	Standard & Poor's Credit Rating	Portfolio Asset Allocation
State Board of Administration:		
Florida PRIME	AAAm	37.25%
Florida PRIME (Debt Service Accounts)	N/A	.29%
Intergovernmental Investment Pool:		
FEIT	AAAm	62.25%
U.S. Treasury Bonds	AA+	.21%
Total		100%

Custodial Credit Risk

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

As of June 30, 2017, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy.

Concentration of Credit Risk

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

A maximum of 100% of available funds may be invested in the United States Government Securities, 50% of available funds may be invested in United States Government agencies with a 25% limit on individual issuers, 75% of available funds may be invested in Federal

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

2. INVESTMENTS (Concluded)

Instrumentalities with a 25% limit on individual issuers, 75% of available funds may be invested in non-negotiable interest bearing time certificates of deposit with a 25% limit on individual issuers, 25% of available funds may be invested in commercial paper with a 10% limit on individual issuers, 25% of available funds may be invested in corporate notes with a 10% limit on individual issuers, 30% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt with a 10% limit on individual issuers, 50% of available funds may be invested in Registered Investment Companies (Money Market Mutual Funds) with a 25% limit of individual issuers, and 25% of available funds may be invested in Intergovernmental Investment Pools.

As of June 30, 2017, the District had the following issuer concentration based on fair value:

Security Type	Value	Portfolio Asset Allocation
State Board of Administration:		
Florida PRIME	\$10,384,779	37.25%
Debt Service Accounts	83,992	.29%
Intergovernmental Investment Pool		
FEIT	17,353,473	62.25%
U.S. Treasury Bonds	57,354	0.21%
Total	\$27,879,598	100.00%

Foreign Currency Risk

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land (660)	\$ 10,317,174	\$ -	\$ -	\$ 10,317,174
Construction in Process	3,319,314	6,832,768	(3,319,314)	6,832,768
Total Capital Assets Not Being Depreciated	<u>13,636,488</u>	<u>6,832,768</u>	<u>(3,319,314)</u>	<u>17,149,942</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings (670)	28,544,421	475,427		29,019,848
Buildings and Fixed Equipment (680)	479,050,914	7,966,992		487,017,906
Furniture, Fixtures, and Equipment (641/643/691)	38,485,720	1,739,889	(121,139)	40,104,470
Motor Vehicles (652 Vehicles) (651 Buses)	15,133,841	357,500	(913,764)	14,577,577
Total Capital Assets Being Depreciated	<u>561,214,896</u>	<u>10,539,808</u>	<u>(1,034,903)</u>	<u>570,719,801</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(17,116,304)	(1,160,054)		(18,276,358)
Buildings and Fixed Equipment	(130,515,753)	(9,740,358)		(140,256,111)
Furniture, Fixtures, and Equipment	(37,027,655)	(437,591)	121,139	(37,344,107)
Motor Vehicles	(15,120,077)	(19,595)	913,764	(14,225,908)
Total Accumulated Depreciation	<u>(199,779,789)</u>	<u>(11,357,598)</u>	<u>1,034,903</u>	<u>(210,102,484)</u>
Total Capital Assets Being Depreciated, Net	<u>361,435,107</u>	<u>(817,790)</u>	<u>-</u>	<u>360,617,317</u>
Governmental Activities Capital Assets, Net	<u>\$ 375,071,595</u>	<u>\$ 6,014,978</u>	<u>\$ (3,319,314)</u>	<u>\$ 377,767,259</u>

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental Activities	
Facilities Acquisition & Construction	110
Food Services	4,731
Central Services	751
Operation of Plant	2,869
Maintenance of Plant	6,108
Transportation	2,190
Administrative Related Technology	1,114
Unallocated	11,339,724
Total Depreciation Expense - Governmental Activities	<u>\$ 11,357,598</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4. NOTES PAYABLE

Notes payable is comprised of the following:

	<u>Balance at June 30, 2017</u>
<u>Banc of America Public Capital Corp</u>	
\$14,419,695, was borrowed on 3-16-07, under provisions of Section 1013.23, Florida Statutes at an Interest rate of 3.83 percent. Proceeds were used to refinance the purchase of energy savings equipment. The ending principal balance was \$6,403,131 before refinancing on 3-17-15. \$6,403,131 was borrowed at an interest rate of 1.95 percent. This maturity date is 3-20-20.	
	<u>\$ 3,598,654</u>

Fiscal Year Ending June 30	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	1,347,189	1,286,383	60,806
2019	1,347,189	1,311,651	35,537
2020	1,010,391	1,000,619	9,772
Total	<u>\$ 3,704,769</u>	<u>\$ 3,598,654</u>	<u>\$ 106,115</u>

5. CERTIFICATES OF PARTICIPATION

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

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

5. CERTIFICATES OF PARTICIPATION *(Continued)*

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

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

Series 2005 Certificates

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

Series 2013 Certificates

Challenger K-8 School Science and Mathematics

The lease payments for the 2013A & 2016A Series are payable by the District, semiannually, on July 1 and January 1, at interest rates ranging from 2.08 to 5 percent. The payment of principal and interest on the bonds underlying the lease agreements are due on July 1 and January 1 of each year. The July 1 payment is typically made on or around June 15 and is considered to be a reduction of bond principal as of June 30.

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

5. CERTIFICATES OF PARTICIPATION (Concluded)

Fiscal Year Ending June 30	Total	Principal	Interest
2018	\$ 8,241,351	\$ 4,094,429	\$ 4,146,922
2019	8,245,664	4,220,260	4,025,404
2020	8,236,914	4,337,543	3,899,371
2021	8,243,164	4,473,872	3,769,292
2022	8,243,164	4,608,977	3,634,187
2023-2027	42,864,714	27,502,435	15,362,279
2028-2032	43,276,750	34,960,000	8,316,750
2033-2035	25,957,900	24,475,000	1,482,900
Total Minimum Lease Payments	153,309,621	108,672,516	44,637,105
Unamortized COP Premiums	10,975,918	10,975,918	
Total	<u>\$ 164,285,539</u>	<u>\$ 119,648,434</u>	<u>\$ 44,637,105</u>

6. BONDS PAYABLE

Bonds payable at June 30, 2017, are as follows:

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

Bond Type	Original Debt Issue Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 2009A, Refunding	\$ 370,000	\$ 65,000	5.0	2019
Series 2010A, Refunding	1,435,000	1,090,000	3.50 - 5.0	2030
Series 2011A, Refunding	365,000	255,000	3.0 - 5.0	2023
Series 2014A, Refunding	523,000	421,000	3.0 - 5.0	2025
Series 2014B, Refunding	1,299,000	526,000	2.0-5.0	2020
Subtotal	<u>3,992,000</u>	<u>2,357,000</u>		
Unamortized Premium	792,352	250,978		
State School Bonds	<u>4,784,352</u>	<u>2,607,978</u>		
District Revenue Bonds:				
Series 2001, Refunding	<u>3,290,000</u>	<u>2,140,000</u>	4.85 - 5.125	2031
Total Bonds Payable	<u>\$ 8,074,352</u>	<u>\$ 4,747,978</u>		

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. **BONDS PAYABLE** (Continued)

- **State School Bonds**

These bonds are issued by the State Board of Education (SBE) on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax.

The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

- **District Revenue Bonds**

Refunding and Capital Improvement Revenue Bonds, Series 2001. These bonds were issued in June 2001 to refund the Refunding and Improvement Revenue Bonds, Series 1992, and to finance the costs of various capital improvements within the school district. These bonds were authorized by Chapter 79-471, Laws of Florida, which provides that the bonds be secured from racetrack funds and jai alai fronton funds accruing annually to the District from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2014). The annual distribution is remitted by the Florida Department of Financial Services to the District. The District has pledged as sole security for the bonds, the entire annual pari-mutuel tax proceeds of \$363,739, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2031. Approximately 98 percent of this revenue stream has been pledged in connection with the debt service on the revenue bonds. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. BONDS PAYABLE (Concluded)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2018	698,940	594,000	104,940
2019	308,240	233,000	75,240
2020	272,240	208,000	64,240
2021	225,400	170,000	55,400
2022-2026	892,900	732,000	160,900
2027-2030	463,550	420,000	43,550
	<u>2,861,270</u>	<u>2,357,000</u>	<u>504,270</u>
Unamortized Bond Premium	250,978	250,978	
Total State School Bonds	<u>3,112,248</u>	<u>2,607,978</u>	<u>504,270</u>
District Revenue Bonds:			
2018	205,619	100,000	105,619
2019	205,622	105,000	100,622
2020	205,313	110,000	95,313
2021	204,688	115,000	89,688
2022-2026	1,014,813	660,000	354,813
2027-2031	1,019,128	855,000	164,128
2032	199,997	195,000	4,997
Total District Revenue Bonds	<u>3,055,178</u>	<u>2,140,000</u>	<u>915,178</u>
Total	<u>\$ 6,167,426</u>	<u>\$ 4,747,978</u>	<u>\$ 1,419,448</u>

7. DEFEASED DEBT

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

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

On June 30, 2017, bonds considered defeased in substance are as follows:

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

7. DEFEASED DEBT (Concluded)

Bond Issues	Amount Outstanding
Refunding and Capital Improvement Revenue Bonds, Series 1992	\$ 495,000
State School Bonds, Series 1999A	105,000
State School Bonds, Series 2003A	320,000
State School Bonds, Series 2004A	225,000
State School Bonds, Series 2005A	290,000
State School Bonds, Series 2004B	960,000
Total Defeased Debt	\$ 2,395,000

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 5,155,000		\$ 658,000	\$ 4,497,000	\$ 694,000
Unamortized Premium	297,089		46,111	250,978	46,109
Total Bonds Payable	5,452,089	-	704,111	4,747,978	740,109
Lease-Purchase Agreements Payable	111,464,668		2,792,152	108,672,516	4,094,429
Unamortized Premium	11,553,598		577,680	10,975,918	577,680
Total Certificates of Participation Payable	123,018,266	-	3,369,832	119,648,434	4,672,109
	-			-	-
Note Payable	4,860,255		1,261,601	3,598,654	1,286,383
Other Post Employment Benefits	10,008,530	1,235,396		11,243,926	-
Net Pension Liability (1)	73,668,891	29,338,618		103,007,509	1,193,899
Compensated Absences Payable	13,489,203	842,845		14,332,048	1,000,000
Total Governmental Activities	\$ 230,497,234	\$ 31,416,859	\$ 5,335,544	\$ 256,578,549	\$ 8,892,500

(1) The amount due within one year relates to the Health Insurance Subsidy (HIS) portion of the Net Pension Liability wherein the HIS's fiduciary net position is less than the amount of benefit payments expected to be paid within one year.

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund.

9. FUND BALANCE REPORTING

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

GASB 54 provides two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventory items that are considered nonspendable. The District has no nonspendable funds related to endowment.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. FUND BALANCE REPORTING (Continued)

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

- Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: Fund balances that contain constraints imposed by formal action of the government from its highest level of decision making authority. At the end of the fiscal year, there were no commitments.
- Assigned: Fund balances that contain self-imposed constraints by the governing body to be used for a particular purpose.
- Unassigned: Fund balance of the General Fund that is not constrained for any particular purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

Nonspendable: The District has inventories totaling \$1,485,622 that are classified as nonspendable.

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

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

Federal Laws, Florida Statutes, and local ordinances require that specifically designated for the purposes of capital and debt service requirements and for certain designated State categorical spending. These funds have been included in the restricted category of fund balance. The restricted fund balance totaled \$26,945,745 and represented \$547,735 for State categorical programs, \$111,815 for workforce development programs, \$2,581,169 for food services, \$7,186,252 for debt service, and \$16,518,774 for capital projects.

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

In accordance with Fund Balance Policy 7.11, the assigned fund balance includes amounts which are assigned for a specific purpose by the Board or by delegation to the Superintendent or his or her designee. The School Board has set aside certain spendable fund balance for school operations. At year end, the assigned general fund balance of \$10,197,334 consists of \$7,888,636 assigned for outstanding encumbrances for school operations and \$2,308,698 assigned for health insurance rebates received to be used for premium increases.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

9. FUND BALANCE REPORTING (Concluded)

Unassigned:

The unassigned fund balance for the General Fund is \$13,288,610.

	Major Funds					Non Major Funds	Total Governmental Funds
	General	Food Service	Other Debt Service	Capital Improvement	Other Capital Projects		
Fund Balances:							
Nonspendable:							
Inventory	\$ 1,343,934	141,688	\$ -	\$ -	\$ -		\$ 1,485,622
Restricted:							
State Categoricals	547,735					-	547,735
Workforce Development	111,815						111,815
Debt Service			6,824,570			361,682	7,186,252
Capital Projects			-	9,994,199	5,905,484	619,091	16,518,774
Food Services		2,581,169					2,581,169
Assigned:							
School Operations:							
Encumbrances		1,517,807	-	2,071,788	4,299,041	-	7,888,636
Dept of Education FTE Audit	263,993						263,993
Other	1,635,988	13,802					1,649,790
Health Insurance Rebates & Profit Sharing	2,308,698						2,308,698
Unassigned:	13,288,610						13,288,610
Total Fund Balances	<u>\$ 19,500,773</u>	<u>\$ 4,254,466</u>	<u>\$ 6,824,570</u>	<u>\$ 12,065,987</u>	<u>\$ 10,204,525</u>	<u>\$ 980,773</u>	<u>\$ 53,831,094</u>

At the end of the fiscal year, the assigned/unassigned general fund balance was \$17,497,289 or 10.79 percent of general fund revenues.

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 520,997	\$ -
Other Federal Programs		520,997
Total Governmental Funds	<u>\$ 520,997</u>	<u>\$ 520,997</u>

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concluded)

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 5,300,000	\$ 1,363,568
Other Debt	4,574,927	3,227,738
Capital Projects:		
Local Capital Improvement	-	5,300,000
Other Capital Outlay	-	-
Nonmajor Governmental	16,379	
Total Governmental Funds	<u>\$ 9,891,306</u>	<u>\$ 9,891,306</u>

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

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2016-2017 fiscal year:

Source	Amount
Florida Education Finance Program:	
Transportation	\$ 4,943,838
Instructional Materials	1,808,085
Florida Teachers Lead	360,147
Other	80,107,920
School Recognition	388,271
Categorical Educational Program - Class Size Reduction	23,665,654
Workforce Development Program	570,684
Motor Vehicle License Tax (Capital Outlay and Debt Service)	876,895
Food Service Supplement	132,012
Discretionary Lottery Funds	363,739
Charter School Capital Outlay	745,944
Interest on Investment of Bond Reserves	14,602
Miscellaneous	<u>1,357,332</u>
Total	<u>\$ 115,335,123</u>

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2016 tax roll for 2016-2017 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.603	\$ 38,113,857
Required Local Effort -Prior Period Adj.	0.018	\$ 149,044
Basic Discretionary Local Effort	0.748	\$ 6,193,605
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	12,420,332
Total	6.869	\$ 56,876,838

13. RETIREMENT PLANS

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

General Information about the FRS

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

13. RETIREMENT PLANS (Continued)

The District's pension expense totaled \$5,740,862 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

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

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

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

13. RETIREMENT PLANS (Continued)

regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-2017 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
Florida Retirement System, Regular	3.00	7.52
Florida Retirement System, Elected County Officers	3.00	42.47
Florida Retirement System, Senior Management Service	3.00	21.77
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.99
Florida Retirement System, Reemployed Retiree	(2)	4.49

Notes:

- (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs of the PEORP.
- (2) Contribution rates are dependent upon the retirement class in which reemployed.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

13. RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$61,595,303 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportionate share of the net pension liability was based on the District's 2015-2016 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.24394104100827 percent, which was a decrease of 0.000315003 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$5,740,861. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	(573,494)	4,716,210
Changes of assumptions	-	3,726,332
on FRS pension plan investments	-	15,921,936
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	(4,352,359)	
District FRS contributions subsequent to the measurement date		5,740,862
	<u>\$ (4,925,853)</u>	<u>\$ 30,105,340</u>

The deferred outflows of resources related to pensions, totaling \$5,740,862, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 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>Amount</u>
2017	2,413,647
2018	2,413,647
2019	8,620,889
2020	5,713,606
2021	247,277
Thereafter	29,559
Total	<u>\$19,438,625</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

13. RETIREMENT PLANS (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2016 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	7.60 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, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014.

