

Annual Financial Report

For the Fiscal Year Ended June 30, 2015



Florida
VirtualSchool



THE FLORIDA VIRTUAL SCHOOL
Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
 Basic Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet-Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to the Financial Statements	19
 Required Supplemental Information	
Budgetary Comparison Schedule-General Fund	36
Schedule of Funding Progress-Other Post Employment Benefits Plan	37
Schedule of Proportionate Share of Net Pension Liability – FRS	38
Schedule of Contributions – FRS	39
Schedule of Proportionate Share of Net Pension Liability – HIS	40
Schedule of Contributions – HIS	41
Notes to the Pension Plans Schedules	42

THE FLORIDA VIRTUAL SCHOOL
Table of Contents

Other Reports

Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45
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>Governmental Auditing Standards</i>	47
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	49
Independent Auditor’s Management Letter	52
Independent Accountant’s Report	54



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of
The Florida Virtual School
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Florida Virtual School (the "School") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in the fiscal year ended June 30, 2015, the School adopted the provisions of Government Accounting Standards Board Statement (GASBS) Number 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement Number 27*. As a result of the implementation of GASBS 68, the School reported a restatement for the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison for the general fund, the Schedule of Funding Progress – Other Postemployment Benefits Plan, and Pension Plan Schedules and Notes, 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 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.

Chairman and Members of
The Florida Virtual School

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 12, 2016

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

The management of The Florida Virtual School (the "School") has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the School's financial activities; (c) identify changes in the School's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds for the fiscal year ended June 30, 2015.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 was implemented during fiscal year 2015. GASB 68 requires reporting entities to recognize their proportionate share of the net pension liability on financial statements. Since the School's employees participate in the State of Florida Retirement System, the School is now required to include its proportionate share of the retirement system's liabilities in its financial statements. The beginning net position as of July 1, 2014 for the School's governmental activities and business-type activities were restated by (\$57,453,527) and (\$3,667,246), respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. Prior to this change, pension expense was limited to the amount of the annual employer contribution.
- A prior period adjustment of (\$4,710,212) was made to the General Fund beginning fund balance. This adjustment was due to a decrease in the June 30, 2014 Florida Education Funding Program (FEFP) revenue. Under the new FEFP funding model implemented by legislative action, a student FTE (full-time equivalent) for funding is determined on a state-wide basis and not on a district by district basis. The 1.0 FTE sharing formula revenue calculations were provided after the June 30, 2014 financial statements had been presented with the final revenue calculations under the sharing formula being less than what had been estimated at the time the statements were prepared.
- During the current year, General Fund revenues increased \$7,235,577. This increase is due to increased FTE of 2,443 in the FLVS part-time and full-time programs.
- The unassigned fund balance in the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$37,205,181 at June 30, 2015, or 21 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School's basic financial statements are comprised of three components:

- Government-wide financial statements.
- Fund financial statements.

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

- Notes to the financial statements.

In addition, this report also contains other supplementary information which includes management's discussion and analysis.

Government-Wide Financial Statements

The government-wide financial statements (or school-wide financial statements) provide both short-term and long-term information about the School's overall financial condition 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 activities of the primary government presented on the accrual basis of accounting. The statement of net position presents information about the School's financial position, its assets and liabilities and deferred inflows and outflows of resources, using an economic resources measurement focus. The difference between the assets, deferred outflows, liabilities, and deferred inflows is the net position, which is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position, the results of operations during the fiscal year.

The government-wide statements present the School's activities in two categories:

- Governmental activities – This represents most of the School's services including its educational programs. Support functions such as curriculum, technology and administration are also included. The State's education finance program provides most of the resources that support these activities.
- Business-type activities – This consists of the School's FLVS global division and the Florida franchises, which includes functions that are intended to recover all of their costs through user fees and charges for services and provide for curriculum development.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the funds of the School can be divided into two categories:

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

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

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

The School adopts an annual appropriations budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

- **Proprietary Funds** – Proprietary funds may be established to account for activities in which a fee is charged for services. The School uses the proprietary fund to account for its FLVS global, Florida franchises, and self-insurance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net position as of June 30, 2014 and June 30, 2015:

	Net Position, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
Current Assets	\$ 79,261,861	\$ 72,024,708	\$ 11,930,454	\$ 9,470,135	\$ 91,192,315	\$ 81,494,843
Capital Assets	3,919,934	6,588,404	2,073,115	418,579	5,993,049	7,006,983
Total Assets	83,181,795	78,613,112	14,003,569	9,888,714	97,185,364	88,501,826
Pension related deferred outflows	8,726,453	-	557,008	-	9,283,461	-
Other Liabilities	25,565,354	25,090,855	1,582,464	960,948	27,147,818	26,051,803
Long-Term Liabilities	58,283,095	18,096,566	3,321,579	564,022	61,604,674	18,660,588
Total Liabilities	83,848,449	43,187,421	4,904,043	1,524,970	88,752,492	44,712,391
Pension related deferred inflows	23,632,909	-	1,508,483	-	25,141,392	-
Net Position:						
Invested in Capital Assets	3,919,934	6,588,404	2,073,115	418,579	5,993,049	7,006,983
Restricted for State Categoricals	3,657,733	4,054,914	-	-	3,657,733	4,054,914
Unrestricted	(23,150,777)	24,782,373	6,074,936	7,945,165	(17,075,841)	32,727,538
Total Net Position	\$ (15,573,110)	\$ 35,425,691	\$ 8,148,051	\$ 8,363,744	\$ (7,425,059)	\$ 43,789,435

In the case of the School's total governmental and business-type activities, liabilities and deferred inflows exceed assets and deferred outflows by \$7,425,059 at the end of the fiscal year.

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

The deficit unrestricted net position of (\$17,075,841) is a direct result of the new long term pension liability in the amount of \$41,747,079. The pension liability represents the School's proportionate share of the net pension liability of the Florida Retirement System (FRS) plan and the Retiree Health Insurance Subsidy (HIS) plan. Though this long term liability is now required to be reported on the School's financial statements due to the new GASB requirement, it is important to note that the School pays the full amount of its State required retirement contribution each year, which includes an assessment to fund the State's actuarially unfunded liability.

