Santa Rosa County
District School Board

FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Santa Rosa County District School Board and
Mr. Timothy Wyrosdick, Superintendent of Schools
Milton, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board (hereinafter referred to as "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Learning Academy, Inc. or Capstone Academy, LLC, as described in Note 1 to the financial statements, which represent 0.26% of the total assets of the District. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for The Learning Academy, Inc. or Capstone Academy, LLC, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, rules, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 28, 2016

Management’s Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- As of June 30, 2015, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $172,879,222.
- The District's net position increased by $9,345,801, which represents a 5.71 percent increase from the prior fiscal year.
- General revenues total $217,684,846, or 93.29 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $15,654,642, or 6.71 percent of all revenues.
- Expenses total $223,993,687. Only $15,654,642 of these expenses was offset by program specific charges, with the remaining paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $19,434,650, which is $1,617,553 more than the prior fiscal year balance. The combined assigned and unassigned fund balance for the General Fund was $15,313,372, or approximately 8.34 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, and its assets and liabilities using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents three separate legal entities in this report. The Learning Academy, Inc., and Capstone Academy, LLC, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains one type of proprietary fund, the internal service fund, to account for the District's self-insurance program which began January 1, 2015. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements

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

The District uses agency funds to account for the financial resources of the District's pre-tax flexible benefits plan and the school internal funds which are used to account for moneys collected at the various schools in connection with school, student athletic, class, and club activities.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		
	06/30/15	06/30/14	Increase (Decrease)
Current and Other Assets	$ 51,311,721	$ 44,885,327	$ 6,426,394
Other Assets	266,793,818	267,320,373	(526,555)
Total Assets	318,105,539	312,205,700	5,899,839
Deferred outflows of resources	14,628,107	-	14,628,107
Long-term Liabilities	120,251,789	66,232,153	54,019,636
Other Liabilities	7,735,170	5,579,040	2,156,130
Total Liabilities	127,986,959	71,811,193	56,175,766
Deferred inflows of resources	31,867,465	5,579,040	26,288,425
Net Position:			
Net Investment in Capital Assets	226,687,250	225,856,510	830,740
Restricted	23,629,247	22,361,730	1,267,517
Unrestricted Deficit	(77,437,275)	(7,823,733)	(69,613,542)
Total Net Postion	$ 172,879,222	$ 240,394,507	$ (67,515,285)

The unrestricted portion of the District's net position may be used to meet the District's ongoing obligation to students, employees, and creditors. The unrestricted net position decreased by approximately $69.6 million from the prior year primarily as a result of the restatement required as part of the District's implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions.* Additional information on the District's proportionate share of the Florida Retirement System's net

pension liability can be found in Note 14 of the notes to the financial statements. The impact of implementing GASB Statement No. 68 on the District's financial statements is as follows:

- Beginning unrestricted net position was decreased $76.9 million.
- Long-term liabilities increased approximately $54.2 million at June 30, 2015, for the net pension liability.
- Deferred outflows of resources increased approximately $13.5 million
- Deferred inflows of resources increased approximately $31.9 million

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

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

The chart on the following page is a summary of the changes in the District's net position as of June 30, 2015 and June 30, 2014:

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

Grants and contributions not restricted to specific programs represent 60.37 percent of total governmental revenues in the 2014-15 fiscal year. Grants and contributions not restricted to specific programs increased by $8,600,015 or 6.50 percent, primarily due to increases in Florida Education Finance Program (FEFP) funds. The FEFP formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Instruction expenses represent 53.55 percent of total governmental expenditures for the 2014-15 fiscal year.