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

13. RETIREMENT PLANS (Continued)

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 7.60 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 (6.60 percent) or 1 percentage-point higher (8.60 percent) than the current rate:

	1% Decrease		Current Discount	1% Increase	
	6.60%		Rate	8.60%	
			7.60%		
District's proportionate share of the net pension liability	\$	113,401,125	\$ 61,595,303	\$	18,473,800

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017 the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

13. RETIREMENT PLANS (Continued)

The District's contributions to the HIS Plan totaled \$1,626,251 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of \$41,412,206 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within one year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was 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, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-2016 fiscal year contributions relative to the total 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was .35532970432956 percent, which was a decrease of 0.001817832 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$1,626,251 related to the HIS Plan. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	(94,322)	-
Changes in Assumptions	-	6,498,628
Net difference between projected and actual earnings on HIS pension plan investments	-	21,220
Changes in proportion and differences between District HIS contributions and proportionate share of contributions	(1,577,322)	181,112
District HIS contributions subsequent to the measurement date	-	1,626,251
	<u>\$ (1,671,644)</u>	<u>\$ 8,327,211</u>

The deferred outflows of resources totaling \$1,626,251, resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 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:

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

13. RETIREMENT PLANS (Continued)

Fiscal Year Ending June 30	Amount
2017	935,928
2018	935,928
2019	931,941
2020	930,027
2021	741,175
Thereafter	554,317
Total	\$ 5,029,316

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 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 2.85 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 (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	Decrease (1.85%)	Discount Rate (2.85%)	Increase (3.85%)
District's proportionate share of the net pension liability	\$ 47,509,208	\$ 41,412,206	\$ 36,352,026

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

13. RETIREMENT PLANS (Continued)

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

B. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member’s accounts during the 2016-2017 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	7.52
FRS, Elected County Officers	42.47
FRS, Senior Management Service	21.77

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

13. RETIREMENT PLANS (Concluded)

account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$1,197,630 for the fiscal year ended June 30, 2017.

14. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District's fully insured group health plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

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

The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2016-2017 fiscal year, 106 retirees received postemployment group healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$262,693. Plan members receiving benefits contributed \$725,372 through their required contributions ranging from \$576 to \$617 per month for retiree-only coverage and from \$1,103 to \$1,173 for retiree and spouse coverage, depending on health plan selected.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

14. *OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Concluded)*

Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for Postemployment Healthcare Benefits:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 986,832
Amortization of Unfunded Actuarial Accrued Liability	<u>493,366</u>
Annual Required Contribution	1,480,198
Interest on Net OPEB Obligation	400,341
Adjustment to Annual Required Contribution	<u>382,450</u>
Annual OPEB Cost (Expense)	<u>1,498,089</u>
Contribution Toward the OPEB Cost	<u>(262,693)</u>
Increase in Net OPEB Obligation	1,235,396
Net OPEB Obligation, Beginning of Year	<u>10,008,530</u>
Net OPEB Obligation, End of Year	<u>\$ 11,243,926</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, 2017, and the 2 preceding years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Contribution per Table 1</u>
Beginning Balance, 7-1-12	\$ -		\$ -	
2014-2015	1,354,956	20.0%	8,775,339	270,721
2015-2016	1,495,885	17.6%	10,008,530	262,693
2016-2017	1,498,089	17.6%	11,243,926	262,693

Funded Status and Funding Progress. As of July 1, 2017, the most recent actuarial valuation date accrued liability for benefits was \$13,352,567, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$13,352,567 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$109,705,301 for the 2016-2017 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.17 percent.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Concluded)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of the OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress can be found on page 82 of this report.

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

The District's OPEB actuarial valuation as of July 1, 2017, used the projected unit credit actuarial cost method to estimate the unfunded actuarial accrued liability as of June 30, 2017, and to estimate the District's 2016-2017 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumption included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3 percent annually and an annual healthcare cost trend of 7.75 percent for the 2015-16 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after 6 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis over a 30-year period. The remaining amortization period at June 30, 2017, was 30 years.

15. COMMITMENTS

The District uses encumbrance accounting for recording purchase order commitments for goods and services. At June 30, 2017, encumbrances totaled \$7,888,636 consisting of \$1,517,807 within the School Food Service, \$2,071,788 within the Local Capital Improvement Fund, and \$4,299,041 within Other Capital Projects.

16. MEMBERSHIP IN NONPROFIT CORPORATION

The District participated in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc., established under the provisions of Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless determined by a vote of the membership, are distributed by the Cooperative on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

16. MEMBERSHIP IN NONPROFIT CORPORATION (Concluded)

Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2017, the accumulated credits to the District's account are \$4,169,079. During the 2016-2017 fiscal year, the District received \$150,618 in capital credits.

17. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a participating district of the North East Florida Educational Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members and participants of the Consortium. Section 1001.42(12) (k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member and participant assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess property coverage of up to \$75 million during the 2016-2017 fiscal year, which is the same excess property coverage provided during the 2015-2016 fiscal year. The Board of Directors for the Consortium is composed of superintendents of all member districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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

Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

18. LITIGATION AND CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION





(THIS PAGE INTENTIONALLY LEFT BLANK)

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Fiscal Year Ended June 30, 2017

General Fund				Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 193,945	\$ 210,176	\$ 210,176	\$
Federal Through State and Local	486,594	1,050,100	1,050,100	
State	110,898,039	113,305,607	113,305,607	
Local:				
Property Taxes Levied for Operational Purposes	44,356,506	44,718,926	44,718,926	
Property Taxes Levied for Debt Service	-	-	-	
Miscellaneous	2,027,906	2,824,452	2,824,452	
Total Revenues	157,962,990	162,109,260	162,109,260	-
Expenditures				
Current:				
Instruction:				
Salaries	74,001,614	70,170,840	70,170,840	
Employee Benefits	22,890,119	20,821,762	20,821,762	
Purchased Services	4,264,532	5,608,655	5,608,655	
Energy Services	-	637	637	
Materials and Supplies	6,313,155	3,097,609	3,097,609	
Capital Outlay	150,780	959,480	959,480	
Other Expenses	759,473	644,220	644,220	
Total Instruction	<u>108,379,673</u>	<u>101,303,203</u>	<u>101,303,203</u>	<u>-</u>
Student Personnel Services:				
Salaries	4,818,608	4,862,970	4,862,970	
Employee Benefits	1,703,980	1,445,994	1,445,994	
Purchased Services	10,615	93,318	93,318	
Energy Services	7,000	4,584	4,584	
Materials and Supplies	6,800	33,478	33,478	
Capital Outlay	-	1,059	1,059	
Other Expenses	5,586	7,057	7,057	
Total Student Personnel Services	<u>6,552,589</u>	<u>6,448,460</u>	<u>6,448,460</u>	
Instructional Media Services:				
Salaries	1,051,854	1,055,455	1,055,455	
Employee Benefits	384,246	311,684	311,684	
Purchased Services	26,648	38,953	38,953	
Energy Services	300	84	84	
Materials and Supplies	11,900	5,900	5,900	
Capital Outlay	1,700	118,497	118,497	
Other Expenses	2,300	2,032	2,032	
Total Instructional Media Services	<u>1,478,948</u>	<u>1,532,605</u>	<u>1,532,605</u>	
Instruction and Curriculum Development Services:				
Salaries	854,122	1,258,353	1,258,353	
Employee Benefits	265,074	349,059	349,059	
Purchased Services	155,300	155,645	155,645	
Energy Services	500	257	257	
Materials and Supplies	28,359	40,622	40,622	
Capital Outlay	-	5,615	5,615	
Other Expenses	1,030	853	853	
Total Instruction and Curriculum Development Services	<u>1,304,385</u>	<u>1,810,404</u>	<u>1,810,404</u>	
Instructional Staff Training Services:				
Salaries	336,113	472,846	472,846	
Employee Benefits	107,479	127,734	127,734	
Purchased Services	16,150	52,985	52,985	
Materials and Supplies	7,600	17,080	17,080	
Capital Outlay	20,000	20,614	20,614	
Other Expenses	38,500	44,633	44,633	
Total Instructional Staff Training Services	<u>525,842</u>	<u>735,892</u>	<u>735,892</u>	
Instruction Related Technology:				
Salaries	218,531	177,149	177,149	
Employee Benefits	136,640	73,218	73,218	
Purchased Services	-	3,267	3,267	
Materials and Supplies	-	318	318	
Capital Outlay	-	598	598	
Total Instruction Related Technology	<u>355,171</u>	<u>254,549</u>	<u>254,549</u>	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Board of Education:				
Salaries	203,996	204,983	204,983	
Employee Benefits	134,946	119,320	119,320	
Purchased Services	194,000	145,605	145,605	
Materials and Supplies	5,000	537	537	
Other Expenses	100	-	-	
Total Board of Education	<u>538,042</u>	<u>470,445</u>	<u>470,445</u>	
General Administration:				
Salaries	611,090	652,861	652,861	
Employee Benefits	190,022	179,813	179,813	
Purchased Services	90,016	93,252	93,252	
Energy Services	10,000	-	-	
Materials and Supplies	18,300	10,445	10,445	
Capital Outlay	350	-	-	
Other Expenses	36,755	38,005	38,005	
Total General Administration	<u>956,533</u>	<u>974,376</u>	<u>974,376</u>	
School Administration:				
Salaries	7,985,529	8,244,659	8,244,659	
Employee Benefits	2,845,707	2,492,172	2,492,172	
Purchased Services	3,336	46,124	46,124	
Materials and Supplies	2,000	77,058	77,058	
Capital Outlay	-	25,439	25,439	
Other Expenses	-	55,167	55,167	
Total School Administration	<u>10,836,572</u>	<u>10,940,619</u>	<u>10,940,619</u>	
Facility Services - Non-Capitalized:				
Salaries	145,814	141,399	141,399	
Employee Benefits	44,656	40,939	40,939	
Purchased Services	130,372	73,433	73,433	
Materials and Supplies	3,200	3,842	3,842	
Capital Outlay	5,894	10,149	10,149	
Other Expenses	-	1,324	1,324	
Total Facility Services - Non-Capitalized	<u>329,936</u>	<u>271,087</u>	<u>271,087</u>	
Fiscal Services:				
Salaries	477,469	488,585	488,585	
Employee Benefits	154,033	162,307	162,307	
Purchased Services	166,001	157,020	157,020	
Materials and Supplies	3,650	6,273	6,273	
Capital Outlay	-	-	-	
Other Expenses	29,194	13,511	13,511	
Total Fiscal Services	<u>830,347</u>	<u>827,696</u>	<u>827,696</u>	
Central Services:				
Salaries	884,493	944,473	944,473	
Employee Benefits	307,063	296,602	296,602	
Purchased Services	97,825	427,732	427,732	
Materials and Supplies	168,120	93,195	93,195	
Capital Outlay	7,900	6,877	6,877	
Other Expenses	17,051	17,546	17,546	
Total Central Services	<u>1,482,452</u>	<u>1,786,425</u>	<u>1,786,425</u>	
Student Transportation Services:				
Salaries	3,710,690	3,576,507	3,576,507	
Employee Benefits	1,811,091	1,398,907	1,398,907	
Purchased Services	412,170	212,698	212,698	
Energy Services	1,236,000	832,566	832,566	
Materials and Supplies	708,300	687,861	687,861	
Capital Outlay	100,000	26,398	26,398	
Other Expenses	300	44,466	44,466	
Total Student Transportation Services	<u>7,978,551</u>	<u>6,779,403</u>	<u>6,779,403</u>	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Operation of Plant:				
Salaries	4,216,374	4,304,729	4,304,729	
Employee Benefits	1,962,909	1,722,597	1,722,597	
Purchased Services	3,277,199	3,085,871	3,085,871	
Energy Services	5,440,313	4,916,680	4,916,680	
Materials and Supplies	16,050	347,427	347,427	
Capital Outlay	40,295	88,670	88,670	
Other Expenses	122,133	62,827	62,827	
Total Operation of Plant	<u>15,075,273</u>	<u>14,528,801</u>	<u>14,528,801</u>	-
Maintenance of Plant:				
Salaries	2,689,772	2,709,032	2,709,032	
Employee Benefits	960,866	901,101	901,101	
Purchased Services	646,936	689,292	689,292	
Energy Services	141,000	102,198	102,198	
Materials and Supplies	877,650	711,276	711,276	
Capital Outlay	55,870	135,937	135,937	
Other Expenses	5,400	2,880	2,880	
Total Maintenance of Plant	<u>5,377,494</u>	<u>5,251,716</u>	<u>5,251,716</u>	
Administrative Technology Services:				
Salaries	1,151,177	1,150,093	1,150,093	
Employee Benefits	361,280	337,213	337,213	
Purchased Services	346,869	320,911	320,911	
Materials and Supplies	861,848	34,701	34,701	
Capital Outlay	-	848,391	848,391	
Other Expenses	-	690	690	
Total Administrative Technology Services	<u>2,721,174</u>	<u>2,691,999</u>	<u>2,691,999</u>	
Community Services:				
Purchased Services	275	1,406	1,406	
Materials and Supplies	1,775	-	-	
Total Community Services	<u>2,050</u>	<u>1,406</u>	<u>1,406</u>	
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	-	-	
Other Capital Outlay	-	-	-	
Total Fixed Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenditures	<u>164,725,032</u>	<u>156,609,086</u>	<u>156,609,086</u>	-
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(6,762,042)</u>	<u>5,500,174</u>	<u>5,500,174</u>	-
Other Financing Sources (Uses)				
Transfers In	5,300,000	5,300,000	5,300,000	
Insurance Loss Recoveries	25,500	28,595	28,595	
Transfers Out	(1,347,189)	(1,363,568)	(1,363,568)	
Total Other Financing Sources (Uses)	<u>3,978,311</u>	<u>3,965,027</u>	<u>3,965,027</u>	
Net Change in Fund Balances	<u>(2,783,731)</u>	<u>9,465,201</u>	<u>9,465,201</u>	
Fund Balances, July 1, 2016	10,035,572	10,035,572	10,035,572	
Adjustment to Fund Balance	-	-	-	
Fund Balances, June 30, 2017	<u>\$ 7,251,841</u>	<u>\$ 19,500,773</u>	<u>\$ 19,500,773</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - SCHOOL FOOD SERVICE
 For the Fiscal Year Ended June 30, 2017