The following is a summary of the School's changes in net position for the fiscal years ended June 30, 2014 and June 30, 2015, as follows:

	Governmental Activities		Business-Type Activities		Total	
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
Program Revenues:						
Charges for Services	\$ 8,796,816	\$ 8,505,291	\$ 21,642,581	\$ 16,572,075	\$ 30,439,397	\$ 25,077,366
General Revenues:						
Grants and Contributions Not Restricted to Specific Programs	162,953,872	158,036,700			162,953,872	158,036,700
Investment Earnings	66,764	68,851	4,988	4,619	71,752	73,470
Miscellaneous	7,063,189	4,466,019	127,559	281,256	7,190,748	4,747,275
Total revenues	178,880,641	171,076,861	21,775,128	16,857,950	200,655,769	187,934,811
Functions/Program Expenses:						
Instruction	124,233,027	126,165,630			124,233,027	126,165,630
Pupil Personnel Services	3,633,908	3,974,790			3,633,908	3,974,790
Instruction and Curriculum Development Svcs	683,836	1,406,380			683,836	1,406,380
Instructional Staff Training Services	2,819,843	4,094,236			2,819,843	4,094,236
Instructional Related Technology	7,181,805	8,486,492			7,181,805	8,486,492
Board	1,134,783	657,094			1,134,783	657,094
General Administration	2,523,920	3,011,734			2,523,920	3,011,734
School Administration	5,081,665	4,089,357			5,081,665	4,089,357
Fiscal Services	1,973,886	1,844,339			1,973,886	1,844,339
Central Services	8,445,821	10,377,745			8,445,821	10,377,745
Operation of Plant	1,321,763	2,114,027			1,321,763	2,114,027
Administrative Technology Services	8,683,430	8,968,994			8,683,430	8,968,994
FLVS Global/Franchises Expenses	-	-	18,321,591	14,031,745	18,321,591	14,031,745
Total functions/program expenses	167,717,687	175,190,818	18,321,591	14,031,745	186,039,278	189,222,563
Changes in net position	11,162,954	(4,113,957)	3,453,537	2,826,205	14,616,491	(1,287,752)
Net position July 1, 2014, restated	(26,736,064)	39,539,648	4,694,514	5,537,539	(22,041,550)	45,077,187
Net position, June 30, 2015	\$ (15,573,110)	\$ 35,425,691	\$ 8,148,051	\$ 8,363,744	\$ (7,425,059)	\$ 43,789,435

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

The largest revenue source is the State of Florida (81 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. Included in the FEFP funds is revenue the School receives for both part-time and full-time programs. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts. The Florida Virtual School is a unique member of the FEFP in that revenues are only earned for students that successfully complete a course.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$37,205,181. The total unassigned fund balance represents 21 percent of total General Fund revenues, which increased over last year's unassigned fund balance of \$27,690,238 or 16 percent of total General Fund revenues. The School does not have the ability to draw cash in the event of an emergency from other funds, such as capital, or to borrow funds from outside sources so it is necessary to maintain a higher than standard fund balance.

General Fund Budgetary Highlights

The actual General Fund revenues were higher than the adjusted budgeted revenues by \$6,077,686 due to the increase in state and local revenues. The actual General Fund expenditures were less than the adjusted budgeted appropriations by \$16,579,615 due to several unfilled job opportunities as well as various other budgetary accounts that were not fully expended. Included in the unexpended balance are outstanding purchasing commitments of \$2,243,197 and restricted categoricals of \$3,657,733.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The School's investment in capital assets as of June 30, 2015, amounts to \$5,993,049 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment; computer software, and courses. The total decrease in the School's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$1,013,934.

OTHER MATTERS

For fiscal year 2016, the Board of Trustees adopted a budget for the General Fund appropriations of approximately \$177,745,226. Revenues for fiscal year 2016 is expected to be approximately \$175,304,581. To ensure adequate fund balance is available for financial emergencies, FLVS has reserved approximately 8% of state and virtual learning lab revenues.

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the John Pavelchak, Chief Financial Officer, The Florida Virtual School, 2145 MetroCenter Blvd, Suite 100, Orlando, Florida, 32835, 407-513-3320, jpavelchak@flvs.net.

Basic Financial Statements

Annual Financial Report 2015

Florida
VirtualSchool

The logo for Florida Virtual School features the text "Florida VirtualSchool" in white. "Virtual" is in a bold, sans-serif font, while "School" is in a regular weight. A white swoosh underline is positioned beneath the word "Virtual".

**The Florida Virtual School
Statement of Net Position
June 30, 2015**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 45,245,864	\$ 6,332,487	\$ 51,578,351
Investments	18,089,497	-	18,089,497
Accounts Receivable, net	9,971,602	6,106,998	16,078,600
Due from Other Funds	509,031	(509,031)	-
Due from Other Agencies	5,445,867	-	5,445,867
Capital Assets:			
Depreciable, net	3,919,934	2,073,115	5,993,049
Total Assets	<u>83,181,795</u>	<u>14,003,569</u>	<u>97,185,364</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>8,726,453</u>	<u>557,008</u>	<u>9,283,461</u>
LIABILITIES			
Wages and Benefits Payable	7,314,371	596,292	7,910,663
Accounts Payable	13,274,660	844,888	14,119,548
Due to Other Agencies	4,975,172	-	4,975,172
Unearned Revenue	1,151	141,284	142,435
Long-Term Liabilities:			
Portion Due and Payable Within One Year:			
Liability for Compensated Absences	1,643,071	117,775	1,760,846
Estimated Insurance Claims Payable	1,045,913	-	1,045,913
Portion Due and Payable After One Year:			
Liability for Compensated Absences	8,055,898	698,979	8,754,877
Liability for Other Post Employment Benefits	8,295,959	-	8,295,959
Liability for Florida Retirement Pension & Health Subsidy	<u>39,242,254</u>	<u>2,504,825</u>	<u>41,747,079</u>
Total Liabilities	<u>83,848,449</u>	<u>4,904,043</u>	<u>88,752,492</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	<u>23,632,909</u>	<u>1,508,483</u>	<u>25,141,392</u>
NET POSITION			
Investment in Capital Assets	3,919,934	2,073,115	5,993,049
Restricted for State Categoryals	3,657,733	-	3,657,733
Unrestricted	<u>(23,150,777)</u>	<u>6,074,936</u>	<u>(17,075,841)</u>
Total Net Position	<u>\$ (15,573,110)</u>	<u>\$ 8,148,051</u>	<u>\$ (7,425,059)</u>