Operating Results for the Fiscal Year Ended

	Governmental Activities		
	06/30/15	06/30/14	Increase (Decrease)
Program Revenues:			
Charges for Services	$ 7,200,249	$ 6,959,780	$ 240,469
Operating Grants and Contributions	7,506,253	6,942,851	563,402
Capital Grants and Contributions	948,140	938,692	9,448
General Revenues:			
Property Taxes Levied for Operational Purposes	52,705,711	54,384,806	(1,679,095)
Property Taxes Levied for Capital Projects	12,216,536	12,019,708	196,828
Local Sales Taxes	7,804,989	7,264,333	540,656
Grants and Contributions Not Restricted to Specific Purposes	140,862,043	132,262,028	8,600,015
Unrestricted Investment Earnings	59,653	180,529	(120,876)
Miscellaneous	4,035,914	3,290,441	745,473
Total Revenues	233,339,488	224,243,168	9,096,320
Functions/Program Expenses:			
Instruction	$ 119,952,616	118,632,601	1,320,015
Pupil Personnel Services	9,756,704	9,680,193	76,511
Instructional Media Services	2,301,492	2,333,661	(32,169)
Instruction and Curriculum Development Services	5,874,938	5,873,834	1,104
Instructional Staff Training	2,282,731	1,929,889	352,842
Instruction Related Technology	5,457,928	4,830,016	627,912
School Board	573,579	516,038	57,541
General Administration	1,416,607	1,268,383	148,224
School Administration	13,073,039	12,791,717	281,322
Facilities Acquisition and Construction	1,080,751	944,817	135,934
Fiscal Services	1,101,225	1,102,768	(1,543)
Food Services	11,520,109	11,327,062	193,047
Central Services	2,161,171	2,529,109	(367,938)
Pupil Transportation Services	11,953,579	12,411,052	(457,473)
Operation of Plant	13,010,914	12,341,728	669,186
Maintenance of Plant	8,519,730	8,322,829	196,901
Administrative Technology Services	1,748,996	1,680,730	68,266
Community Services	2,280,703	2,274,229	6,474
Interest on Long-term Debt	2,122,620	2,209,625	(87,005)
Unallocated Depreciation Expense	7,804,255	7,682,120	122,135
Total Functions/Program Expenses	223,993,687	220,682,401	3,311,286
Change in Net Position	9,345,801	3,560,767	5,785,034
Net Position - Beginning	240,394,507	236,833,740	3,560,767
Adjustment to Net Position (1)	(76,861,086)	-	(76,861,086)
Net Position - Beginning, restated	163,533,421	236,833,740	(73,300,319)
Net Position - Ending	$ 172,879,222	$ 240,394,507	$ 9,345,801

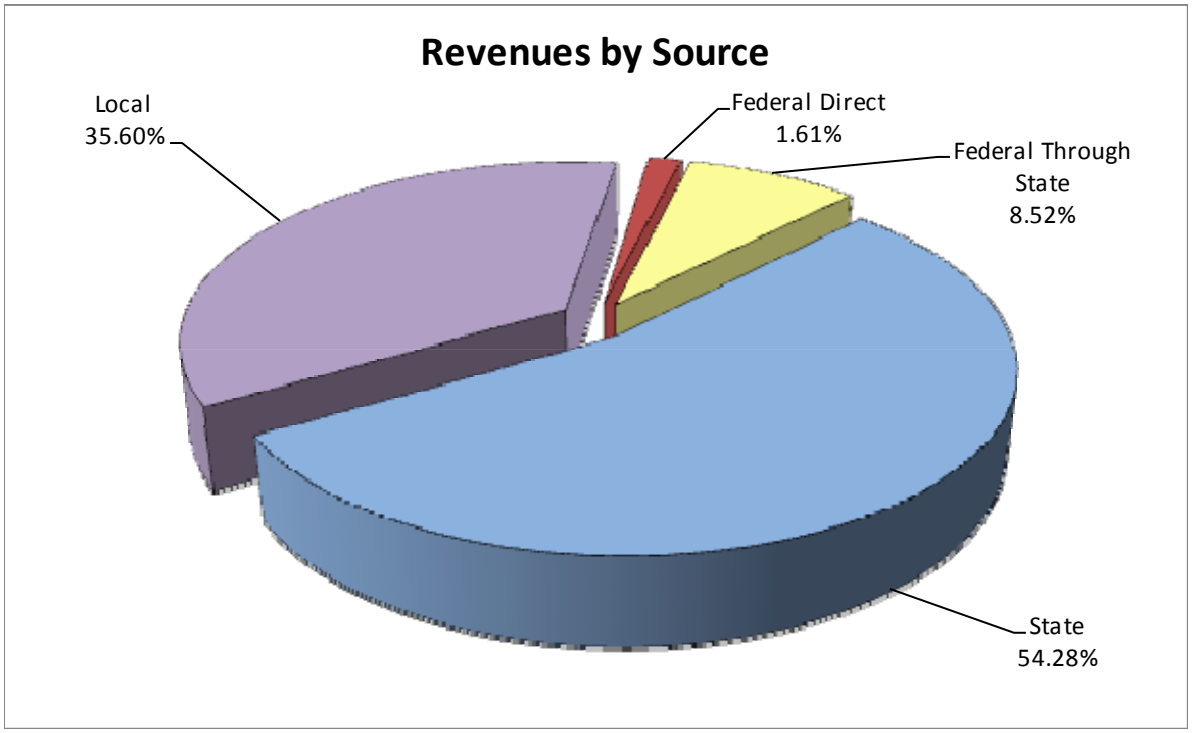
(1) Represents the adjustment to beginning net position due to the implementation of GASB No. 68. This adjustment is the result of reflecting the net pension liability and deferred outflows as of 7/1/14.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes. The total fund balances of governmental funds increased by $2,643,857 during the fiscal year to $41,950,144 at June 30, 2015. Approximately 36 percent of this amount is unassigned fund balance ($14,919,498), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form ($275,677), 2) restricted for particular purposes ($24,484,459), 3) committed for particular purposes ($1,876,636), or 4) assigned for particular purposes ($393,874).