	Special Revenue Fund - School Food Service			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 8,565,000	\$ 9,599,553	\$ 9,599,553	\$
State	138,000	132,012	132,012	
Local:				
Charges for Service - Food Service	-	1,796,468	1,796,468	
Other Local	1,706,000	7,183	7,183	
Total Revenues	<u>10,409,000</u>	<u>11,535,216</u>	<u>11,535,216</u>	
Expenditures				
Current:				
Food Services				
Salaries	3,320,673	3,503,639	3,503,639	
Employee Benefits	1,499,057	1,519,971	1,519,971	
Purchased Services	219,200	221,144	221,144	
Energy	319,350	322,213	322,213	
Materials and Supplies	4,697,000	4,532,597	4,532,597	
Capital Outlay	332,000	863,872	863,872	
Other Expenses	245,000	267,986	267,986	
Total Instruction	<u>10,632,280</u>	<u>11,231,422</u>	<u>11,231,422</u>	
Total Expenditures	<u>10,632,280</u>	<u>11,231,422</u>	<u>11,231,422</u>	
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(223,280)</u>	<u>303,794</u>	<u>303,794</u>	-
Other Financing Sources (Uses)				
Transfers In	16,379	16,379	16,379	
Total Other Financing Sources (Uses)	<u>16,379</u>	<u>16,379</u>	<u>16,379</u>	
Net Change in Fund Balances	<u>(206,901)</u>	<u>320,173</u>	<u>320,173</u>	
Fund Balances, July 1, 2016	3,934,293	3,934,293	3,934,293	
Adjustment to Fund Balance		-	-	
Fund Balances, June 30, 2017	<u>\$ 3,709,348</u>	<u>\$ 4,254,466</u>	<u>\$ 4,254,466</u>	\$ -

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS FUND
 For the Fiscal Year Ended June 30, 2017

Special Revenue Fund - Other Federal Programs Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 11,782,149	\$ 12,343,173	\$ 12,343,173	\$
Total Revenues	<u>11,782,149</u>	<u>12,343,173</u>	<u>12,343,173</u>	
Expenditures				
Current:				
Instruction:				
Salaries	1,706,875	2,185,331	2,185,331	
Employee Benefits	705,619	768,744	768,744	
Purchased Services	79,275	163,881	163,881	
Materials and Supplies	888,337	277,454	277,454	
Capital Outlay	114,386	614,993	614,993	
Other Expenses	54,880	47,105	47,105	
Total Instruction	<u>3,549,372</u>	<u>4,057,509</u>	<u>4,057,509</u>	
Student Support Services				
Salaries	1,677,562	1,652,221	1,652,221	
Employee Benefits	354,900	482,679	482,679	
Purchased Services	8,000	25,870	25,870	
Materials and Supplies	2,730	80,097	80,097	
Capital Outlay	-	2,753	2,753	
Other Expenses	-	2,795	2,795	
Total Student Personnel Services	<u>2,043,192</u>	<u>2,246,415</u>	<u>2,246,415</u>	
Instruction & Curriculum Development Services:				
Salaries	2,001,379	1,978,601	1,978,601	
Employee Benefits	620,584	557,134	557,134	
Purchased Services	8,000	50,760	50,760	
Materials and Supplies	-	28,548	28,548	
Capital Outlay	-	32,186	32,186	
Other Expenses	-	3,065	3,065	
Total Instruction & Curriculum Development Services	<u>2,629,963</u>	<u>2,650,294</u>	<u>2,650,294</u>	
Instructional Staff Training Services:				
Salaries	1,722,365	1,701,937	1,701,937	
Employee Benefits	460,579	454,062	454,062	
Purchased Services	50,000	148,651	148,651	
Materials and Supplies	21,341	72,556	72,556	
Capital Outlay	118,013	132,625	132,625	
Other Expenses	6,600	14,417	14,417	
Total Instructional Staff Training Services	<u>2,378,898</u>	<u>2,524,248</u>	<u>2,524,248</u>	
Instruction Related Technology:				
Salaries	443,243	271,181	271,181	
Employee Benefits	189,425	88,256	88,256	
Materials and Supplies	-	742	742	
Capital Outlay	-	-	-	
Total Instruction Related Technology	<u>632,668</u>	<u>360,179</u>	<u>360,179</u>	
General Administration:				
Purchased Services	-	-	-	
Materials and Supplies	-	-	-	
Other Expenses	515,286	471,779	471,779	
Total General Administration	<u>515,286</u>	<u>471,779</u>	<u>471,779</u>	
Student Transportation Services				
Salaries	16,500	16,772	16,772	
Employee Benefits	2,770	2,817	2,817	
Energy Services	13,500	13,160	13,160	
Other Expenses	-	-	-	
Total Student Transportation Services	<u>32,770</u>	<u>32,749</u>	<u>32,749</u>	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS FUND (continued)
 For the Fiscal Year Ended June 30, 2017

Special Revenue Fund - Other Federal Programs Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures				
Current (Continued)				
Fixed Capital Outlay:				
Facilities Acquisition and Construction			-	
Other Capital Outlay			-	
Total Fixed Capital Outlay		-	-	
Total Expenditures	11,782,149	12,343,173	12,343,173	
Net Change in Fund Balances				
Fund Balances, July 1, 2016				
Fund Balances, June 30, 2017	\$	\$	\$	\$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS -
 OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2012	-	11,102,322	11,102,322	0.0%	104,694,262	10.60%
July 1, 2014	-	12,802,856	12,802,856	0.0%	102,912,805	12.44%
July 1, 2016	-	13,352,567	13,352,567	0.0%	109,705,301	12.17%
July 1, 2017	-	13,352,567	13,352,567	0.0%	109,705,301	12.17%

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

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

	2016	2015	2014
District's proportion of the FRS net pension liability	0.243941041000827%	0.275441373781394%	0.277347267000%
District's proportionate share of the FRS net pension liability	\$ 61,595,303	\$ 35,576,948	\$ 16,922,262
District's covered-employee payroll	\$ 109,705,301	\$ 97,642,573	\$ 95,928,404
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	56.15%	36.44%	17.64%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.
 Information for GASB No. 68 has only been available and required since implementation June 30, 2015.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 5,740,861	\$ 5,588,867	\$ 6,715,495	\$ 6,075,082
FRS contributions in relation to the contractually required contribution	<u>\$ (5,740,861)</u>	<u>(5,588,867)</u>	<u>(6,715,495)</u>	<u>\$ (6,075,082)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 109,508,812	\$ 109,705,301	\$ 97,642,573	\$ 95,928,404
FRS contributions as a percentage of covered-employee payroll	5.24%	5.09%	6.88%	6.33%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.
 Information for GASB No. 68 has only been available and required since implementation June 30, 2015.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability	0.3553297043296%	0.3735080277127%	0.375157423%
District's proportionate share of the HIS net pension liability	\$ 41,412,206	\$ 38,091,943	\$ 35,078,134
District's covered-employee payroll	\$ 109,705,301	\$ 113,452,195	\$ 111,491,590
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	37.75%	33.58%	31.46%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.
 Information for GASB No. 68 has only been available and required since implementation June 30, 2015.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 1,626,251	\$ 1,583,194	\$ 1,427,780	\$ 1,285,163
HIS contributions in relation to the contractually required contribution	\$ (1,626,251)	(1,583,194)	(1,427,780)	\$ (1,285,163)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 109,508,812	\$ 109,705,301	\$ 113,452,195	\$ 111,491,590
HIS contributions as a percentage of covered-employee payroll	1.49%	1.44%	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.
 Information for GASB No. 68 has only been available and required since implementation June 30, 2015.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

1. GAAP TO BUDGET COMPARISON

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds except that no budget appropriation is made for capital leases in the year of inception.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

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

Changes of Assumptions. As of June 30, 2016, the inflation rate assumption was decreased from 3 percent to 2.60 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 3.25 percent to 2.30 percent. The long-term expected rate of return decreased from 7.65 percent to 3.76 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.

OTHER SUPPLEMENTARY INFORMATION





DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Debt Service Funds		
	SBE/COBI Bonds 210	Special Act Bonds 220	State Board of Education Bonds 310
ASSETS			
Cash and Cash Equivalents	\$ 81,917	\$ 308,933	\$ -
Investments	-	-	1,245
Accounts Receivable			
Due from Other Agencies			
Inventories			
TOTAL ASSETS	<u>81,917</u>	<u>308,933</u>	<u>1,245</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	-		
Accrued Interest Payable	29,167		
Deposits Payable			
Total Liabilities	<u>29,167</u>		
Fund Balances:			
Nonspendable:			
Inventory			
Other Not in Spendable Form			
Total Nonspendable Fund Balance		-	
Restricted for:			
Debt Service	52,750	308,933	
Capital Projects			1,245
Special Revenue - Food Service			
Total Restricted Fund Balance	<u>52,750</u>	<u>308,933</u>	<u>1,245</u>
Total Fund Balances	<u>52,750</u>	<u>308,933</u>	<u>1,245</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 81,917</u>	<u>\$ 308,933</u>	<u>\$ 1,245</u>

(Concluded)

Capital Projects Funds

Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Governmental Funds
\$ 72,933	\$ 604,320	\$ 1,068,103
-	4,064	5,309
8,261	7,917	8,261
		7,917
		-
<u>81,194</u>	<u>616,301</u>	<u>1,089,590</u>
79,650	-	79,650
		29,167
		-
<u>79,650</u>	<u>-</u>	<u>108,817</u>
		-
		-
		361,683
1,544	616,301	619,090
<u>1,544</u>	<u>616,301</u>	<u>980,773</u>
<u>1,544</u>	<u>616,301</u>	<u>980,773</u>
<u>\$ 81,194</u>	<u>\$ 616,301</u>	<u>\$ 1,089,590</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2017

	SBE/COBI Bonds 210	Special Act Bonds 220
Revenues		
Intergovernmental:		
Federal Through State and Local	\$ -	\$ -
State	682,016	209,750
Local:		
Property Taxes Levied for Capital Projects		
Other Local Revenue		499
Total Revenues	682,016	210,249
Expenditures		
Fixed Capital Outlay:		
Facilities Acquisition and Construction		
Other Capital Outlay		
Debt Service:		
Principal	563,000	95,000
Interest and Fiscal Charges	132,670	110,372
Dues and Fees	215	575
Total Expenditures	695,885	205,947
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,869)	4,302
Other Financing Sources (Uses)		
Transfers In		
Transfers Out		
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	(13,869)	4,302
Fund Balances, July 1, 2016	66,619	304,631
Fund Balances, June 30, 2017	52,750	308,933

(Concluded)

State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -
	745,944	196,328	1,834,038
-		107	-
-	745,944	196,435	1,834,644
	790,320		790,320
			-
		668	658,000
			243,042
-	790,320	668	1,692,820
-	(44,376)	195,767	141,824
			-
			-
-	-	-	-
-	(44,376)	195,767	141,824
1,245	45,920	420,534	838,949
1,245	1,544	616,301	980,773

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
 For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash and Cash Equivalents	\$ 1,680,893	\$ 4,791,643	\$ 4,702,212	\$ 1,770,324
Accounts Receivable	13,043	2,661	-	15,704
Due From Budgetary Funds	355	-	355	-
Total Assets	<u>\$ 1,694,291</u>	<u>\$ 4,794,304</u>	<u>\$ 4,702,567</u>	<u>\$ 1,786,028</u>
Liabilities				
Accounts Payable and Other Current Liabilities	<u>\$ 1,694,291</u>	<u>\$ 4,793,949</u>	<u>\$ 4,702,212</u>	<u>\$ 1,786,028</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - SBE/COBI BONDS
For the Fiscal Year Ended June 30, 2017

	Debt Service Fund - SBE/COBI Bonds			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 679,140	682,016	682,016	\$
Total Revenues	<u>679,140</u>	<u>682,016</u>	<u>682,016</u>	
Expenditures				
Debt Service:				
Principal	563,000	563,000	563,000	
Interest and Fiscal Charges	114,640	132,670	132,670	
Dues and Fees	5,500	215	215	
Total Expenditures	<u>683,140</u>	<u>695,885</u>	<u>695,885</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,000)</u>	<u>(13,869)</u>	<u>(13,869)</u>	
Other Financing Sources (Uses)				
Refunding Bonds Issued				
Premium on Refunding Bonds				
Payments to Refunded Bond Escrow Agent				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances, July 1, 2016	66,619	66,619	66,619	
Fund Balances, June 30, 2017	<u>\$ 66,619</u>	<u>\$ 52,750</u>	<u>\$ 52,750</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - SPECIAL ACT BONDS
For the Fiscal Year Ended June 30, 2017

	Debt Service Fund - Special Act Bonds			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 205,672	\$ 209,750	\$ 209,750	\$
Local:				
Other Local Revenue		499	499	
Total Revenues	<u>205,672</u>	<u>210,249</u>	<u>210,249</u>	
Expenditures				
Debt Service:				
Principal	95,000	95,000	95,000	
Interest and Fiscal Charges	110,372	110,372	110,372	
Dues and Fees	600	575	575	
Total Expenditures	<u>205,972</u>	<u>205,947</u>	<u>205,947</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300)</u>	<u>4,302</u>	<u>4,302</u>	
Net Change in Fund Balances				
Fund Balances, July 1, 2016	<u>304,631</u>	<u>304,631</u>	<u>304,631</u>	
Fund Balances, June 30, 2017	<u><u>\$ 304,631</u></u>	<u><u>\$ 308,933</u></u>	<u><u>\$ 308,933</u></u>	<u><u>\$</u></u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 OTHER SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND - STATE BOARD OF EDUCATION BONDS
 For the Fiscal Year Ended June 30, 2017

Capital Projects Fund - State Board of Education Bonds				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Other Local Revenue	\$	\$	\$	\$
Total Revenues				
Expenditures				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Remodeling and Renovations				
Total Facilities Acquisition and Construction				
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures				
Net Change in Fund Balances				
Fund Balances, July 1, 2016	1,245	1,245	1,245	
Fund Balances, June 30, 2017	\$ 1,245	\$ 1,245	\$ 1,245	\$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - PUBLIC EDUCATION CAPITAL OUTLAY (PECO)
For the Fiscal Year Ended June 30, 2017

	Capital Projects Fund - Public Education Capital Outlay (PECO)			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 645,305	\$ 745,944	745,944	\$
Total Revenues	<u>645,305</u>	<u>745,944</u>	<u>745,944</u>	
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Remodeling and Renovations	689,681	790,320	790,320	
Total Facility Services - Non-Capitalized	<u>689,681</u>	<u>790,320</u>	<u>790,320</u>	
Total Expenditures	<u>689,681</u>	<u>790,320</u>	<u>790,320</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(44,376)</u>	<u>(44,376)</u>	<u>(44,376)</u>	
Net Change in Fund Balances	(44,376)	(44,376)	(44,376)	
Fund Balances, July 1, 2016	<u>45,920</u>	<u>45,920</u>	<u>45,920</u>	
Fund Balances, June 30, 2017	<u>\$ 1,544</u>	<u>\$ 1,544</u>	<u>\$ 1,544</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - CAPITAL OUTLAY AND DEBT SERVICE
For the Fiscal Year Ended June 30, 2017