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

**The Florida Virtual School
Statement of Activities
For the Fiscal Year Ended June 30, 2015**

FUNCTIONS/ PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities		Business-type Activities
Governmental Activities:							
Instruction	\$ 124,233,027	\$	\$	\$	(124,233,027)	\$ (124,233,027)	
Pupil Personnel Services	3,633,908				(3,633,908)	(3,633,908)	
Instruction and Curriculum Development Services	683,836	8,796,816			8,112,980	8,112,980	
Instructional Staff Training Services	2,819,843				(2,819,843)	(2,819,843)	
Instructional Related Technology	7,181,805				(7,181,805)	(7,181,805)	
Board	1,134,783				(1,134,783)	(1,134,783)	
General Administration	2,523,920				(2,523,920)	(2,523,920)	
School Administration	5,081,665				(5,081,665)	(5,081,665)	
Fiscal Services	1,973,886				(1,973,886)	(1,973,886)	
Central Services	8,445,821				(8,445,821)	(8,445,821)	
Operation of Plant	1,321,763				(1,321,763)	(1,321,763)	
Administrative Technology Services	8,683,430				(8,683,430)	(8,683,430)	
Total Governmental Activities	167,717,687	8,796,816			(158,920,871)	(158,920,871)	
Business-type Activities:							
FLVS Global & Franchises	18,321,591	21,642,581				3,320,990	
Total Primary Government	\$ 186,039,278	\$ 30,439,397	\$	\$	\$ (158,920,871)	\$ 3,320,990	
Total						\$ (155,599,881)	
General Revenues:							
Grants and Contributions not Restricted to Specific Programs					162,953,872	-	
Unrestricted Investment Earnings					66,764	4,988	
Miscellaneous					7,063,189	127,559	
Total General Revenues					170,083,825	132,547	
Change in Net Position					11,162,954	3,453,537	
Net Position July 1, 2014, restated					(26,736,064)	4,694,514	
Net Position, June 30, 2015					\$ (15,573,110)	\$ 8,148,051	

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

**The Florida Virtual School
Balance Sheet
Governmental Funds
June 30, 2015**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash	\$ 34,456,415	\$ -	\$ 34,456,415
Investments	18,089,497	-	18,089,497
Accounts Receivable, net	8,472,528	-	8,472,528
Due from Other Funds	583,734	-	583,734
Due from Other Agencies	4,982,970	462,897	5,445,867
Total Assets	\$ 66,585,144	\$ 462,897	\$ 67,048,041
LIABILITIES AND FUND BALANCE			
Liabilities:			
Salaries, Benefits, and Payroll Taxes Payable	\$ 7,312,956	\$ 1,415	\$ 7,314,371
Accounts Payable	11,189,776	386,758	11,576,534
Due to Other Funds	-	74,703	74,703
Due to Other Agencies	4,975,151	21	4,975,172
Unapplied Payments	1,150	-	1,150
Total Liabilities	23,479,033	462,897	23,941,930
Fund Balances:			
Spendable:			
Restricted for State Categoricals	3,657,733	-	3,657,733
Assigned for Encumbrances	2,243,197	-	2,243,197
Unassigned	37,205,181	-	37,205,181
Total Fund Balance	43,106,111	-	43,106,111
Total Liabilities and Fund Balance	\$ 66,585,144	\$ 462,897	\$ 67,048,041

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

**The Florida Virtual School
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2015**

Total Fund Balances - Governmental Funds	\$	43,106,111
 Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
 Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liability		(39,242,254)
 Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions of \$8,726,453 = \$3,014,078 deferred outflows assumptions + \$5,712,375 deferred outflows contributions subsequent to measurement date, 6/30/2014		8,726,453
Deferred inflows of resources related to pensions (from pension schedule)		(23,632,909)
 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.		
		3,919,934
 Compensated Absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
		(9,698,970)
 Other Post Employment Benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
		(8,295,959)
 Internal service funds are used by management to charge the costs of its self-insurance program. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		9,544,484
Net Position - Governmental Activities	\$	(15,573,110)

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

**The Florida Virtual School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2015**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal Through State Sources:			
Other Federal Through State Sources	\$ -	\$ 2,022,105	\$ 2,022,105
Total Federal Through State	-	2,022,105	2,022,105
State Sources:			
Florida Education Finance Program	159,120,170	-	159,120,170
Reading Program	1,396,450	-	1,396,450
School Recognition Program	330,715	-	330,715
Other State Sources	84,432	-	84,432
Total State Sources	160,931,767	-	160,931,767
Local Sources:			
Other Local Sources	15,919,368	-	15,919,368
Total Local Sources	15,919,368	-	15,919,368
Total Revenues	176,851,135	2,022,105	178,873,240
EXPENDITURES			
Current:			
Instruction	120,592,115	1,572,436	122,164,551
Pupil Personnel Services	3,662,202	125,210	3,787,412
Instruction and Curriculum Development Services	679,425	89,630	769,055
Instructional Staff Training Services	3,060,606	114,954	3,175,560
Instruction Related Technology	7,219,452	1,562	7,221,014
School Board	1,148,123	-	1,148,123
General Administration	2,470,869	98,656	2,569,525
School Administration	5,177,783	-	5,177,783
Fiscal Services	1,953,441	-	1,953,441
Central Services	8,568,974	19,657	8,588,631
Operation of Plant	1,347,906	-	1,347,906
Administrative Technology Services	8,283,068	-	8,283,068
Capital Outlay:			
Other Capital Outlay	1,633,924	-	1,633,924
Total Expenditures	165,797,888	2,022,105	167,819,993
Excess of Revenues Over Expenditures	11,053,247	-	11,053,247
Net Change in Fund Balance	11,053,247	-	11,053,247
Fund Balance, July 1, 2014	36,761,092	-	36,761,092
Adj to Beginning Fund Balance	(4,708,228)	-	(4,708,228)
Fund Balance, June 30, 2015	\$ 43,106,111	\$ -	\$ 43,106,111

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

**The Florida Virtual School
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ 11,053,247

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

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

District pension contributions	\$ 5,712,375	
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	<u>(2,407,558)</u>	3,304,817

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 capital outlay, \$1,633,924 less than depreciation/amortization expense, (\$4,302,394) in the current period. (2,668,470)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. 311,594

Other Post Employment Benefits (OPEB) costs are recorded in government funds under the pay-as-you-go method, but under the full accrual method for government-wide statements. (1,196,798)

Internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The net revenue of internal service funds is reported with governmental activities plus the depreciation reported above. 358,564

Change in Net Position - Governmental Activities \$ 11,162,954

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

**The Florida Virtual School
Statement of Net Position
Proprietary Funds
June 30, 2015**

	Business-type Activities FLVS Enterprise Funds	Governmental Activities Internal Service Fund
ASSETS		
Cash	\$ 6,332,487	\$ 10,789,449
Accounts Receivable, net	6,106,998	1,499,074
Capital Assets:		
Depreciable (net)	2,073,115	-
Total Assets	14,512,600	12,288,523
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - FRS and HIS	557,008	-
LIABILITIES		
Wages and Benefits Payable	596,292	-
Accounts Payable	844,888	1,698,126
Due to Other Funds	509,031	-
Est Unpaid Claims - Self Insurance	-	1,045,913
Unearned Revenue	141,284	-
Long-term Liabilities:		
Portion Due and Payable Within One Year:		
Liability for Compensated Absences	117,775	-
Portion Due and Payable After One Year:		
Liability for Compensated Absences	698,979	-
Liability for Florida Retirement Pension & Health Subsidy	2,504,825	-
Total Liabilities	5,413,074	2,744,039
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - FRS and HIS	1,508,483	-
NET POSITION		
Invested in Capital Assets	2,073,115	-
Restricted for Encumbrances	471,027	-
Unrestricted	5,603,909	9,544,484
Total Net Position	\$ 8,148,051	\$ 9,544,484

¹ FLVS enterprise funds include the global services fund, global school fund, franchises fund and the development fund.