In the governmental funds, revenues by source for the 2014-15 fiscal year were as follows:



The largest revenue source is the State of Florida (54.28 percent). Revenues from State sources for current operations are primarily received through the FEFP funding formula. Other State Revenues primarily fund specific projects. State revenues increased by $7,506,309, or 6.34 percent, primarily due to increases in FEFP funding.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $14,919,498, while the total fund balance is $19,434,650. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to General Fund total revenues. The total assigned and unassigned fund balance represents 8.34 percent of total General Fund revenues, while total fund balance represents approximately 10.58 percent of total General Fund revenues.

Total General Fund balance increased by $1,617,553. Key factors impacting the change in fund balance are as follows:

- Increases in current year property tax collections.
- Revenue from the tax collector for tax certificates sale.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $4,588,665, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by $1,929,371, or 29.60 percent, during the 2014-15 fiscal year, primarily due to increase in expenditures. It should be noted that $1,873,581 of fund balance has been encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of $13,112,384, of which $12,247,208 is restricted for financial resources generated by various capital funding sources. The fund balance increased by $2,655,555, or 25.40 percent, during the 2014-15 fiscal year, primarily due to decrease in expenditures. It should be noted that $3,287,408 of fund balance has been encumbered for specific projects.

Proprietary Fund

The unrestricted net position of the Internal Service Fund totaled $237,407 at June 30, 2015. This amount increased from the beginning balance of $0, as the self-insurance plan was started in the current year. The amount represents the excess of insurance premiums collected from participants over the insurance claims paid for the six-month period from January 1, 2015 (inception) through June 30, 2015 (year-end).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times; however, final budgeted revenues and expenditures were in line with original budgeted amounts.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are $7,520,696 less than final budgeted amounts. $4,000,000 of the unexpended budgeted amounts are restricted and committed funds and $750,000 is unexpended budgeted amounts for Community School and Locklin

Technical Center. The other decrease in expenditures was primarily due to continued cost containment measures implemented by the District, reduction in fuel costs, an insurance credit, and employee vacancies that were not filled. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $7,805,208. Along with the decrease in expenditures, the District received around $400,000 of revenue that came in after year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $266,793,818 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events included the following:

- During the current fiscal year, the District completed multiple projects, including lab/classroom additions and kitchen/cafeteria expansions/ renovations.
- At June 30, 2015, construction in progress includes locker room/weight room renovations, kitchen expansions/renovations, chiller plant/HVAC renovations, and lab construction.

Additional information on the District's capital assets can be found in Notes 1 and 5 to the financial statements.

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of $41,678,935, comprised of $3,706,019 of bonds payable and $37,972,916 of certificates of participation payable. During the 2014-15 fiscal year, retirement of debt totaled $25,983,899.

Additional information on the District's long-term debt can be found in Notes 6-8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District started offering self-funding health insurance beginning January 1, 2015. This move to self-insurance will potentially save the District over $600,000 and allow the District to keep health insurance plans and premiums more stable.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional information should be addressed to the Assistant Superintendent for Finance, Santa Rosa County District School Board, 5086 Canal Street, Milton, Florida 32570. Information is also available on the web at http://www.santarosa.k12.fl.us/finance.