	Capital Projects Fund - Capital Outlay and Debt Service			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 150,000	\$ 196,328	\$ 196,328	\$
Local:				
Other Local Revenue		107	107	
Total Revenues	<u>150,000</u>	<u>196,435</u>	<u>196,435</u>	
Expenditures				
Current:				
Facility Services - Non-Capitalized				
Buildings and Fixed Equipment	45,900			
Improvements Other Than Buildings Remodeling and Renovations	76,963			
Total Facility Services - Non-Capitalized	<u>122,863</u>			
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Improvements Other Than Buildings Remodeling and Renovations	5,226,770			
Total Facilities Acquisition and Construction	<u>408,263</u>			
Debt Service:				
Dues and Fees		668	668	
Total Expenditures	<u>5,757,896</u>	<u>668</u>	<u>668</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,607,896)</u>	<u>195,767</u>	<u>195,767</u>	
Net Change in Fund Balances	<u>(5,607,896)</u>	<u>195,767</u>	<u>195,767</u>	
Fund Balances, July 1, 2016	420,534	420,534	420,534	
Fund Balances, June 30, 2017	<u>\$ (5,187,362)</u>	<u>\$ 616,301</u>	<u>\$ 616,301</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FL
 COMBINING SCHEDULE OF NET POSITION - NONMAJOR COMPONENT UNITS
 June 30, 2017
 (With comparative totals for June 30, 2016)

	<u>BEST Academy (Charter School)</u>	<u>Gulf Coast Middle (Charter School)</u>
ASSETS		
Cash and Cash Equivalents	\$ 118,461	\$ 61,098
Investments		
Accounts Receivable	2,623	
Due from Other Agencies		85
Inventory		
Prepaid Items	12,539	25,500
Other Current Assets		
Capital Assets:		
Leasehold Improvements, Net		
Furniture, Fixtures, and Equipment, Net	48,191	42,391
Motor Vehicles, Net	38,246	56,443
Property Under Capital Lease, Net		
	<u>220,060</u>	<u>185,517</u>
Total Assets		
LIABILITIES		
Salaries and Benefits Payable	\$ 5,485	9,223
Accounts Payable	1,913	
Due to Other Agencies		10,151
Long-Term Liabilities:		
Due Within One Year:		
Note Payable	17,049	19,291
Due in More Than One Year:		
Note Payable	22,734	1,657
	<u>47,181</u>	<u>40,322</u>
Total Liabilities		
NET POSITION		
Net Investment in Capital Assets	46,654	77,886
Restricted for:		
Other Purposes		
Unrestricted	126,225	67,309
	<u>126,225</u>	<u>67,309</u>
Total Net Position	<u>\$ 172,879</u>	<u>\$ 145,195</u>

(Concluded)

Gulf Coast Academy of Science and Technology, Inc. (Charter School)	Hernando County Education Direct Support Organization, Inc. (Foundation)	Totals	
		2017	2016
\$ 136,825	\$ 172,106	\$ 488,490	\$ 340,922
			20,000
	85,522	88,145	131,421
10,253		10,338	
	49,099	49,099	42,529
	3,598	41,637	28,684
			24,317
2,929		93,511	114,739
51,866		146,555	202,499
16,654		16,654	
<u>218,527</u>	<u>310,325</u>	<u>934,429</u>	<u>905,111</u>
12,835	6,442	\$ 33,985	\$ 87,503
	18,185	20,098	24,739
		10,151	
16,186		52,526	49,633
<u>35,226</u>		<u>59,617</u>	<u>112,143</u>
<u>64,247</u>	<u>24,627</u>	<u>176,377</u>	<u>274,018</u>
20,037		144,577	179,779
	227,277	227,277	165,535
134,243	58,421	386,198	285,779
<u>\$ 154,280</u>	<u>\$ 285,698</u>	<u>\$ 758,052</u>	<u>\$ 631,093</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 COMBINING SCHEDULE OF ACTIVITIES - NONMAJOR COMPONENT UNITS
 For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Charter Schools				
Governmental Activities:				
Instruction	\$ 1,422,493	\$ 220,690	\$	\$
Instructional Staff Training Services	4,575			
Board	67,598			
General Administration	83,852			
School Administration	495,870			
Facility Services - Non-Capitalized	236,400			100,639
Fiscal Services	40,845			
Food Services	810			
Student Transportation Services	63,622			
Operation of Plant	53,878			
Interest on Long-Term Debt	7,902			
Unallocated Depreciation	88,090			
Total Charter Schools	<u>2,565,935</u>	<u>220,690</u>		<u>100,639</u>
Hernando Education Foundation	<u>880,847</u>		<u>955,908</u>	
Total Component Units	<u>\$ 3,446,782</u>	<u>\$ 220,690</u>	<u>\$ 955,908</u>	<u>\$ 100,639</u>

General Revenues:

Grants and Contributions Not Restricted to Specific Programs
 State and Local Sources

Total General Revenues

Change in Net Position

Net Position - July 1, 2016

Net Position - June 30, 2017

(Concluded)

<u>Total Charter Schools</u>	<u>Hernando Education Foundation</u>	<u>Total Component Units</u>
\$ (1,201,803)	\$	\$ (1,201,803)
(4,575)		(4,575)
(67,598)		(67,598)
(83,852)		(83,852)
(495,870)		(495,870)
(135,761)		(135,761)
(40,845)		(40,845)
(810)		(810)
(63,622)		(63,622)
(53,878)		(53,878)
(7,902)		(7,902)
(88,090)		(88,090)
<u>(2,244,606)</u>		<u>(2,244,606)</u>
	75,061	75,061
<u>(2,244,606)</u>	<u>75,061</u>	<u>(2,169,545)</u>
90,224		90,224
<u>2,206,280</u>		<u>2,206,280</u>
<u>2,296,504</u>		<u>2,296,504</u>
51,898	75,061	126,959
420,456	210,637	631,093
<u>\$ 472,354</u>	<u>\$ 285,698</u>	<u>\$ 758,052</u>

TABLE 1

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

	Fiscal Year Ending			
	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011
Primary Government:				
Governmental Activities:				
Net Investment in Capital Assets (1)	\$ 211,125,761	\$ 244,788,425	\$ 261,589,398	\$ 272,982,528
Restricted	106,441,480	74,596,072	57,039,558	31,888,578
Unrestricted	(522,035)	1,903,139	2,988,133	4,312,371
Total Governmental Activities Net Position	<u>317,045,206</u>	<u>321,287,636</u>	<u>321,617,089</u>	<u>309,183,477</u>
Total Primary Government Net Position	<u>\$ 317,045,206</u>	<u>\$ 321,287,636</u>	<u>\$ 321,617,089</u>	<u>\$ 309,183,477</u>

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

Source: District records

TABLE 1 (Concluded)

Fiscal Year Ending					
June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
\$ 266,338,102	\$ 245,324,633	\$ 252,232,149	\$ 247,598,971	\$ 243,008,106	\$ 249,506,834
30,470,226	42,909,843	31,149,082	34,480,595	36,222,596	41,168,493
59,489	387,651	(3,116,673)	(84,211,485)	(78,168,863)	(79,918,029)
<u>296,867,817</u>	<u>288,622,127</u>	<u>280,264,558</u>	<u>197,868,081</u>	<u>201,061,839</u>	<u>210,757,298</u>
<u>\$ 296,867,817</u>	<u>\$ 288,622,127</u>	<u>\$ 280,264,558</u>	<u>\$ 197,868,081</u>	<u>\$ 201,061,839</u>	<u>\$ 210,757,298</u>

TABLE 2

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

	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)
Expenses:			
Governmental Activities			
Instruction	\$ 104,620,004	\$ 103,745,430	\$ 103,169,236
Student Personnel Services	9,358,470	9,659,517	10,523,787
Instructional Media Services	2,228,490	2,405,268	2,257,766
Instruction and Curriculum Development Services	3,597,622	3,416,775	3,505,308
Instructional Staff Training Services	2,912,419	3,172,689	3,326,018
Instruction Related Technology	1,559,473	1,056,421	1,013,023
Board of Education	483,014	481,247	473,107
General Administration	694,464	751,679	1,224,187
School Administration	9,653,650	10,317,777	10,628,079
Facility Services - Non-Capitalized	6,927,176	7,902,932	5,654,963
Fiscal Services	797,447	810,278	842,412
Food Services	8,632,568	9,802,355	9,975,167
Central Services	1,831,782	1,938,922	1,749,237
Student Transportation Services	9,077,198	9,230,050	9,138,394
Operation of Plant	14,779,400	14,714,540	14,975,932
Maintenance of Plant	4,688,615	4,548,453	4,704,812
Administrative Technology Services	1,564,077	1,804,846	1,725,352
Community Services	124,926	67,495	72,223
Interest and Fiscal Charges	9,863,723	9,341,317	9,067,113
Unallocated Deprecation	11,560,613	12,442,492	14,390,404
Total Governmental Activities Expenses	<u>204,955,131</u>	<u>207,610,483</u>	<u>208,416,520</u>
Program Revenues:			
Governmental Activities			
Charges for Services			
Food Service	3,048,305	2,957,657	2,508,261
Transportation	96,819	74,241	95,330
Instruction	6,240	3,216	3,880
Operating Grants and Contributions	11,510,662	11,545,815	7,546,609
Capital Grants and Contributions	28,693,243	6,732,775	1,848,617
Total Governmental Activities Program Revenues	<u>43,355,269</u>	<u>21,313,704</u>	<u>12,002,697</u>
Net Expenses Governmental Activities	<u>(161,599,862)</u>	<u>(186,296,779)</u>	<u>(196,413,823)</u>
Total Primary Government Net Expenses	<u>(161,599,862)</u>	<u>(186,296,779)</u>	<u>(196,413,823)</u>
General Revenues and Other Changes in Net Assets:			
Governmental Activities			
Property Taxes			
Levied for Operational Purposes	62,911,292	63,936,956	61,263,111
Levied for Debt Service	3,761,480	2,571,651	34,753
Levied for Capital Projects	21,909,025	19,325,518	15,358,825
Local Sales Tax	7,950,810	7,558,751	7,470,501
Grants and Contributions not restricted to specific purposes	100,724,798	94,316,939	108,040,457
Unrestricted Investment Earnings	6,493,112	(931,032)	1,732,003
Miscellaneous	2,014,386	3,760,426	2,624,192
Total Governmental Activities	<u>205,764,903</u>	<u>190,539,209</u>	<u>196,523,842</u>
Total Primary Government General Revenues and Other Changes in Net Assets	<u>205,764,903</u>	<u>190,539,209</u>	<u>196,523,842</u>
Change in Net Assets:			
Governmental Activities	<u>44,165,041</u>	<u>4,242,430</u>	<u>110,019</u>
Total Primary Government	<u>\$ 44,165,041</u>	<u>\$ 4,242,430</u>	<u>\$ 110,019</u>

Source: District records

TABLE 2 (Concluded)

Fiscal Year Ending						
June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
\$ 109,286,283	\$ 98,717,026	\$ 100,345,605	\$ 105,662,000	\$ 106,464,738	\$ 105,595,214	\$ 108,581,464
11,190,219	9,550,196	9,481,173	9,262,052	9,271,687	8,570,746	8,978,591
2,158,115	1,962,166	1,944,186	2,118,740	2,189,442	1,832,370	1,580,760
3,607,898	3,661,358	4,153,389	4,103,785	4,611,206	4,345,473	4,606,251
3,695,145	3,122,643	2,742,317	2,214,563	2,834,048	2,992,562	3,366,519
1,078,892	1,283,515	1,466,935	1,681,610	1,495,715	740,282	634,787
470,422	371,024	460,031	460,573	480,877	501,111	485,796
1,173,733	944,946	1,036,546	1,286,149	1,391,321	1,297,242	1,646,718
11,630,524	11,041,666	11,209,818	11,230,650	11,254,519	11,166,980	11,297,615
7,223,486	18,555,981	3,125,424	2,013,899	2,430,003	2,470,261	2,188,737
1,043,193	919,336	784,117	1,101,844	1,107,565	778,107	854,703
10,123,836	10,458,339	10,639,194	10,901,515	10,428,835	10,358,424	11,602,638
1,906,293	1,905,301	1,784,314	1,895,196	1,538,384	1,381,116	1,841,843
9,464,261	7,675,794	7,396,420	8,120,089	7,905,288	6,980,040	7,033,814
15,095,661	14,319,724	14,386,258	14,998,980	14,866,067	14,482,370	14,972,754
5,073,419	4,554,190	4,749,690	4,786,141	4,715,632	5,201,852	5,374,764
1,884,354	1,722,324	1,950,483	1,944,813	2,140,357	2,580,640	2,734,734
51,574	52,954	33,324	186,817	20,549	6,104	1,452
8,446,040	8,088,488	7,596,032	7,604,707	5,804,308	6,102,038	4,042,505
15,360,681		12,641,415	15,209,697	12,079,806	12,090,214	11,339,724
<u>219,964,029</u>	<u>198,906,971</u>	<u>197,926,671</u>	<u>206,783,822</u>	<u>203,030,347</u>	<u>199,473,146</u>	<u>203,166,169</u>
2,530,839	2,473,071	2,455,483	2,453,338	2,143,141	1,858,156	1,796,468
91,506	9,774	-	157,721	152,795	152,003	150,590
7,796	56,592	57,567	64,628	86,746	84,512	87,244
7,846,239	8,156,319	8,334,627	8,740,134	8,909,622	9,842,901	9,731,565
2,149,168	866,466	888,495	881,129	1,063,330	1,549,777	1,536,802
<u>12,625,548</u>	<u>11,562,222</u>	<u>11,736,172</u>	<u>12,296,950</u>	<u>12,355,634</u>	<u>13,487,349</u>	<u>13,302,669</u>
<u>(207,338,481)</u>	<u>(187,344,749)</u>	<u>(186,190,499)</u>	<u>(194,486,872)</u>	<u>(190,674,713)</u>	<u>(185,985,797)</u>	<u>(189,863,500)</u>
<u>(207,338,481)</u>	<u>(187,344,749)</u>	<u>(186,190,499)</u>	<u>(194,486,872)</u>	<u>(190,674,713)</u>	<u>(185,985,797)</u>	<u>(189,863,500)</u>
51,986,840	48,807,293	48,159,073	45,785,613	45,018,129	46,435,418	44,718,926
13,189,912	12,242,466	12,136,449	11,873,491	11,912,140	12,229,002	12,489,651
7,828,758	7,832,909	8,206,074	9,007,765	5,284,711	4,955,233	10,391,995
118,663,422	101,639,556	105,093,241	114,790,011	117,033,440	120,575,310	127,269,757
652,985	459,580	443,527	479,244	(121,985)	276,542	305,927
2,802,386	4,047,285	3,906,445	5,641,459	2,661,570	4,708,050	4,382,703
<u>195,124,303</u>	<u>175,029,089</u>	<u>177,944,809</u>	<u>187,577,583</u>	<u>181,788,005</u>	<u>189,179,555</u>	<u>199,558,959</u>
<u>195,124,303</u>	<u>175,029,089</u>	<u>177,944,809</u>	<u>187,577,583</u>	<u>181,788,005</u>	<u>189,179,555</u>	<u>199,558,959</u>
<u>(12,214,178)</u>	<u>(12,315,660)</u>	<u>(8,245,690)</u>	<u>(6,909,289)</u>	<u>(8,886,708)</u>	<u>3,193,758</u>	<u>9,695,459</u>
<u>\$ (12,214,178)</u>	<u>\$ (12,315,660)</u>	<u>\$ (8,245,690)</u>	<u>\$ (6,909,289)</u>	<u>\$ (8,886,708)</u>	<u>\$ 3,193,758</u>	<u>\$ 9,695,459</u>

TABLE 3

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

	Fiscal Year Ending			
	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011
Property Taxes:				
Levied for Operational Purposes	\$ 62,911,292	\$ 63,936,956	\$ 61,263,111	\$ 51,986,840
Levied for Debt Service (2)	3,761,480	2,571,651	34,753	
Levied for Capital Projects	21,909,025	19,325,518	15,358,825	13,189,912
Local Sales Taxes (1)	7,950,810	7,558,751	7,470,501	7,828,758
Total	<u>\$ 96,532,607</u>	<u>\$ 93,392,876</u>	<u>\$ 84,127,190</u>	<u>\$ 73,005,510</u>