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

**The Florida Virtual School
Statement of Revenues, Expenditures and
Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

	Business-type Activities FLVS Enterprise Funds	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for Sales or Services	\$ 21,642,581	\$ -
Premium Revenues	-	17,071,859
Miscellaneous Revenues	127,560	-
Total Operating Revenue	21,770,141	17,071,859
OPERATING EXPENSES		
Salaries	5,200,081	-
Employee Benefits	1,441,117	-
Purchased Services	6,438,883	-
Materials and Supplies	140,747	-
Capital Outlay	912	-
Other Expenses	4,550,213	16,720,695
Bad Debt Expense	(10,890)	-
Unallocated Depreciation/Amortization Expense	560,529	-
Total Operating Expenses	18,321,592	16,720,695
Operating Income (Loss)	3,448,549	351,164
NONOPERATING REVENUES		
Interest	4,988	7,401
Income (Loss) Before Operating Transfers	3,453,537	358,565
Transfers In	7,402,464	-
Transfers Out	7,402,464	-
Change in Net Position	3,453,537	358,565
Net Position - July 1, 2014	8,363,744	9,185,919
Adjustment to Beginning Net Position	(3,669,230)	-
Net Position - June 30, 2015	\$ 8,148,051	\$ 9,544,484

¹ FLVS enterprise funds include the global services fund, global school fund, franchises fund and the development fund.

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

**The Florida Virtual School
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

	Business-type Activities FLVS Enterprise Funds	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 18,692,457	\$ 17,079,642
Payments to Suppliers of Goods and Services	(8,644,967)	(17,855,606)
Payments to Employees	(8,014,131)	-
	2,033,359	(775,964)
Net Cash Provided by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(2,215,065)	-
	(2,215,065)	-
Net Cash Used in Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	4,988	7,401
	4,988	7,401
Net Cash Provided by Investing Activities		
Net Change in Cash	(176,718)	(768,563)
Cash at Beginning of Year	6,511,189	11,558,012
Adjustment to Fund Balance	(1,984)	-
Cash at End of Year	\$ 6,332,487	\$ 10,789,449
Reconciliation of Operating Income to Net Cash Provided by operating activities:		
Operating Income	\$ 3,448,549	\$ 351,164
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization Expense	560,530	-
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	(3,098,154)	7,783
Decrease (Increase) in Prepaid Expenses	-	-
Increase (Decrease) in Due to Other Funds	459,132	(381,897)
Increase (Decrease) in Accounts Payable	292,560	(812,085)
Increase (Decrease) in Salaries and Benefits Payable	308,488	-
Increase (Decrease) in Compensated Absence Payable	252,732	-
Increase (Decrease) in Pension Contribution Payable	(210,946)	-
Increase (Decrease) in Unearned Revenue	20,468	-
Increase (Decrease) in Est Unpaid Claims	-	59,071
	(1,415,190)	(1,127,128)
Total adjustments		
Net Cash Provided by Operating Activities	\$ 2,033,359	\$ (775,964)

¹ FLVS enterprise funds include the global services fund, global school fund, franchises fund and the development fund.

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

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Florida Virtual School (the School) was established by an act of the Florida Legislature, as specified under Title XLVIII, Chapter 1002, Section 1002.37, Florida Statutes, to develop and deliver online and distance learning education. The School initiated online activities in August 1997 in partnership with the School Board of Alachua County and Orange County Public Schools with the name of Florida Online High School. As a result of legislative activity in 2001, the Florida Online High School changed its name to The Florida Virtual School and ended its partnership with the School Board of Alachua and Orange County Public Schools. The Florida Virtual School is a component unit of the State of Florida.

The School is governed by a board of trustees consisting of seven members appointed by the Governor. Members have experience working in a variety of fields such as education, business and government. The board of trustees is required to meet a minimum of four times each year. The board members and the President who served during the 2014-15 fiscal year are shown in the following tabulation:

Board Member	County
Lady Dhyana Ziegler, Ph.D, Chair	Leon
Mr. Brian Cunningham	Broward
Ms. Linda Pellegrini	Orange
Ms. Dorene McShea	Collier
Ronald Blocker, President, Chief Executive Officer	

Criteria for determining if other entities are potential component units of the School which should be reported with the School's 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 provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **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 as a whole. These statements include the non-fiduciary financial activity of the primary government. The statements distinguish between governmental activities of the School and those that are considered business-type activities.

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 School's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

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 or business segment is self-financing or draws from the general revenues of the School.

The School eliminates from the Statement of Net Position and the Statement of Activities interfund transfers and most interfund receivables and payables between funds.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental and proprietary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with the governmental fund financial statements.

The School reports the following major governmental fund:

- 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.

The School reports the following non-major fund:

- Special Revenue Fund – Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Additionally, the School reports the following proprietary fund types:

- Internal Service Fund – to account for the self-insurance activities.
- Enterprise Fund – to account for the activities of FLVS global and Florida franchises.

➤ **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 proprietary fund 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.

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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues from the Enterprise Fund are recognized at the gross value earned. Commissions related to the sales are recorded as an expense. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues and expenses of the School's proprietary funds relate to the sales and services provided by FLVS Global Services, FLVS Global School, Franchises and the Development Funds. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

➤ **Deposits and Investments**

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 statement of cash flows considers cash as those accounts used as demand deposit accounts and investments.

Investments consist of amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investments guidelines established by Section 215.47, Florida Statutes. The School's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School 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 School as those with a useful life greater than a year and costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

Internally generated software, such as coursework for the School, is recognized as an intangible asset. Expenditures relating to the creation of intangible assets are capitalized and reported at cost in the government-wide statement of net position but are reported as expenditures in the governmental fund financial statements. An intangible asset is recognized in the statement of net position only if it is considered identifiable.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	3 years
Internally Generated Courses & Purchased Software	4 years

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future are reported as liabilities in the government-wide statement of net position.