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

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

Source: District records

(Concluded)

Fiscal Year Ending					
June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
\$ 48,807,293	\$ 48,159,073	\$ 45,785,613	\$ 45,018,129	\$ 46,435,418	\$ 44,718,926
12,242,466	12,136,449	11,873,491	11,912,140	12,229,002	12,489,651
7,832,909	8,206,074	9,007,765	5,284,711	4,955,233	10,391,995
<u>\$ 68,882,668</u>	<u>\$ 68,501,596</u>	<u>\$ 66,666,869</u>	<u>\$ 62,214,980</u>	<u>\$ 63,619,653</u>	<u>\$ 67,600,572</u>

TABLE 4

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

	Fiscal Year Ending			
General Fund				
Fund Balances:				
Nonspendable	\$ 1,946,610	\$ 2,217,341	\$ 1,529,590	\$ 1,536,754
Spendable:				
Restricted	678,600	265,638	2,268,658	1,119,658
Assigned	859,400	708,550	925,935	13,572,025
Unassigned (2)	4,633,247	8,906,593	14,222,563	4,476,866
Total General Fund	<u>\$ 8,117,857</u>	<u>\$ 12,098,122</u>	<u>\$ 18,946,746</u>	<u>\$ 20,705,303</u>
All Other Governmental Funds				
Fund Balances:				
Nonspendable	\$ 6,265,896	\$ 9,130,163	\$ 3,781,823	\$ 2,784,619
Spendable:				
Restricted	189,296,868	141,446,480	97,876,944	59,268,493
Assigned	87,007	88,907	78,263	80,059
Unassigned (2)				(1,878,472)
Total All Other Governmental Funds	<u>\$ 195,649,771</u>	<u>\$ 150,665,550</u>	<u>\$ 101,737,030</u>	<u>\$ 60,254,699</u>
Total Combined All Governmental funds	<u>\$ 203,767,628</u>	<u>\$ 162,763,672</u>	<u>\$ 120,683,776</u>	<u>\$ 80,960,002</u>

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

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

Source: District records

TABLE (Concluded)

\$ 1,440,561	\$ 1,490,830	\$ 1,434,975	\$ 1,373,299	\$ 1,570,675	\$ 1,343,934
978,496	478,153	30,755	1,779,073	966,179	659,550
10,216,038	9,455,599	5,957,272	1,435,474	923,563	4,208,679
4,224,837	4,849,807	6,938,011	1,814,821	6,575,155	13,288,610
<u>\$ 16,859,932</u>	<u>\$ 16,274,389</u>	<u>\$ 14,361,013</u>	<u>\$ 6,402,667</u>	<u>\$ 10,035,572</u>	<u>\$ 19,500,773</u>
\$ 2,452,182	\$ 1,601,859	\$ 969,525	\$ 109,867	\$ 132,059	\$ 141,688
46,419,030	40,924,387	41,101,828	35,224,108	36,379,446	26,286,195
					7,902,438
					-
<u>\$ 48,871,212</u>	<u>\$ 42,526,246</u>	<u>\$ 42,071,353</u>	<u>\$ 35,333,975</u>	<u>\$ 36,511,505</u>	<u>\$ 34,330,321</u>
<u>\$ 65,731,144</u>	<u>\$ 58,800,635</u>	<u>\$ 56,432,366</u>	<u>\$ 41,736,642</u>	<u>\$ 46,547,077</u>	<u>\$ 53,831,094</u>

TABLE 5

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

	Fiscal Year Ending			
	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 162,034	\$ 260,685	\$ 217,776	\$ 225,623
Miscellaneous Federal Direct		455,475	123,106	
Total Federal Direct	162,034	716,160	340,882	225,623
Federal Through State and Local Sources:				
Food Service	5,343,737	6,278,739	7,289,956	6,971,515
Donated Foods and Cash in Lieu of				726,851
Other Federal Through State and Local Grants	11,183,726	11,197,717	24,122,698	28,318,563
Total Federal Through State and Local Sources	16,527,463	17,476,456	31,412,654	36,016,929
State Sources:				
Florida Education Finance Program (FEFP)	60,785,801	53,730,728	53,387,105	63,220,906
Other Categoricals	2,764,163	4,065,892		1,093,016
Class Size Reduction	21,980,256	22,839,350	24,105,224	24,438,240
Transportation	6,061,757	5,122,307	5,005,490	
District Discretionary Lottery Funds	1,970,029	545,122	62,403	83,024
Motor Vehicle License Tax (Capital Outlay and Debt Service)	895,482	884,388	849,718	868,853
Gross Receipts Tax (Public Education Capital Outlay)	8,523,072	4,537,560	319,256	942,885
Class Size Reduction Construction	16,756,747			
Food Services	105,168	143,886	133,173	147,873
Other State Sources and State Grants	1,905,803	1,231,802	1,186,744	1,292,207
Total State Sources	121,748,278	93,101,035	85,049,113	92,087,004
Local Sources:				
Ad Valorem Taxes	88,581,797	85,834,125	76,656,689	65,176,752
Food Services Sales	3,048,305	2,957,657	2,727,695	2,530,839
Sales Taxes	7,950,810	7,558,751	7,470,501	7,828,758
Impact Fees	2,490,928	1,301,878	413,600	327,925
Investment Income	6,493,112	(931,032)	1,732,003	652,985
Local Grants and Other Local Sources	1,792,548	2,973,128	2,594,348	2,423,840
Total Local Sources	110,357,500	99,694,507	91,594,836	78,941,099
Total Revenues	248,795,275	210,988,158	208,397,485	207,270,655
Expenditures:				
Current:				
Instruction	102,447,519	101,380,908	101,243,638	107,247,996
Student Personnel Services	9,175,754	9,484,456	10,345,671	10,986,694
Instructional Media	2,184,830	2,352,336	2,218,152	2,117,279
Instruction & Curriculum Development Services	3,562,404	3,388,001	3,480,918	3,580,302
Instructional Staff Training Services	2,895,189	3,158,549	3,315,294	3,670,248
Instruction Related Technology	1,541,064	1,041,472	1,000,352	1,068,551
Board	479,387	477,287	470,756	467,180
General Administration	690,566	747,894	1,221,328	1,167,900
School Administration	9,543,008	10,202,828	10,547,741	11,525,178
Facility Services - Non-Capitalized	6,911,177	8,129,034	5,585,133	7,160,263
Fiscal Services	790,765	803,075	837,880	1,035,147
Food Services	8,469,157	9,754,764	9,812,031	9,977,413
Central Services	1,798,695	1,898,484	1,720,285	1,871,409
Student Transportation Services	8,892,943	9,020,767	8,972,334	9,265,825
Operation of Plant	14,506,048	14,398,158	14,726,793	14,829,965
Maintenance of Plant	4,603,035	4,450,916	4,627,275	4,992,144
Administrative Technology Services	1,537,591	1,769,627	1,699,381	1,837,435
Community Services	124,329	67,009	71,956	51,065
Fixed Capital Outlay				
Facilities Acquisition & Construction	37,472,530	40,894,834	44,704,012	29,595,893
Other Capital Outlay	2,914,648	11,624,051	2,214,117	4,030,948
Debt Service				
Principal	13,025,474	15,849,019	12,755,702	10,651,500
Interest	9,674,887	9,160,593	8,912,777	8,264,159
Dues and Fees				
Miscellaneous	107,148	99,036	47,979	54,839
Total Expenditures	243,348,148	260,153,098	250,531,505	245,449,333
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,447,127	(49,164,940)	(42,134,020)	(38,178,678)
Other Financing Sources (Uses):				
Refunding Note Payable Issued			370,000	
Refunding Bonds Issued			32,698	
Premium on Refunding Bonds				1,554,601
Sale of Bonds				
Loans				
Insurance Loss Recoveries	789,950	162,664	50,764	127,921
Certificates of Participation				
Payments to Refunding Bonds Escrow Agent			(399,338)	(3,574,267)
Payment to Refund Note Payable				
Premium on Long Term Debt Issued				
Discount on Long Term Debt Issued				
Inception of Capital Leases		7,998,320		346,649
Proceeds from Sale of Capital Assets				
Face Value of Refunding Bonds				
Transfers In	28,808,674	17,844,559	22,498,420	31,476,798
Transfers Out	(28,808,674)	(17,844,559)	(22,498,420)	(31,476,798)
Total Other Financing Sources (Uses)	789,950	8,160,984	54,124	(1,545,096)
Net Change in Fund Balance	6,237,077	(41,003,956)	(42,079,896)	(39,723,774)
Debt Service as a percentage of noncapital expenditures	11.2%	12.0%	10.6%	8.9%
Beginning Fund Balance	197,530,551	203,767,628	162,763,672	120,683,776
Ending Fund Balance	\$ 203,767,628	\$ 162,763,672	\$ 120,683,776	\$ 80,960,002

Source: District records

TABLE 5 (Concluded)

Fiscal Year Ending						
June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	
\$ 212,982	\$ 181,480	\$ 211,147	\$ 214,600	\$ 212,975	204,649	5,527
212,982	181,480	211,147	214,600	212,975	210,176	
7,358,101	7,538,918	7,948,367	7,980,511	8,925,859	8,805,504	
647,480	650,756	646,529	787,997	780,408	794,049	
15,354,876	14,223,225	12,883,165	14,004,179	12,497,218	13,393,272	
23,360,457	22,412,899	21,478,061	22,772,687	22,203,485	22,992,825	
60,448,872	65,005,531	75,288,663	77,610,844	82,146,741	87,411,334	
480,823	785,735	338,778	588,486	1,251,270	388,271	
24,160,280	23,768,179	23,768,179	23,277,212	23,405,339	23,665,654	
71,021		209,627	76,689	74,859	363,643	
857,309	885,165	881,096	890,774	871,031	891,311	
			171,925	678,746	645,305	
148,847	144,953	145,238	141,114	136,634	132,012	
916,672	1,094,671	2,156,177	1,259,137	1,265,011	1,837,593	
87,083,824	91,684,234	102,787,758	104,016,181	109,829,631	115,335,123	
61,049,759	60,295,522	57,659,104	56,930,269	58,664,420	57,208,577	
2,473,071	2,455,483	2,453,338	2,143,141	1,853,722	1,796,468	
7,832,909	8,206,074	9,007,765	5,284,711	4,955,233	10,391,995	
156,980	17,400				1,631,051	
459,580	443,527	479,244	(121,985)	75,400	304,548	
3,738,298	3,780,410	4,763,741	2,324,313	4,583,457	2,728,271	
75,710,597	75,198,416	74,363,192	66,560,449	70,132,232	74,060,910	
186,367,860	189,477,029	198,840,158	193,563,917	202,378,323	212,599,034	
98,066,676	98,589,783	104,389,399	108,232,447	106,537,953	105,150,370	
9,511,114	9,318,507	9,152,498	9,427,045	8,647,264	8,694,875	
1,953,328	1,929,947	2,095,267	2,227,387	1,848,730	1,530,809	
3,652,268	4,122,970	4,063,373	4,694,020	4,384,269	4,460,697	
3,113,823	2,722,233	2,198,139	2,887,886	3,019,279	3,260,140	
1,191,584	1,456,191	1,661,574	1,518,686	746,891	614,729	
370,010	456,661	456,414	489,759	505,584	470,445	
943,700	1,028,954	1,297,673	1,408,320	1,308,823	1,446,155	
10,939,393	11,108,102	11,132,690	11,449,262	11,266,677	10,940,618	
4,906,994	536,955	2,014,145	2,483,626	2,530,237	261,216	
916,353	778,374	1,091,962	1,127,499	785,054	827,696	
10,165,772	10,455,762	10,777,737	10,606,646	10,447,569	11,231,422	
1,807,463	1,753,480	1,874,395	1,563,721	1,393,002	1,782,914	
7,614,044	7,268,604	8,013,177	8,020,090	7,040,108	6,809,430	
14,278,025	14,132,010	14,591,305	15,141,503	14,607,003	14,496,847	
4,482,917	4,668,408	4,728,859	4,793,969	5,247,754	5,199,010	
1,713,875	1,936,198	1,923,355	2,179,690	2,602,849	2,647,241	
52,702	33,081	185,766	21,017	6,159	1,406	
4,601,562	4,061,686	491,326	534,263	5,584,160	15,650,703	
2,697,848	631,706	871,600	1,004,850	875,413	321,446	
11,182,245	11,930,409	12,338,922	12,283,682	5,164,115	4,711,753	
7,951,530	7,527,482	6,692,404	5,882,626	3,541,896	4,680,315	
			13,494	642,355	153,375	
42,831	22,270	113,267		632		
202,156,057	196,469,773	202,155,247	207,991,488	198,733,776	205,343,612	
(15,788,197)	(6,992,744)	(3,315,089)	(14,427,571)	3,644,547	7,255,422	
365,000		29,685,000	1,299,000	90,645,000		
55,865		82,496	123,525	11,553,598		
75,157	62,235	57,181	87,923	59,145	28,595	
(419,780)		(28,877,849)	(1,778,601)	(101,091,855)		
483,097						
23,871,497	20,641,428	21,214,610	20,582,195	24,921,175	9,891,306	
(23,871,497)	(20,641,428)	(21,214,610)	(20,582,195)	(24,921,175)	(9,891,306)	
559,339	62,235	946,828	(268,153)	1,165,888	28,595	
(15,228,858)	(6,930,509)	(2,368,261)	(14,695,724)	4,810,435	7,284,017	
9.8%	10.1%	9.5%	8.8%	4.5%	5.0%	
80,960,002	65,731,144	58,800,627	56,432,366	41,736,642	46,547,077	
\$ 65,731,144	\$ 58,800,635	\$ 56,432,366	\$ 41,736,642	\$ 46,547,077	\$ 53,831,094	

TABLE 6

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

Fiscal Year	Property Tax			Sales Tax		Total Governmental Activities
	General Fund	Debt Service Funds	Capital Projects Funds	Capital Projects Funds	Funds	
2016-2017	\$ 44,718,926		\$ 12,489,651	\$ 10,391,995	\$ 67,600,572	
2015-2016	\$ 46,435,418		\$ 12,229,002	\$ 4,955,233	\$ 63,619,653	
2014-2015	45,018,129		11,912,140	5,284,711	62,214,980	
2013-2014	45,785,613		11,873,491	9,007,765	66,666,869	
2012-2013	48,159,073		12,136,449	8,206,074	68,501,596	
2011-2012	48,807,293		12,242,466	7,832,909	68,882,668	
2010-2011	51,986,840		13,189,912	7,828,758	73,005,510	
2009-2010	61,263,111	34,753	15,358,825	7,470,501	84,127,190	
2008-2009	63,936,956	2,571,651	19,325,518	7,558,751	93,392,876	
2007-2008	62,911,292	3,761,480	21,909,025	7,950,810	96,532,607	