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 is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the School 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 School. The School is permitted to amend its original reporting based on the DOE Schedule of FTE Amendments. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School'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 unencumbered balance of categorical educational program resources.

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

➤ **Fund Balance Policy**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Board itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The Board does not have a policy regarding the commitment or assignment of fund balances. As such, the School does not report any committed or assigned fund balances. However, to ensure that an adequate fund balance is available for financial emergencies, it is a normal practice of the Board to annually budget at least an 8% reserve of its State (FEFP) and Virtual Learning Lab (VLL) revenue in its general fund budget.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

➤ **Pensions**

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CHANGE IN ACCOUNTING PRINCIPLE

Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplemental information. In addition, GASB 68 requires a state and local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

A prior period adjustment of (\$4,710,212) was also made to the General Fund beginning fund balance during fiscal year 2015. This adjustment was due to a decrease in the June 30, 2014 FEFP revenue. The 1.0 FTE sharing formula calculation for the 2014 FEFP revenue was provided after the 2014 statements were presented.

The table below represents the restatement of the July 1, 2014 beginning net position.

	Governmental Activities	Business-type Activities
Net Position as previously reported at June 30, 2014	\$ 35,425,691	\$ 8,363,744
Prior period adjustment - Implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(62,650,075)	(3,998,941)
Deferred outflows - School contributions made during fiscal year 2014	5,196,548	331,695
Total prior period adjustment due to GASB 68	<u>(57,453,527)</u>	<u>(3,667,246)</u>
Adjustment due to 2014 FEFP revenue decrease	(4,710,212)	-
Adjustment between funds	1,984	(1,984)
Net position as restated, July 1, 2014	<u>\$ (26,736,064)</u>	<u>\$ 4,694,514</u>

For additional information on the School's retirement programs, see Notes 12 and 13.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are presented on the balance sheet net of estimated uncollectible amounts. The School records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The School recorded an allowance for doubtful accounts of \$18,000 as of June 30, 2015.

4. 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 meetings 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 function (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board of Trustees meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders and other commitments are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

5. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the School to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool, money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts, and direct obligations of the U.S. Treasury.

Investments with a fair value of \$18,089,497 at June 30, 2015, are in the State Board of Administration investment pool (Florida PRIME) with a weighted average maturity (WAM) of 34 days. A portfolio's WAMP 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. The School's investment in Florida PRIME is rated AAAM by Standard and Poor's.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Balance 7-1-14	Additions	Deletions	Balance 6-30-15
GOVERNMENTAL ACTIVITIES:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 5,047,312	\$ 128,767		\$ 5,176,079
Less Accumulated Depreciation	4,055,097	543,725		4,598,822
Total Furniture, Fixtures, and Equipment	992,215	(414,958)	-	577,257
Internally Created Software	23,858,795	1,505,157		25,363,952
Less Accumulated Amortization	18,262,606	3,758,669		22,021,275
Total Internally Created Software	5,596,189	(2,253,512)	-	3,342,677
BUSINESS-TYPE ACTIVITIES:				
Furniture, Fixtures, and Equipment	20,290	-	-	20,290
Less Accumulated Depreciation	578	6,763	-	7,341
Total Furniture, Fixtures, and Equipment	19,712	(6,763)	-	12,949
Internally Created Software	531,823	2,215,065	-	2,746,888
Less Accumulated Amortization	132,956	553,766	-	686,722
Total Internally Created Software	398,867	1,661,299	-	2,060,166
TOTAL GOV'T & BUSINESS-TYPE- CAPITAL ASSETS, NET	\$ 7,006,983	\$ (1,013,934)	\$ -	\$ 5,993,049

Depreciation/Amortization expense for the governmental funds was charged to functions for the year ended June 30, 2015 as follows:

Function	Amount
GOVERNMENTAL	
Instruction	\$ 3,758,669
Administrative Related Technology	500,227
Instructional Related Technology	43,498
Total Depreciation/Amortization-Governmental Activities	\$ 4,302,394

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

7. OPERATING LEASES

The School is obligated under a lease agreement for office facilities beginning October 1, 2013 and ending July 31, 2022. The base rent is being waived for the period of February 1, 2015 through July 31, 2015. The annual lease payments increase approximately 3% beginning fiscal year 2018. The total amount of payments for fiscal year ending June 30, 2015 is \$656,975.

Annual remaining rent payments are shown in the table below:

<u>Fiscal Year Ending June 30</u>	<u>Payment</u>
2016	\$ 1,018,681
2017	1,142,144
2018	1,176,550
2019	1,211,691
2020	1,248,056
2021-2023	2,721,040
Total	<u>\$ 8,518,162</u>

8. CHANGES IN LONG-TERM LIABILITIES

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

<u>Description</u>	<u>Balance</u>			<u>Balance</u>	<u>Due in</u>
	<u>7-1-14</u>	<u>Additions</u>	<u>Reductions</u>	<u>6-30-15</u>	<u>One Year</u>
Governmental Activities	\$ 10,010,563	\$ 539,482	\$ 851,076	\$ 9,698,969	\$ 1,643,071
Business-Type Activities	564,022	348,402	95,670	816,754	117,775
Compensated Absences Payable	10,574,585	887,884	946,746	10,515,723	1,760,846
Governmental Activities	62,650,075	5,421,636	28,829,457	39,242,254	-
Business-Type Activities	3,998,941	346,062	1,840,178	2,504,825	-
Florida Retirement & Health Subsidy	66,649,016	5,767,698	30,669,635	41,747,079	-
Estimated Insurance Claims Payable	986,842	1,045,913	986,842	1,045,913	1,045,913
Other Post Employment Benefits	7,099,161	1,196,798	-	8,295,959	-
Total	<u>\$ 85,309,604</u>	<u>\$ 8,898,293</u>	<u>\$32,603,223</u>	<u>\$ 61,604,674</u>	<u>\$ 2,806,759</u>

9. ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables reported in the fund financial statements at June 30, 2015:

Funds	Interfund	
	Receivables	Payables
	Due From	Due To
Major Governmental Funds		
General Fund	\$ 509,031	\$ -
Business-type Activities	-	509,031
Total	\$ 509,031	\$ 509,031

The interfund receivables and payables represent the payments of expenditures by one fund for another fund and will be repaid within 12 months.