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

Source: District records

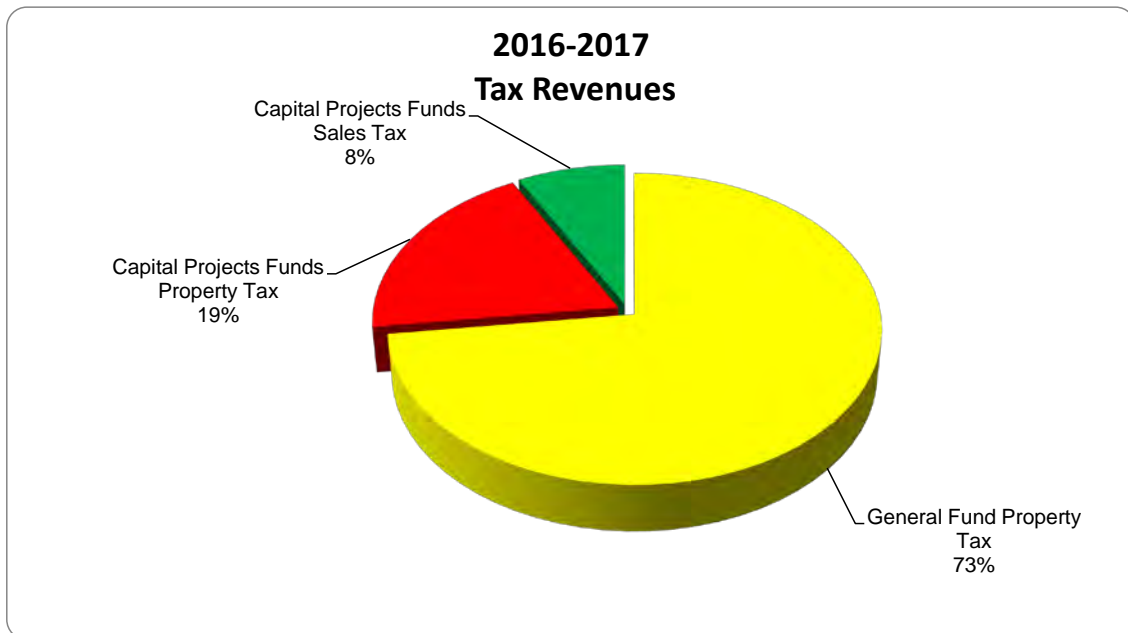


TABLE 7

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

Fiscal Year	Fair Market Value (1)		Assessed Value (2)		Exemptions (3)		Taxable Value (4)				Ratio of Taxable Value to Assessed Value	Base Millage Rate (6)
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Centrally Assessed (5)	Total		
2016-2017	11,208,262	1,703,765	10,084,383	1,703,015	2,468,286	596,852	7,616,097	1,106,163	8,326	8,730,587	74.07%	0.0000
2015-2016	10,800,268	1,585,644	9,845,265	1,589,744	2,429,043	600,481	7,416,222	984,263	7,869	8,408,354	73.53%	7.1960
2014-2015	10,349,863	1,606,000	9,507,309	1,604,589	2,399,670	608,798	7,170,639	995,791	7,842	8,174,271	73.56%	7.1670
2013-2014	9,989,311	1,602,911	9,368,594	1,594,242	2,417,252	627,891	6,951,343	966,351	7,626	7,925,320	72.29%	7.2800
2012-2013	9,949,202	1,691,643	9,351,346	1,645,987	2,437,024	339,564	6,914,323	1,306,423	7,325	8,228,070	74.82%	7.4540
2011-2012	10,600,374	1,629,933	9,949,584	1,585,617	2,417,670	325,372	7,531,914	1,260,245	7,445	8,799,604	76.28%	7.5080
2010-2011	11,572,263	1,669,623	10,731,692	1,652,662	3,593,658	336,472	7,138,035	1,316,191	6,499	8,460,725	68.32%	7.4170
2009-2010	13,488,242	1,427,069	12,000,601	1,407,365	3,750,459	338,717	8,250,142	1,068,648	6,924	9,325,714	69.55%	7.4790
2008-2009	15,836,287	1,185,886	13,371,281	1,167,054	3,920,192	325,882	9,451,089	841,172	6,398	10,298,659	70.84%	7.7790
2007-2008	16,518,236	1,105,701	13,238,586	1,085,763	2,695,549	244,027	10,543,037	841,735	13,699	11,398,471	79.57%	8.0650

- (1) Fair Market Value of property is amount it could sell for in a competitive open market, assuming that the buyer and seller both acted knowledgeably and without duress.
- (2) Assessed value of property is different than fair market value for those properties that have assessment limitations on them, such as the Save Our Homes (SOH) limitation, "greenbelt" for properties which have an agricultural use classification, and pollution control devices.
- (3) There are a number of property tax exemptions which include, but are not limited to; homestead, low income seniors, widow/widowers, blind, disabled, veterans, government, and institutional.
- (4) Taxable value of property is the resulting value after all applicable exemptions have been deducted from the assessed value of the property. The taxable value is what the millage rates are applied to develop the ad valorem property tax. The 2011 Values based on Final Certification dated October 4, 2011. All other years based on re-certification values after the Value Adjustment Board.
- (5) Centrally assessed property are the railroad tracks and train cars which cross county lines and are assessed by the Florida Department of Revenue, who provides the assessed values to the respective Property Appraiser.
- (6) Base Millage Rate comprised of total County, total School and Southwest Florida Management District countywide levy. Specific basins, special ad valorem districts, and municipalities are not included. See calculation of base millage rate on Table 8 page 109.

Source: Hernando County Property Appraiser

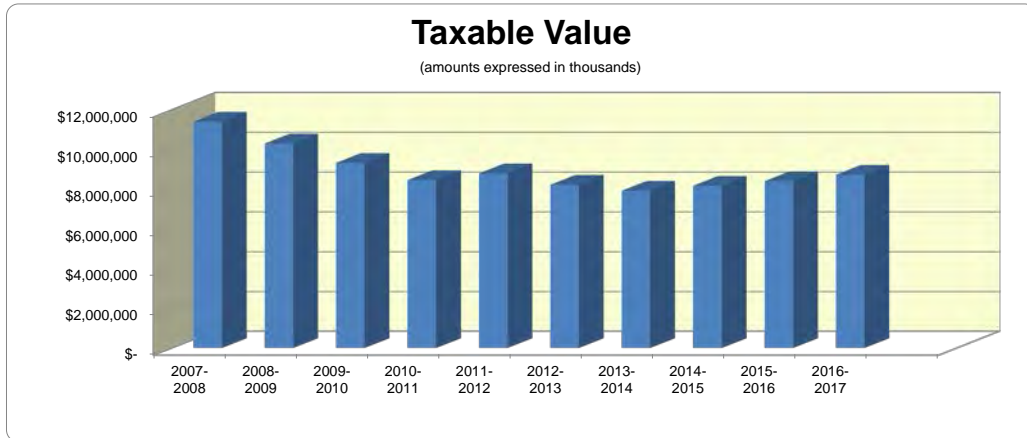


TABLE 8

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

	Fiscal Year Ending		
	June 30, 2008	June 30, 2009	June 30, 2010
District Direct Rates:			
District School Board:			
Local Required Effort	4.9960	5.0860	5.2310
Discretionary Local	0.5100	0.4980	0.7480
Supplemental Discretionary	0.2160	0.2130	0.0000
Voted Debt Service	0.3430	0.2320	0.0000
Local Capital Improvement	2.0000	1.7500	1.5000
Total District School Board Direct Rates	<u>8.0650</u>	<u>7.7790</u>	<u>7.4790</u>
Overlapping Rates:			
Other Hernando County:			
General Fund	5.4394	5.4394	5.4394
Public Health	0.1102	0.1102	0.1102
Road & Bridge	0.7091	0.7091	0.7091
Recreation/Sensitive Lands	0.0844	0.0844	0.0844
Special Ad Valorem Districts	2.9664	2.9423	2.9423
Total Other Hernando County Rates	<u>9.3095</u>	<u>9.2854</u>	<u>9.2854</u>
Southwest Florida Water Management Districts (SWFWMD):			
SWFWMD County Wide	0.1885	0.3866	0.3866
Hillsborough Basin			
Withlacoochee Basin	0.2308	0.2308	0.2308
Coastal Basin	0.3866	0.1885	0.1885
Total Southwest Florida Water Management Districts	<u>0.8059</u>	<u>0.8059</u>	<u>0.8059</u>
Municipalities:			
City of Brooksville	6.3230	6.0690	6.0690
City of Weeki Wachee	2.1744	2.1173	2.5769
Total Municipalities	<u>8.4974</u>	<u>8.1863</u>	<u>8.6459</u>
Total Overlapping Rates (1)	<u>18.6128</u>	<u>18.2776</u>	<u>18.7372</u>
Base Millage Rate (2)	14.5966	14.5087	14.2087

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

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

Source: Hernando County Property Appraiser

TABLE 8 (Concluded)

Fiscal Year Ending						
June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
5.1690	5.2600	5.2060	5.0320	4.9190	4.9480	4.6210
0.7480	0.7480	0.7480	0.7480	0.7480	0.7480	0.7480
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
<u>7.4170</u>	<u>7.5080</u>	<u>7.4540</u>	<u>7.2800</u>	<u>7.1670</u>	<u>7.1960</u>	<u>6.8690</u>
5.4394	5.6279	5.9169	6.8669	6.9912	6.9912	6.9912
0.1102	0.1102	0.1102	0.1102	0.1102	0.1102	0.1102
0.7091	0.7091	0.7091	0.7091	0.7091	0.7091	0.7091
0.0844	0.0844	0.0844	0.1000	0.0000	0.0000	0.0000
3.1737	3.1737	3.1737	0.6673	0.6673	0.7839	0.7839
<u>9.5168</u>	<u>9.7053</u>	<u>9.9943</u>	<u>8.4535</u>	<u>8.4778</u>	<u>8.5944</u>	<u>8.5944</u>
0.3770	0.3928	0.3928	0.3818	0.3658	0.3468	0.3317
0.2308	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.1885	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<u>0.7963</u>	<u>0.3928</u>	<u>0.3928</u>	<u>0.3818</u>	<u>0.3658</u>	<u>0.3468</u>	<u>0.3317</u>
6.3700	6.3700	6.6000	6.7317	6.6962	6.6439	6.6426
2.6587	2.7838	2.7137	2.7654	2.6267	2.7622	2.8478
<u>9.0287</u>	<u>9.1538</u>	<u>9.3137</u>	<u>9.4971</u>	<u>9.3229</u>	<u>9.4061</u>	<u>9.4904</u>
<u>19.3418</u>	<u>19.2519</u>	<u>19.7008</u>	<u>18.3324</u>	<u>18.1665</u>	<u>18.3473</u>	<u>18.4165</u>
14.1371	14.4324	14.6674	15.4480	15.3433	15.3533	15.0112

TABLE 9

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

Taxpayer	2016-2017				2005-2006			
	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)
Cemex, Inc.	Cement Manufacturing	\$ 281,121,653	1	3.43%	Cement Manufacturing	\$ 52,670,766	5	0.69%
Withlacoochee River Electric Co-op	Public Utility	201,309,962	2	2.46%	Public Utility	106,321,607	2	1.38%
Florida Power Development LLC	Electric Utility	161,707,608	3	1.97%				
Wal-Mart Stores, Inc.	Retail Sales	100,218,589	4	1.22%	Retail Sales	113,162,298	1	1.47%
Duke Energy (Florida Power Corporation)	Public Utility	90,360,384	5	1.10%	Public Utility	35,231,107	7	0.46%
HCA Health Services of Florida, Inc.	Hospital/ Health Care	54,551,055	6	0.67%	Hospital/ Health Care	52,600,571	6	0.68%
Florida Gas Transmission Co.	Public Utility	47,880,476	7	0.58%				
MIC SCV LLC	Apartments	38,388,481	8	0.47%				
Bright House Networks	Communications	37,335,364	9	0.46%	Cable Utility	28,569,487	8	0.37%
AT&T Florida	Communications	31,475,016	10	0.38%	Telecommunications	67,120,784	3	0.87%
Central Power & Lime Inc.	Utilities				Utilities	28,484,645	9	0.34%
VA Development / Ackley					Real Estate	21,139,250	10	0.28%
					Rock Mining	64,539,878	4	0.84%

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

Source: Hernando County Property Appraiser

TABLE 10

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

Fiscal Year	Total Tax Levy	Collected to End of Tax Year			Collected in Fiscal Year	
		Current Tax Collections (1)	Percent of Levy	Delinquent Collections (1)	Total Collections (1)	Percent of Levy
2016-2017	\$ 59,970,401	\$ 57,007,130	95.06%	\$ 201,447	\$ 57,208,577	95.39%
2015-2016	60,506,513	58,492,947	96.67%	171,473	58,664,420	96.96%
2014-2015	58,585,003	56,797,930	96.95%	132,339	56,930,269	97.18%
2013-2014	57,696,331	57,372,277	99.44%	286,827	57,659,104	99.94%
2012-2013	61,332,036	59,856,352	97.59%	439,170	60,295,522	98.31%
2011-2012	66,067,422	60,364,306	91.37%	685,453	61,049,759	92.41%
2010-2011	71,473,086	64,278,055	89.93%	439,784	64,717,839	90.55%
2009-2010	78,787,235	75,774,531	96.18%	882,158	76,656,689	97.30%
2008-2009	89,340,049	85,566,159	95.78%	267,966	85,834,125	96.08%
2007-2008	92,033,622	88,415,644	96.07%	166,153	88,581,797	96.25%

(1) Net of allowable discounts

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

Source: Hernando County Tax Collector and District records

TABLE 11

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

Governmental Activities (1)										
Fiscal Year	General Obligation Bonds	State Board of Education Bonds	Certificates of Participation	District Revenue Bonds	Sales Tax Revenue Bonds	Notes	Capital Leases	Total Primary Government	Per Capita (2)	Percentage of Per Capita Income (2)
2016-2017	\$	\$ 2,607,978	\$ 119,648,434	\$ 2,140,000	\$ -	\$ 3,598,654	\$ -	\$ 127,995,066	703	2.09%
2015-2016		2,920,000	111,464,668	2,235,000	-	4,860,255	-	121,479,923	672	2.08%
2014-2015		3,877,466	123,451,185	2,325,000	-	6,097,551	-	135,751,202	764	2.43%
2013-2014		5,065,436	127,485,183	2,410,000	6,415,592	7,262,686	50,273	148,689,170	847	2.65%
2012-2013		5,047,935	131,150,945	2,495,000	12,596,181	8,371,212	283,633	159,944,906	923	3.00%
2011-2012		5,260,000	133,755,000	2,575,000	18,590,000	9,438,299	1,041,954	170,660,253	986	3.21%
2010-2011		6,158,406	136,282,396	2,650,000	24,342,358	10,465,497	2,833,904	182,732,561	1,055	3.59%
2009-2010		5,117,145	141,343,121	2,725,000	29,902,947	11,454,297	4,539,955	195,082,465	1,177	3.93%
2008-2009	805,000	5,576,805	144,468,846	2,795,000	35,273,537	12,406,134	6,585,904	207,911,226	1,260	4.32%
2007-2008	4,555,000	6,015,895	147,479,571	2,860,000	40,439,126	13,322,390	1,160,347	215,832,329	1,309	4.66%

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

Source:

(1) District Records

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

TABLE 12

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 June 30, 2017
 (Unaudited)

Jurisdiction	Other Debt Outstanding	Direct Debt		Direct and Overlapping Debt (1)	
		Percentage Applicable to School Board of Hernando County	Amount Applicable to School Board of Hernando County	Percentage Applicable To Hernando County	Amount Applicable To Hernando County
Hernando County Board of County Commissioners					
Capital Improvement Bonds, Series 2004	935,000			100.00%	935,000
Non-Ad Valorem Refunding Bonds, Series 2010	3,015,000			100.00%	3,015,000
Loans and Notes Payable	<u>22,852,217</u>			100.00%	<u>22,852,217</u>
Subtotal Overlapping Debt	<u>26,802,217</u>				<u>26,802,217</u>
District School Board of Hernando County					
State Board of Education Bonds, Series 2009A Refunding	65,000	100.00%	65,000	100.00%	65,000
State Board of Education Bonds, Series 2010A	1,090,000	100.00%	1,090,000	100.00%	1,090,000
State Board of Education Bonds, Series 2011A Refunding	255,000	100.00%	255,000	100.00%	255,000
State Board of Education Bonds, Series 2014A Refunding	421,000	100.00%	421,000	100.00%	421,000
State Board of Education Bonds, Series 2014B Refunding	526,000	100.00%	526,000	100.00%	526,000
Bonds Payable-Unamortized Premium	250,978	100.00%	250,978	100.00%	250,978
Certificates of Participation, Series 2013A	18,027,516	100.00%	18,027,516	100.00%	18,027,516
Certificates of Participation, Series 2016A	90,645,000	100.00%	90,645,000	100.00%	90,645,000
Unamortized Premium	10,975,918	100.00%	10,975,918	100.00%	10,975,918
Capital Improvement Bonds, Series 2001	2,140,000	100.00%	2,140,000	100.00%	2,140,000
Note Payable	<u>3,598,654</u>	100.00%	<u>3,598,654</u>	100.00%	<u>3,598,654</u>
Subtotal Direct Debt	<u>127,995,066</u>		<u>127,995,066</u>		<u>127,995,066</u>
Totals	<u>\$ 154,797,283</u>		<u>\$ 127,995,066</u>		<u>\$ 154,797,283</u>

(1) Overlapping governments are those whose geographic area coincides at least in part with the area of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Hernando County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account.