The following is a summary of interfund transfers reported in the proprietary financial statements at June 30, 2015:

Funds	Intrafund	
	Transfer In	Transfer Out
Enterprise Fund		
FLVS Development	\$ 7,402,464	
FLVS Global Services		4,213,924
FLVS Global School		494,654
Franchises		2,693,886
Total	\$ 7,402,464	\$ 7,402,464

The interfund transfers represent a transfer of profit from the FLVS global and franchise enterprise funds to the FLVS global development enterprise fund. Of the amount transferred to FLVS development fund, \$3,211,735 was used for the development of student courses, with the remainder used for various technology upgrades.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue for the General Fund for the 2014-15 fiscal year:

Source	2014-15
Florida Education Finance Program	\$ 159,120,170
Other State Sources:	
Reading Program	1,396,450
School Recognition Program	330,715
Miscellaneous State	84,432
Total Other State Sources	1,811,597
Total State Revenues	\$ 160,931,767

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

12. STATE RETIREMENT PROGRAM

All regular employees of the School are covered by the Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. The FRS is a single retirement system administered by the Division of Retirement, Department of Management Services, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

The FRS Pension Plan is a defined benefited plan qualified under Section 401(a) of the Internal Revenue Code. The following information provides vesting options:

- Vesting refers to an earned right to receive retirement benefits when the employee reaches normal retirement of 62 years of age or by 30 years of service for employees who began participation in the FRS prior to July 1, 2011. Vesting refers to an earned right to receive retirement benefits when the employee reaches normal retirement of 65 years of age or by 33 years of service for employees who began participation in the FRS on/after July 1, 2011.
- Six (6) years of contiguous service is required to become fully vested for FRS members whose participation in the FRS began prior to July 1, 2011.
- Eight (8) years of contiguous service is required to become fully vested for employees who begin participation in the FRS on or after July 1, 2011.
- Effective July 1, 2011 all employee contributions are immediately vested, minus any interest earnings for those in the Pension Plan, once the member has been off all FRS covered payrolls

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

for three full calendar months. Employer contributions made on behalf of the member are not refundable prior to vesting.

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, and death benefits and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. School employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 553 School participants during the 2014-15 fiscal year. Required contributions made to PEORP totaled \$2,194,454.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of the FRS. During the 2014-15 fiscal year, contribution rates were as follows:

Class or Plan	<u>Percent of Gross Salary</u>	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.37
Florida Retirement System, Senior Management Service	3.00	21.14
Deferred Retirement Option Program - Applicable to Members from all of the Above Classes or Plans	0.00	12.28
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) In addition to the rates shown, employer rates include 1.26 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the retirement class in which re-employed.

The School's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contributions for the fiscal years ended June 30, 2013, June 30, 2014 and June 30, 2015, totaled \$5,065,845, \$6,722,389, and \$7,061,736 respectively, which were equal to the required contributions for each fiscal year.

The financial statements and the required supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

statements, required supplemental information, actuarial report, and other relevant information is available from the Florida Department of Management Services, Division of Retirement.

13. REQUIRED CHANGE IN ACCOUNTING FOR STATE RETIREMENT PROGRAM - PENSIONS

Plan Description. During fiscal year 2014-2015, The Florida Virtual School implemented Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires reporting entities to recognize their proportionate share of the net pension liability on financial statements. The Florida Virtual School participates in two defined benefit plans (as also described in Note 12):

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options.
- The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2014, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

Employer Contributions. Contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts. Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements and in the pension allocation schedules for the defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

The School's contribution for pension plan funding for the current period for FRS (Florida Retirement System) and HIS (Health Insurance Subsidy) were \$4,902,731 and \$1,075,028, respectively.

Net Pension Liability. At June 30, 2015, the School reported a FRS liability of \$12,404,518 and a HIS liability of \$29,342,561 for its proportionate share of the net pension liability. The total pension liability was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2014. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all Division of Retirement participating employers. At June 30, 2014, the School's collective proportions were .203303739% for FRS and .313815997% for HIS, which was a decrease of .013844272% and .022355845%, respectively, measured as of June 30, 2013.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the School recognized pension expense of \$2,561,232. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Gov't Activities	Bus-type Activities	Gov't Activities	Bus-type Activities
Differences between expected and actual experience	\$ -	\$ -	\$ 721,571	\$ 46,058
Changes in assumptions or other inputs	3,000,839	191,543	-	-
Net difference between projected and actual earnings on pension plan investments	13,239	845	19,451,228	1,241,566
Changes in proportion and differences between district contributions and proportionate share of contributions	-	-	3,460,110	220,859
District contributions subsequent to the measurement date	5,712,375	364,620	-	-
Total	\$ 8,726,453	\$ 557,008	\$ 23,632,909	\$ 1,508,483

The \$6,076,995 (\$5,712,375 + \$364,620) reported as deferred outflows of resources related to pensions resulting from the School contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to FRS and HIS pensions will be recognized in pension expense as follows:

Reporting Period		
Ending June 30,	FRS Expense	HIS Expense
2016	\$ (4,912,703)	\$ 171,929
2017	(4,912,703)	171,929
2018	(4,912,703)	171,929
2019	(4,912,703)	171,929
2020	260,496	168,407
Thereafter	78,149	202,089
Totals	\$ (19,312,167)	\$ 1,058,212

Actuarial Methods and Assumptions. Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2015 for the period July 1, 2008, through

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

June 30, 2014. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2014, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 4.29% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2014:

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

Sensitivity Analysis. The following tables demonstrate the sensitivity of the net liability to changes to the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2014.

	FRS Net Pension Liability (Asset)			HIS Net Pension Liability		
	1% Decrease	Current	1% Increase	1% Decrease	Current	1% Increase
NPL per FRS, June 30, 2014	\$ 26,096,800,064	\$ 6,101,470,575	\$ (10,530,828,277)	\$ 10,635,145,404	\$ 9,350,244,011	\$ 8,277,719,058
FLVS proportionate @measurement date, June 30, 2014	0.203303739%	0.203303739%	0.203303739%	0.313815997%	0.313815997%	0.313815997%
FLVS proportionate share of NPL	\$ 53,055,770	\$ 12,404,518	\$ (21,409,568)	\$ 33,374,788	\$ 29,342,561	\$ 25,976,807

Additional Financial and Actuarial Information. Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer, is located in the Florida CAFR for the fiscal year ended June 30, 2013, and in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2014.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

14. RISK MANAGEMENT PROGRAMS

The School 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 Florida Virtual School is a member of the North East Florida Educational Consortium (NEFEC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, and other coverage deemed necessary by the members of the Consortium. However, workers' compensation for employees who reside in states other than Florida is provided through fully insured plans that are not part of NEFEC. Arthur Gallagher Risk Management Services handles the School's multi-state worker's compensation policy for all states in which we have employees that allow such a policy. Section 1001.42(10)(k), Florida Statutes, provides the authority for the School to enter in such a risk management program. The Consortium is self-sustaining through member 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 \$50 million during the 2014-15 fiscal year. The Board of Directors of the Consortium is composed of superintendents of all participating districts and schools. The Putnam County District School Board serves as fiscal agent for the Consortium. The School has not reduced insurance coverage for the past two years. Settled claims have not exceeded insurance coverage for the past three years.