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

TABLE 13

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

	Fiscal Year Ending			
	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Taxable Value (1)	<u>\$ 11,398,471</u>	<u>\$ 10,298,659</u>	<u>\$ 9,325,714</u>	<u>\$ 8,460,725</u>
Debt Limit - 10% of Taxable Value (2)	<u>\$ 1,139,847</u>	<u>\$ 1,029,866</u>	<u>\$ 932,571</u>	<u>\$ 846,073</u>
Amount of Debt Applicable to the Debt Limit:				
General Obligation Bonds Payable	\$ 4,555	\$ 805	\$	\$
Less, Amount Available for Debt Service	<u>2,572</u>	<u>805</u>		
Total Debt Applicable to the Debt Limit	<u>\$ 1,983</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Legal Debt Margin	<u>\$ 1,137,864</u>	<u>\$ 1,029,866</u>	<u>\$ 932,571</u>	<u>\$ 846,073</u>
Total Debt Applicable to the Debt Limit as a Percentage of the Debt Limit	0.17%	0.00%	0.00%	0.00%

TABLE 13 (Concluded)

Fiscal Year Ending					
June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
<u>\$ 8,799,604</u>	<u>\$ 8,228,070</u>	<u>\$ 7,925,320</u>	<u>\$ 8,174,271</u>	<u>\$ 8,408,354</u>	<u>\$ 8,730,587</u>
<u>\$ 879,960</u>	<u>\$ 822,807</u>	<u>\$ 792,532</u>	<u>\$ 817,427</u>	<u>\$ 840,834</u>	<u>\$ 873,058</u>
\$	\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 879,960</u>	<u>\$ 822,807</u>	<u>\$ 792,532</u>	<u>\$ 817,427</u>	<u>\$ 840,834</u>	<u>\$ 873,058</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 14

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

Fiscal Year	Population (1)	Taxable Value	Gross General Bonded Debt (2)	Less Debt Service Funds (3)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Taxable Value	Per Capita
2016-2017	182,114	\$ 8,730,587	\$	\$	\$	0.00%	
2015-2016	180,777	8,408,354				0.00%	
2014-2015	177,584	8,174,271				0.00%	
2013-2014	175,502	7,925,320				0.00%	
2012-2013	173,227	8,228,070				0.00%	
2011-2012	173,142	8,799,604				0.00%	
2010-2011	173,162	8,460,725				0.00%	
2009-2010	165,802	9,325,714				0.00%	
2008-2009	165,048	10,298,659	805	805		0.00%	
2007-2008	164,907	11,398,471	4,555	2,573	1,982	0.02%	12

(1) Hernando County Monthly Demographics Update Summary - through February 1, 2017

(2) Includes General Obligation Bonds only

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

Source: District records

TABLE 15

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

Fiscal Year	Principal	Interest and Dues & Fees	Total Debt Service	Total General Governmental Noncapital Expenditures	Ratio of Debt Service to General Governmental Noncapital Expenditures
2016-2017	\$	\$	\$	\$ 189,371,463	0.00%
2015-2016				191,701,406	0.00%
2014-2015				206,416,604	0.00%
2013-2014				200,803,789	0.00%
2012-2013				191,775,959	0.00%
2011-2012				194,856,647	0.00%
2010-2011				211,749,992	0.00%
2009-2010	805,000	44,680	849,680	203,613,376	0.42%
2008-2009	3,750,000	188,482	3,938,482	207,634,213	1.90%
2007-2008	3,625,000	341,835	3,966,835	202,960,970	1.95%

Source: District records

TABLE 16

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
 REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
 LAST TEN FISCAL YEARS

(amounts expressed in thousands)

(Unaudited)

Fiscal Year	Taxable Value	Annual Lease Payment	Millage Levy to Provide 1.00x Coverage (1)
2016-2017	\$ 8,730,587	\$ 7,144	0.852 Mills
2015-2016	8,408,354	5,891	0.730 Mills
2014-2015	8,174,271	9,254	1.179 Mills
2013-2014	7,925,320	9,376	1.232 Mills
2012-2013	8,228,070	9,641	1.221 Mills
2011-2012	8,799,604	7,771	0.920 Mills
2010-2011	8,460,725	7,775	0.957 Mills
2009-2010	9,325,714	9,663	1.091 Mills
2008-2009	10,298,659	9,667	0.988 Mills
2007-2008	11,398,471	9,667	0.893 Mills

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

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

Source: District records

TABLE 17

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

Fiscal Year	10-Year Sales Tax Revenue (1)	Principal	Interest and Dues & Fees	Annual Debt Service on Sales Tax Revenue Bonds	Sales Tax Revenue Coverage (2)
2016-2017	10,391,995	-	-	-	
2015-2016	4,955,233	-	-	-	
2014-2015	5,284,711	6,415,000	118,175	6,533,175	0.81
2013-2014	9,007,765	6,180,000	353,449	6,533,449	1.38
2012-2013	8,206,074	5,995,000	578,938	6,573,938	1.25
2011-2012	7,832,909	5,750,000	792,834	6,542,834	1.20
2010-2011	7,828,758	5,560,000	997,240	6,557,240	1.19
2009-2010	7,470,501	5,370,000	1,187,265	6,557,265	1.14
2008-2009	7,558,751	5,165,000	1,384,540	6,549,540	1.15
2007-2008	7,950,810	4,565,000	1,579,110	6,144,110	1.29

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

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

Source: District records

TABLE 18

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

Fiscal Year	Estimated Population (1)	Personal Income (2)	Per Capita Income (1)	Public School Enrollment (3)	Percentage of Students on Free and Reduced Lunch (5)	Labor Force (1)	Unemployment Rate % (1)	Median Age (1)	Citizens With a Bachelor's Degree (4)
2016-2017	182,114	6,131,050	33,666	23,950	66.9%	67,842	5.9%	47.7	16.4%
2015-2016	180,777	5,843,436	32,324	23,621	69.3%	67,937	6.2%	47.7	15.5%
2014-2015	177,584	5,580,044	31,422	22,444	65.1%	66,785	7.0%	47.7	15.5%
2013-2014	175,502	5,603,252	31,927	22,186	64.3%	64,040	8.4%	47.7	15.7%
2012-2013	173,227	5,323,092	30,729	22,228	66.1%	63,513	8.9%	47.7	16.2%
2011-2012	173,142	5,320,481	30,729	22,442	62.6%	63,088	10.8%	47.7	16.2%
2010-2011	173,162	5,090,443	29,397	22,998	60.5%	62,854	13.8%	47.7	16.1%
2009-2010	165,802	4,965,770	29,950	23,296	59.5%	64,364	15.0%	50.7	12.7%
2008-2009	165,048	4,810,819	29,148	23,454	54.1%	63,228	13.1%	50.0	12.7%
2007-2008	164,907	4,627,950	28,064	23,172	47.1%	64,694	7.5%	45.3	12.7%

Source:

- (1) Hernando County Monthly Demographics Update Summary - through January 31, 2017
- (2) Personal Income was calculated by multiplying the Estimated Population and Per Capita Income. Personal Income stated in thousands.
- (3) District enrollment records as of August 31, 2017
- (4) U.S. Census Bureau - State & County Quickfacts
Bachelor's degree or higher, % of persons 25+ 2012-2016
- (5) Food & Nutrition Data as of 8/1/17 Reduced = 6.36% Free = 60.54%

TABLE 19

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

Employer / Type of Business	2016-2017			2015-2016	
	Number of Employees	Rank	% (1)	Number of Employees	Rank
Oak Hill Hospital Healthcare	1,089	1	1.6%	1,089	1
Wal-Mart Distribution Center Distribution Center	1,020	2	1.5%	1,020	2
Heart Institute at Oak Hill Hospital Distribution Center	947	3	1.4%		
Citrus Memorial Health Care Systems	1,320	4	1.9%		
Hernando Healthcare	1,032	5	1.5%	913	3
HealthSouth	355	6	0.5%	355	4
Accuform, Inc. Manufacturer	280	7	0.4%	280	5
Cemex, Inc. Cement Manufacturer	250	8	0.4%	250	6
Hernando Pasco Hospice Healthcare	221	9	0.3%	221	8
Sparton Electronics Manufacturer	219	10	0.3%	219	7
SunTrust Banking				110	9
Withalacoochee River Electric				80	10
Total	<u>6,733</u>		<u>9.9%</u>	<u>4,537</u>	

(1) Percentage shown represents the number of employees as a percent of Hernando County's total labor force of 67,842

(2) Last updated list of Major Private Sector Employees from Hernando Chamber of Commerce 2014-2015

TABLE 20

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

	Year Constructed (1)	Age of School in Years	Square Footage (2)	Permanent Student Stations	Current Utilization Based on Permanent Student Stations	Relocatable Stations	Relocatable Student (4)
Elementary Schools:							
Brooksville Elementary	1968	49	118,217	751	85.4%	8	150
Chocachatti Elementary (Magnet)	1998	19	111,262	737	98.5%	8	300
Deltona Elementary	1989	28	114,971	743	109.8%	7	156
Eastside Elementary	1973	44	93,669	736	82.7%	6	72
John D. Floyd Elementary	1986	31	108,736	696	139.2%	19	480
Moton Elementary	1989	28	95,943	755	75.9%	4	98
Pine Grove Elementary	1988	29	123,530	698	123.9%	12	332
Spring Hill Elementary	1980	37	95,285	588	139.8%	11	265
Suncoast Elementary	1994	23	130,003	744	121.1%	4	128
Westside Elementary	1972	45	83,917	590	86.8%	13	240
Total Elementary School Student Enrollment							
Middle Schools:							
Fox Chapel Middle School	1978	39	123,502	1,120	65.4%	7	132
D. S. Parrott Middle School	1988	29	147,544	1,143	57.0%		
Powell Middle School	1984	33	153,878	1,195	82.1%		
West Hernando Middle School	1993	24	198,184	1,269	56.6%	6	220
Total Middle School Student Enrollment							
Combination Schools:							
Challenger K-8 School of Science and Mathematics (Magnet)	2004	13	237,114	1,734	85.2%	1	44
Explorer K-8	2008	9	278,292	2,073	79.9%		
Winding Waters K-8	2012	5	183,590	1,560	83.4%		
Total Combination School Student Enrollment							
High Schools:							
Central High School	1989	28	244,451	1,581	83.0%	4	100
Hernando High School	1962	55	247,679	1,665	72.6%	5	120
Nature Coast Technical High School (Magnet)	2001	16	255,290	1,413	93.9%		
Springstead High School	1975	42	224,751	1,685	102.2%	22	525
Weeki Wachee High School (Grades 9-12)	2011	6	211,964	1,665	80.7%		
Total High School Student Enrollment							
Specialty Schools:							
Endeavor Academy (formerly STAR Center)	1974	43	19,260	121	95.9%	4	70
Hernando eSchool	N/A		N/A	N/A	N/A	N/A	N/A
Incarcerated Youth Program	N/A		N/A	N/A	N/A	N/A	N/A
Stop Camp/Withlacochee DJJ	N/A		N/A	N/A	N/A	N/A	N/A
Total Specialty Schools Student Enrollment							
Charter Schools:							
Best Academy	N/A		N/A	N/A	N/A	N/A	N/A
Gulf Coast Middle School	N/A		N/A	N/A	N/A	N/A	N/A
Gulf Coast Academy of Science and Mathematics	N/A		N/A	N/A	N/A	N/A	N/A
Total Charter School Student Enrollment							
Total Pre-Kindergarten to Grade 12 Student Enrollment							
Adult Education:							
Adult Education Centers	N/A		N/A	N/A	N/A	N/A	N/A
Heart Literacy	1986	31	3,598	N/A	N/A	N/A	N/A
Total Adult Student Enrollment							
District Total Pre-Kindergarten to Adult Student Enrollment							

(1) Year constructed date from the Florida Inventory of School Housing (FISH). This date does not reflect additions, renovations, replacements or remodelings.
 Average age of the schools 28.5 years.
 (2) Square footage is current permanent and does not include portables.
 (3) Permanent student stations reflect student stations in permanent buildings which excludes student stations in relocatables.
 (4) Student stations in relocatable classrooms.
 (5) Permanent student stations reflect utilization factor per State Requirements for Educational Facilities (SREF).