The School provides group health, life and disability insurance to benefited employees. There are three different health plans offered. All are PPO (Preferred Organization) plans, with one plan offering a lower-premium higher-deductible option coupled with an employer-funded HRA contribution. Under these plans, the Board contributes to a portion of the premiums as part of the "fringe benefits" offered to employees. These plans offer four participant tiers to include employee-only, employee plus spouse, employee plus child(ren), and full family coverage. The three plans are administered by Blue Cross Blue Shield of Florida. The School reported an estimated unpaid claims liability of \$1,045,913.

15. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Pursuant to the provision of the Section 112.0801, Florida Statutes, former employees who retire from the School, and eligible dependents, may continue to participate in the School's health and hospitalization plan for medical and prescription coverages. The School subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at the blended group 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 School 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 rates by retirees eligible for Medicare are reduced by the Medicare premium. Separate stand-alone financial statements for the plan are not prepared.

Funding Policy. The School funds the postemployment benefit on a pay-as-you-go basis. For fiscal year 2014-15, 30 retirees received health care benefits. The School provided required contributions estimated at \$106,182 toward the annual Other Post Employment Benefits ("OPEB") cost, comprised of benefit payments made on behalf of retirees net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligations. The following table shows the School's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's net OPEB obligation:

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

Description	Amount
Normal Cost (service cost for one year)	\$ 785,876
Amortization of Unfunded Actuarial Accrued Liability	528,936
Interest on Normal Cost and Amortization	-
Annual Required Contribution (ARC)	1,314,812
Interest on Net OPEB Obligation (NOO)	283,966
Adjustment to Annual Required Contribution	(295,798)
Annual OPEB Cost (Expense)	1,302,980
Estimated Contribution Toward the OPEB Cost	(106,182)
Increase in Net OPEB Obligation	1,196,798
Net OPEB Obligation, Beginning of Year	7,099,161
Net OPEB Obligation, End of Year	<u>\$ 8,295,959</u>

The School's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,631,664	\$ 80,088	4.91%	\$ 5,328,360
June 30, 2014	\$ 1,719,780	\$ (51,021)	-2.97%	\$ 7,099,161
June 30, 2015	\$ 1,302,980	\$ 106,182	8.15%	\$ 8,295,959

Funded Status and Funding Progress. As of June 30, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$12,447,964, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability of \$12,447,964 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$91,872,334 for the 2014-2015 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.55 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the 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 is presented as required supplementary information following the notes to the financial statements.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis.

The School's OPEB actuarial valuation as of June 30, 2015, used the Entry Age actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of June 30, 2015 and to estimate the School's 2014-2015 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent discount rate, compounded annually. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and projected salary increases of 4.0% through 7.80%. The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll on a closed basis. The remaining amortization period at June 30, 2015, is 24 years.

16. LITIGATION

From time to time, the School may be involved in litigation. Currently, the School is not aware of any pending or threatened legal actions that would have a material effect on the financial statements.

Required Supplementary Information

Annual Financial Report 2015

Florida
VirtualSchool

The logo for Florida Virtual School features the word "Virtual" in a bold, sans-serif font, with "School" in a lighter weight of the same font. A white swoosh underline is positioned beneath the word "Virtual".

**The Florida Virtual School
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive / (Negative)
REVENUES				
State Sources:				
Florida Education Finance Program	\$ 137,321,740	\$ 154,737,955	\$ 159,120,170	\$ 4,382,215
Reading Program	1,185,854	1,353,310	1,396,450	43,140
School Recognition Program	-	-	330,715	330,715
Other State Sources	-	86,874	84,432	(2,442)
Total State Sources	138,507,594	156,178,139	160,931,767	4,753,628
Local Sources:				
Other Local Sources	16,167,221	14,595,310	15,919,368	1,324,058
Total Local Sources	16,167,221	14,595,310	15,919,368	1,324,058
Total Revenues	154,674,815	170,773,449	176,851,135	6,077,686
EXPENDITURES				
Current:				
Instruction	111,869,702	128,131,429	120,592,115	7,539,314
Pupil Personnel Services	3,798,559	3,837,172	3,662,202	174,970
Instruction and Curriculum Development Services	533,498	1,239,396	679,425	559,971
Instructional Staff Training Services	3,267,623	3,540,837	3,060,606	480,231
Instruction Related Technology	7,614,403	8,006,751	7,219,452	787,299
School Board	842,553	1,103,837	1,148,123	(44,286)
General Administration	2,611,502	2,713,940	2,470,869	243,071
School Administration	6,279,234	6,362,814	5,177,783	1,185,031
Fiscal Services	2,630,080	2,150,901	1,953,441	197,460
Central Services	9,242,386	10,085,486	8,568,974	1,516,512
Operation of Plant	1,350,691	1,793,437	1,347,906	445,531
Administrative Technology Services	6,487,804	11,777,579	8,283,068	3,494,511
Capital Outlay:				
Other Capital Outlay		1,633,924	1,633,924	-
Total Expenditures	156,528,035	182,377,503	165,797,888	16,579,615
Excess (Deficiency) of Revenues Over Expenditures	(1,853,220)	(11,604,054)	11,053,247	22,657,301
Net Change in Fund Balance	(1,853,220)	(11,604,054)	11,053,247	22,657,301
Fund Balance, July 1, 2014	27,087,868	36,761,092	36,761,092	-
Adjustment to Beginning Fund Balance	-	(4,708,228)	(4,708,228)	-
Fund Balance, June 30, 2015	\$ 25,234,648	\$ 20,448,810	\$ 43,106,111	\$ 22,657,301

**The Florida Virtual School
Required Supplementary Information
Schedule of Funding Progress
Other Post Employment Benefits Plan
For the Fiscal Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2013	\$ -	\$ 14,010,519	\$ 14,010,519	0.00%	\$ 87,176,211	16.07%
June 30, 2014	\$ -	\$ 14,010,519	\$ 14,010,519	0.00%	\$ 87,176,211	16.07%
June 30, 2015	\$ -	\$ 12,447,964	\$ 12,447,964	0.00%	\$ 91,872,334	13.55%

**The Florida Virtual School
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 Florida Retirement System**

	2014
Florida Virtual School's proportion of the net pension liability (asset)	0.203303739%
Florida Virtual School's proportionate share of the net pension liability (asset)	\$ 12,404,518
Florida Virtual School's covered-employee payroll	\$ 91,872,334
Florida Virtual School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.50%
Plan fiduciary net position as a percentage of the total pension liability	96.09%

Note: One year of data available for GASB 68 compliance which was adopted June 30, 2015.