Source: District records

	706	sum of years
	24	number of hits
AVG Age of Schools	29.4	

TABLE 20 (Concluded)

Student Enrollment										Student Enrollment
2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
808	766	797	802	881	765	778	788	782	661	641
916	922	915	940	936	920	865	826	762	744	726
1,057	951	876	862	808	806	831	833	922	793	816
681	653	588	593	540	532	508	468	528	580	609
1,508										969
711	794	863	826	793	632	650	615	603	640	573
1,240	1,399	1,154	1,147	1,085	616	578	610	650	763	865
1,056	1,053	689	694	735	680	697	914	735	749	822
976	928	914	890	923	941	926	693	988	860	901
935	965	814	787	778	581	571	594	564	518	512
9,888	8,431	7,610	7,541	7,479	6,473	6,404	6,341	6,534	6,308	7,434
1,015	958	782	737	702	677	681	642	594	698	733
851	828	851	841	836	840	811	792	683	632	652
1,203	1,211	1,033	954	979	1,021	919	827	797	922	981
1,108	1,121	1,035	1,000	963	953	847	738	617	660	718
4,177	4,118	3,701	3,532	3,480	3,491	3,258	2,999	2,691	2,912	3,084
1,460	1,472	1,469	1,553	1,648	1,626	1,586	1,593	1,574	1,542	1,477
		1,943	2,014	1,799	1,770	1,827	1,770	1,748	1,668	1,656
					805	1,044	1,208	1,391	1,298	1,301
1,460	1,472	3,412	3,567	3,447	4,201	4,457	4,571	4,713	4,508	4,434
1,876	1,947	1,904	1,753	1,579	1,337	1,169	1,151	1,160	1,253	1,312
1,348	1,371	1,360	1,383	1,410	1,371	1,296	1,270	1,189	1,179	1,209
1,373	1,361	1,463	1,480	1,408	1,331	1,304	1,284	1,266	1,327	1,327
1,915	1,924	1,968	2,164	1,833	1,774	1,615	1,606	1,656	1,784	1,722
				569	915	1,265	1,381	1,459	1,402	1,343
6,512	6,603	6,695	6,780	6,799	6,728	6,649	6,692	6,730	6,945	6,913
90	97	89	94	92	39	57	52	71	104	116
				45	39	60	31	5	7	55
				20	11	10	12	9	9	8
13										
103	97	89	94	157	89	127	95	85	120	179
							76	126	121	130
							108	107	109	110
117	115	113	117	119	120	117	116	130	128	124
117	115	113	117	119	120	117	300	363	358	364
22,257	20,836	21,620	21,631	21,481	21,102	21,012	20,998	21,116	21,151	22,408
706	470	539	274	99	6	1	22	49	35	28
264	279	292	327	258	175	166	159	261	86	96
970	749	831	601	357	181	167	181	310	121	124
23,227	21,585	22,451	22,232	21,838	21,283	21,179	21,179	21,426	21,272	22,532

TABLE 21

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

Fiscal Year	Classroom Teachers (1)	Other Instructional (2)	Administrative (3)	Support Services (4)	Total Full Time	Ratio of Instructional Personnel to Administrators
2016-2017	1,433	87	92	1,226	2,838	16.52
2015-2016	1,473	87	97	1,192	2,849	16.08
2014-2015	1,514	98	95	1,230	2,937	16.97
2013-2014	1,507	69	96	1,135	2,807	16.42
2012-2013	1,525	169	92	1,113	2,899	18.41
2011-2012	1,575	175	93	1,134	2,977	18.82
2010-2011	1,590	201	92	1,241	3,124	19.47
2009-2010	1,508	193	81	1,240	3,022	21.00
2008-2009	1,563	184	85	1,281	3,113	20.55
2007-2008	1,627	169	85	1,252	3,133	21.13

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

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

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

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

Source: District records

TABLE 22

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

Fiscal Year	Bachelor's	Master's	Specialist's	Doctorate	All Degrees
2016-2017	\$ 45,777	\$ 48,277	\$ 49,277	\$ 50,277	\$ 43,176
2015-2016	45,034	47,534	48,534	49,534	43,176
2014-2015	43,026	48,930	48,131	47,402	45,017
2013-2014	40,614	49,042	40,453	52,577	43,107
2012-2013	40,872	47,773	47,841	48,932	43,970
2011-2012	41,425	47,678	47,892	48,095	43,616
2010-2011	40,880	46,096	46,431	48,202	42,681
2009-2010	40,568	45,963	43,496	50,705	42,398
2008-2009	39,996	45,622	43,124	49,815	41,795
2007-2008	38,263	45,270	48,218	50,730	40,753
2006-2007	36,322	44,291	45,099	51,607	39,089

Source: District records

TABLE 23
DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Government-wide Governmental Activities Expenses	Public School Enrollment (1)	Percentage Change	Cost per Student	Percentage Change	Classroom Teachers	Percentage Change	Pupil Teacher Ratio
2016-2017	\$ 203,166,169	23,950	8.0%	\$ 8,483	-9.0%	1,433	-4.9%	16.71
2015-2016	199,052,650	23,621	6.3%	8,427	-5.4%	1,473	-3.4%	16.04
2014-2015	203,030,347	22,444	1.0%	9,046	1.6%	1,514	-0.7%	14.82
2013-2014	206,783,822	22,186	-0.2%	9,320	4.7%	1,507	-1.2%	14.72
2012-2013	197,926,671	22,228	-1.0%	8,904	0.5%	1,525	-3.2%	14.58
2011-2012	198,906,971	22,442	-2.4%	8,863	-7.3%	1,575	-0.9%	14.25
2010-2011	219,964,029	22,998	-1.3%	9,564	6.9%	1,590	5.4%	14.46
2009-2010	208,416,520	23,296	-0.7%	8,946	1.1%	1,508	-3.5%	15.45
2008-2009	207,610,483	23,454	1.2%	8,852	0.1%	1,563	-3.9%	15.01
2007-2008	204,955,131	23,172	-0.2%	8,845	8.8%	1,627	4.2%	14.24

(1) Enrollment includes grades prekindergarten through adult students.

Source: District records

COMPLIANCE SECTION





Compliance Section

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

Content	Page
Schedule of Expenditures of Federal Awards	128
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	129
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	131
Schedule of Findings and Questioned Costs	133
Management Letter	135
Management Letter Comments	137
Independent Accountants' Report	138
Management Response Letter	139

HERNANDO COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	\$ 1,717,781	
National School Lunch Program	10.555	14001, 14003	7,182,549	
Summer Food Service Program for Children	10.559	14006, 14007	243,634	
Fresh Fruit and Vegetable Program	10.582	14006	-	
Total Child Nutrition Cluster			<u>9,143,964</u>	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4575	455,589	
Total United States Department of Agriculture			<u>9,599,553</u>	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262,263	5,374,268	
Special Education - Preschool Grants	84.173	267	84,558	
Total Special Education Cluster			<u>5,458,826</u>	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191,193	237,285	
Title I Grants to Local Educational Agencies	84.010	212,226	5,487,224	
Career and Technical Education - Basic Grants to States	84.048	161	240,651	
Education for Homeless	84.196	127	44,625	
English Language Acquisition Grants	84.365	102	130,585	
Improving Teacher Quality State Grants	84.367	224	743,976	
Total Indirect			<u>6,884,346</u>	
Total United States Department of Education			<u>12,343,172</u>	
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	132,944	
Navy Junior Reserve Officers Training Corps	None	N/A	71,705	
Total United States Department of Defense			<u>204,649</u>	
Total Expenditures of Federal Awards			<u>\$ 22,147,374</u>	<u>\$ -</u>

Notes:

- (1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2016-2017 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - Food Donation - Represents the amount of donated food received during the 2016-2017 fiscal year totaling \$0 and for cash-in-lieu of foods totaling \$794,019. Donated food is valued at fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

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

Hernando County District School Board and
Superintendent of Schools
Brooksville, 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 Hernando County District School Board (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 23, 2018. Our report includes a reference to other auditors who audited the financial statements of the three Charter Schools listed as discretely presented component units and the Agency Fund listed as aggregate remaining fund information, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

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

Internal Control Over Financial Reporting (Concluded)

- **Finding-2017-1**—*Inventory of Capital Assets (Also included in the 2014, 2015, and 2016 prior year audit reports and elevated to a significant deficiency during the 2017 audit as a result of an additional matter noted).*

Per our review of the capital asset records and discussion with management, we noted that an inventory of capital assets should be performed that reconciles all capital assets in the subsidiary ledger with capital assets on hand. Additionally, we recommend that a schedule of approved construction projects in process be maintained to further reconcile records with responsible departments to monitor costs to-date and completion of costs for future capitalization.

During our review of the capital asset audit area, we noted discrepancies of the information provided and management was required to provide additional information and reconciliations. In addition we noted in the 2017 fiscal year that an invoice for construction costs of approximately \$900,000 was never submitted for payment from the department responsible for the approval of construction invoices.

We recommend that the departments responsible for the safeguarding of these capital assets and record keeping, perform additional reviews and reconciliations of the physical locations of these capital assets, including the documentation of the procedures to ensure that the inventory records and the financial records are in agreement. These additional procedures should provide for improvement in financial reporting, timely payment, and monitoring of construction and capital assets.

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 another matter that we reported to management of the District in a separate letter dated February 23, 2018.

School Boards Response to Findings

The School Board's response to the findings identified in our audit is described in the accompanying letter. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of 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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

February 23, 2018
Ocala, Florida

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

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

Report on Compliance for Each Major Federal Program

We have audited the Hernando County District School Board's (the District) compliance with the types of compliance requirements described in the Office of Management and Budget, *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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL 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 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of 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 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, as defined above. However, material weaknesses may exist that have not been identified.

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

Purvis, Gray and Company, LLP

February 23, 2018
Ocala, Florida

**HERNANDO COUNTY DISTRICT SCHOOL BOARD
BROOKSVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

1. **Summary of Auditors' Results**

- I. The auditors' report expresses an unmodified opinion on the financial statements of Hernando County District School Board (the District).
- II. A significant deficiency (2017-1) disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
- III. No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- IV. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- V. The auditors' report on compliance for major federal programs for the District expresses an unmodified opinion on all major federal programs
- VI. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
- VII. The program tested as a major program was:
 - **Department of Education**
 - CFDA 84.010 Title I Grants to Local Educational Agencies
- VIII. **Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

\$750,000
- IX. **Auditee Qualification as Low-risk Auditee**

The auditee qualified as a low-risk auditee.

**HERNANDO COUNTY DISTRICT SCHOOL BOARD
BROOKSVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017
(Concluded)**

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

See Finding No. 2017-1

3. **Findings and Questioned Costs for Federal Awards Required to be Reported as defined by the Uniform Guidance 2 CFR 200.516(a)**

There were no current year findings.

MANAGEMENT LETTER

Hernando County District School Board and
Superintendent
Brooksville, Florida

Report on the Financial Statements

We have audited the financial statements of the Hernando County District School Board, Florida (the District), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated February 23, 2018. Our report includes a reference to other auditors. Other auditors audited the financial statements of the three Charter Schools included in the aggregate discretely presented component units and the Fiduciary Funds included in the aggregate remaining fund information, 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 those audits 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; 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.800, *Rule of the Auditor General*

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standard*, Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountants' Report in accordance with Chapter 10.800, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated February 23, 2018, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations (see Management Letter Comment).

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Hernando County District School Board and
Superintendent
Brooksville, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition and Management

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

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 financial information provided by the same.

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, please see the accompanying Management Letter Comments.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we communicate results of our determination as to whether or not the District maintains on its Web site the information specified in Section 1011.035, Florida Statutes. (Section 1011.035, Florida Statutes, provides that district school boards shall prominently post on their Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

Additional Matters

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires us to communicate 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.

Durvis, Gray and Company, LLP

February 23, 2018
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Hernando County District School Board and
Superintendent
Brooksville, Florida

During the course of our 2017 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 Findings and Recommendations

2017-2 Information Technology System and Controls (Prior Year 2016-1) (Updated for 2017)

During our review of the District's current information technology system (IT) and general access controls to the system, we noted certain areas that need to be considered for improvement:

- Both the current AS400 system that supports the TERMS financial application system and the TERMS application system itself, is aging and well behind modern technology. The age of the system and financial application is making it difficult and cumbersome to offer the functionality and capability to achieve the District's objectives and requirements. We recommend that management determine if the continued use of this outdated technology will be able to serve the needs of the School Districts technology needs.

At this time, we would like to thank the management and Superintendent of the District for the professionalism and courteous assistance provided throughout the audit process.

Purvis, Gray and Company, LLP

February 23, 2018
Ocala, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

INDEPENDENT ACCOUNTANTS' REPORT

Hernando County District School Board and
Superintendent of Schools
Brooksville, Florida

We have examined Hernando County District School Board (the District)'s compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the fiscal year ended June 30, 2017. Management is responsible for the District's compliance with those requirements. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2017.

This report is intended solely for the information and use of the Florida Auditor General, the Board of Supervisors of the District, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties

Purvis, Gray and Company, LLP

February 23, 2018
Ocala, Florida

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS



February 23, 2018

Helen Y. Painter, CPA, Partner
Purvis Gray & Company
2347 SE 17th Street
Ocala, FL 34471

Re: Hernando County District School Board Preliminary and Tentative Audit Findings for the
Fiscal Year Ended June 30, 2017

Dear Ms. Painter,

Please accept the following written response concerning the preliminary and tentative audit findings for the Hernando County School Board's 2016-2017 fiscal year financial and federal audit.

Finding No. 2017-1 Inventory of Capital Assets

The District has developed and implemented the auditor's recommendations by establishing written procedures that document additional reviews to properly reflect the assignment of capital assets. District Warehouse and Property Control staff have been trained on the new inventory procedures to ensure the completeness and accuracy of reporting inventory. Also, the Manager of Warehouse will participate in bookkeeper trainings throughout the year to review property control and capital asset procedures.

Districtwide inventory of capital assets will be conducted periodically throughout the school year. Upon completion, Technology Information Services will run a missing property report by site location. Sites with missing property will receive a copy of this report and will be required to provide any missing documentation to the Property Control Department within ten working days upon receipt of the report.

Technology Information Services has established security controls within our current Enterprise Resource Software system to require the approval of the Manager of Warehouse for any purchases with the acquisition cost of more than \$1,000 to ensure that all capital asset purchases will be properly labeled and recorded into inventory. All capital asset purchases will be logged into a spreadsheet by site location indicating the date of acquisition, vendor name, purchase order number, cost, account number and asset number. The spreadsheet will include district and internal purchases, cannibalizations and donations. A Property Transfer form is required when property is transferred within the District. All Property Transfer forms are entered and tracked in School Dude Software.

Facilities has developed procedures for processing construction projects and reconciling records within departments. All construction projects will be maintained on a spreadsheet that lists the project name, account number, purchase order number, payment history and retainage payable. The spreadsheet will be cross referenced to the Districts Enterprise Resource Software to monitor cost to date and completion of costs for future capitalization.

If you should have any questions or concerns, please contact Joyce McIntyre, Director of Finance & Purchasing at (352) 797-7004.

Sincerely,



Lori M. Romano, Ph.D.
Superintendent

LMR/jmm

Cc: School Board Members
Heather Martin, Deputy Superintendent
John Stratton, Executive Director of Business Services
Sean Arnold, Executive Director of Support Operations

The School District of Hernando County, Florida

Office of the Superintendent

919 N. Broad Street
Brooksville, FL 34601
Phone: (352) 797-7000
Fax: (352) 797-7101



Superintendent: *Lori M. Romano, Ph.D.*
Board Chairperson: *Mark C. Johnson*
Vice Chairperson: *Linda K. Prescott*
Board Members:
Susan Duval
Gus Guadagnino
Beth Narverud

February 23, 2018

Helen Y. Painter, CPA, Partner
Purvis Gray & Company
2347 SE 17th Street
Ocala, FL 34471

Re: Hernando County District School Board Preliminary and Tentative Audit Findings for the
Fiscal Year Ended June 30, 2017

Dear Ms. Painter,

Please accept the following written response to the prior year finding for the Hernando County
School Board's 2016-2017 Fiscal Year financial and federal audit.

**Finding No. 2017-2 Information Technology System and Controls (Prior Year 2016-1)
(Updated for 2017)**

On February 13, 2018, the District received tentative approval to purchase a new Enterprise Resource
Planning (ERP) system (Skyward). The final approval to purchase the new ERP system is scheduled to
be presented for Board approval on February 27, 2018. Skyward will be replacing a legacy system
that has been used by the District for more than 23 years. This new system will allow current manual
processes to become automated which will increase efficiencies and sustainable operations, enhance
internal controls, and ensure accuracy in financial reporting.

If you should have any questions or concerns, please contact Joyce McIntyre, Director of Finance &
Purchasing at (352) 797-7004.

Sincerely,

A handwritten signature in blue ink that reads "Lori M. Romano".

Lori M. Romano, Ph.D.
Superintendent

LMR/jmm

Cc: School Board Members
Heather Martin, Deputy Superintendent
John Stratton, Executive Director of Business Services
Gina Michalicka, Executive Director of Academic Services