**The Florida Virtual School
 Required Supplementary Information
 Schedule of Contributions
 Florida Retirement System**

		2014
Contractually required contribution	\$	4,902,731
Contributions in relation to the contractually required contribution	\$	(4,902,731)
Contribution deficiency (excess)	\$	-
Florida Virtual School's covered-employee payroll	\$	91,872,334
Contributions as a percentage of covered-employee payroll		5.34%

Note: One year of data available for GASB 68 compliance which was adopted June 30, 2015.

**The Florida Virtual School
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 Health Insurance Subsidy Program**

	2014
Florida Virtual School's proportion of the net pension liability (asset)	0.313815997%
Florida Virtual School's proportionate share of the net pension liability (asset)	\$ 29,342,561
Florida Virtual School's covered-employee payroll	\$ 91,872,334
Florida Virtual School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.94%
Plan fiduciary net position as a percentage of the total pension liability	0.99%

Note: One year of data available for GASB 68 compliance which was adopted June 30, 2015.

**The Florida Virtual School
 Required Supplementary Information
 Schedule of Contributions
 Health Insurance Subsidy Program**

		<u>2014</u>
Contractually required contribution	\$	1,075,028
Contributions in relation to the contractually required contribution	\$	(1,075,028)
Contribution deficiency (excess)	\$	-
Florida Virtual School's covered-employee payroll	\$	91,872,334
Contributions as a percentage of covered-employee payroll		1.17%

Note: One year of data available for GASB 68 compliance which was adopted June 30, 2015.

THE FLORIDA VIRTUAL SCHOOL
Required Supplementary Information
Notes to the Pension Plans Schedules
Year Ended June 30, 2015

Note 1. Factors That Affect Trend

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

The following changes in actuarial assumptions occurred in 2014:

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

Other Reports

Annual Financial Report 2015



THE FLORIDA VIRTUAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Federal Pass-Through Entity Federal Program	CFDA Number	Contract/ Grant Number	Contract Period	Expenditures	Amount Provided to Sub-Recipients
Federal Awards					
U.S. Department of Education					
Indirect:					
Passed through the State of Florida Department of Education					
Carl D. Perkins Career & Technical Education	84.048A	48C-1615A-5CV01	07/01/14 - 06/30/15	\$ 23,000	\$ -
Title I - Part A, Basic	84.010A	48C-2125A-5CB01	07/01/14 - 06/30/15	1,042,320	699,292
Title II - Part A	84.367A	48C-2245A-5CT01	07/01/14 - 06/30/15	30,591	5,756
IDEA - Part B	84.027A	48C-2635A-5CB01	07/01/14 - 06/30/15	882,700	652,941
ARRA - Florida Standards Professional Development Action Project	84.395A	48C-RG311-4CP01	03/31/14 - 09/23/14	41,933	-
District Instructional Leadership & Faculty Development	L.I. 109	48C-96480-5S001	07/01/14 - 06/30/15	84,182	-
Postsecondary Education Readiness Assessment	L.I. 131	48C-99750-4ST01	10/20/14 - 06/30/15	1,562	-
Total Department of Education Indirect				<u>2,106,288</u>	<u>1,357,989</u>
Indirect:					
ARRA - Race to the Top Fund - passed through from the University of Central Florida	84.395A	481-RG411-4C001	07/01/13-09/23/14	64,506	-
Total Federal Awards				<u>\$ 2,170,794</u>	<u>\$ 1,357,989</u>

¹ Total award amount for ARRA Race to the Top, CFDA 84.395A is \$106,439

See Accompanying Notes to Schedule

THE FLORIDA VIRTUAL SCHOOL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

NOTE 1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Florida Virtual School. The School reporting entity is defined in Note 1 to the School's Basic Financial Statements for the year ended June 30, 2015. All federal awards passed through to other government agencies are included in the schedule.

NOTE 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the School's Basic Financial Statements for the year ended June 30, 2015.

THE FLORIDA VIRTUAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies)? ___ Yes X None reported

Type of report issued on compliance for major federal program: **Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ Yes X No

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

84.010A

Title I - Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? X Yes ___ No

THE FLORIDA VIRTUAL SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended June 30, 2015

Section II - Findings Related to the Financial Statement Audit, as required to be reported in accordance with *Government Auditing Standards*.

No matters are reported.

Section III - Federal Award Findings and Questioned Costs Section reported in accordance with OMB Circular A-133.

No matters are reported.

Section IV - Summary Schedule of Prior Year Audit Findings

No matters were reported in the prior year affecting federal financial assistance programs.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Chairman and Members of
The Florida Virtual School
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Florida Virtual School (the "School") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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.

Chairman and Members of
The Florida Virtual School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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*.

Pursuant to provisions of Chapter 10.800, *Rules of the Auditor General*, we reported certain matters to management of the School in a separate management letter and Independent Accountant's Report dated January 12, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 12, 2016



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Chairman and Members of
The Florida Virtual School
Orlando, Florida

Report on Compliance for Each Major Federal Program

We have audited the compliance of The Florida Virtual School (the "School") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the fiscal year ended June 30, 2015. The School's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 its major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the School 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 School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon dated January 12, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Chairman and Members of
The Florida Virtual School

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (Cont.)

The 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 12, 2016



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Chairman and Members of
The Florida Virtual School
Orlando, Florida

Report on Financial Statements

We have audited the financial statements of The Florida Virtual School (the "School") as of and for the year ended June 30, 2015, and have issued our report thereon dated January 12, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.850, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated January 12, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. In conjunction with our audit, we determined that no findings were reported in the preceding annual financial report.

Official Title

Section 10.854(1)(e)5., *Rules of the Auditor General*, requires the name or official title of the entity. The official title of the entity is disclosed in the notes to the financial statements.

Chairman and Members of
The Florida Virtual School

Financial Condition

Section 10.854(1)(e)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific condition(s) met. In conjunction with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6a. and 10.855(12), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the School'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. The assessment was prepared as of fiscal year end.

Transparency

Section 10.854(1)(e)7., *Rules of the Auditor General*, requires the auditor to report the results of our determination as to whether the School maintains on its web site the information specified in Section 1002.33(9)(p), Florida Statutes. In conjunction with our audit, we determined that the School maintained on its web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In conjunction with our audit, we did not have any such findings.

Section 10.854(1)(e)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In conjunction 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 School Board members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 12, 2016



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

Chairman and Members of
The Florida Virtual School
Orlando, Florida

We have examined The Florida Virtual School's (the "School") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended June 30, 2015. Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the School's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the School's compliance with specified requirements.

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

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
January 12, 2016