Basic Financial Statements

Santa Rosa County District School Board
Statement of Net Position

June 30,	2015	
	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 48,735,433	$ 357,316
Investments	76,478	-
Taxes receivable	4,759	-
Accounts receivable	5,460	85,611
Due from other agencies	2,213,914	8,976
Inventories	275,677	-
Prepaid items	-	9,567
Capital assets, net	266,793,818	379,190
Total assets	318,105,539	840,660
Deferred outflows of resources		
Pensions	13,486,473	-
Deferred charges on debt refunding	1,141,634	-
Total deferred outflows of resources	14,628,107	-
Liabilities, deferred inflows of resources and net position		
Salaries and wages payable	3,161,468	7,370
Accounts payable and accrued expenses	514,856	3,804
Deposits payable	149,646	-
Due to other agencies	9,923	49,933
Construction contracts retainage payable	302,870	-
Estimated unpaid claims - self-insurance programs	699,942	-
Advanced revenue	2,896,465	271
Long-term liabilities:		
Portion due within one year	8,389,200	-
Portion due after one year	111,862,589	4,084
Total liabilities	127,986,959	65,462
Deferred inflows of resources		
Pensions	31,867,465	-
Total deferred inflows of resources	31,867,465	-
Net Position		
Net investment in capital assets	226,687,250	357,973
Restricted for:		
State categorical programs	3,006,365	-
Food service	2,632,752	-
Capital projects	17,054,156	-
Debt service	935,974	-
Other projects	-	2,475
Unrestricted	(77,437,275)	414,750
Total net position	$ 172,879,222	$ 775,198

The accompanying footnotes are an integral part of these financial statements.

Year ended June 30, **2015**

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Units
Primary government						
Governmental Activities						
Instruction	$ 119,952,616	$ 780,035	$ -	$ -	$ (119,172,581)	$ -
Pupil personnel services	9,756,704	-	-	-	(9,756,704)	-
Instructional media services	2,301,492	-	-	-	(2,301,492)	-
Instruction and curriculum development	5,874,938	-	-	-	(5,874,938)	-
Instructional staff training	2,282,731	-	-	-	(2,282,731)	-
Instruction related technology	5,457,928	-	-	-	(5,457,928)	-
School board	573,579	-	-	-	(573,579)	-
General administration	1,416,607	-	-	-	(1,416,607)	-
School administration	13,073,039	-	-	-	(13,073,039)	-
Facilities acquisition and construction	1,080,751	-	-	948,140	(132,611)	-
Fiscal services	1,101,225	-	-	-	(1,101,225)	-
Food services	11,520,109	4,391,325	7,506,253	-	377,469	-
Central services	2,161,171	-	-	-	(2,161,171)	-
Pupil transportation services	11,953,579	264,692	-	-	(11,688,887)	-
Operation of plant	13,010,914	-	-	-	(13,010,914)	-
Maintenance of plant	8,519,730	-	-	-	(8,519,730)	-
Administrative technology services	1,748,996	-	-	-	(1,748,996)	-
Community services	2,280,703	1,764,197	-	-	(516,506)	-
Interest on long-term debt	2,122,620	-	-	-	(2,122,620)	-
Unallocated depreciation/amortization expense	7,804,255	-	-	-	(7,804,255)	-
Total governmental activities	$ 223,993,687	$ 7,200,249	$ 7,506,253	$ 948,140	(208,339,045)	-
Component Units						
Charter schools	1,804,815	$ 11,162	$ -	$ 69,150	-	(1,724,503)
Total component units	$ 1,804,815	$ 11,162	$ -	$ 69,150	-	(1,724,503)

The accompanying footnotes are an integral part of these financial statements.

Year ended June 30,	2015	
General revenues:		
Taxes:		
Property taxes, levied for general purposes	52,705,711	-
Property taxes, levied for capital purposes	12,216,536	-
Local sales tax	7,804,989	-
Grants and contributions not restricted to specific programs	140,862,043	1,984,242
Investment earnings	59,653	-
Miscellaneous	4,035,914	-
Total general revenues	217,684,846	2,004,676
Change in net position	9,345,801	280,173
Net position - beginning, restated	163,533,421	495,025
Net position - ending	$ 172,879,222	$ 775,198

The accompanying footnotes are an integral part of these financial statements.

June 30,			2015
	General Fund	**Capital Projects - Local Capital Improvement Tax Fund**	**Capital Projects - Other Capital Projects**
Assets			
Cash and cash equivalents	$ 22,070,916	$ 5,116,446	$ 12,551,914
Investments	(10)	-	-
Taxes receivable, net	-	4,759	-
Accounts receivable, net	5,460	-	-
Due from other agencies	661,807	63,129	681,585
Inventory	106,842	-	-
Total assets	$ 22,845,015	$ 5,184,334	$ 13,233,499
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Salaries and wages payable	$ 3,088,356	$ -	$ -
Accounts payable	67,832	332,871	81,043
Deposits payable	-	-	-
Due to other agencies	900	-	-
Construction contracts payable - retainage	-	262,798	40,072
Insurance claims payable	253,277	-	-
Total liabilities	3,410,365	595,669	121,115
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances:			
Nonspendable:			
Inventory	106,842	-	-
Restricted for:			
State required carryover programs	3,006,365	-	-
Debt service	-	-	-
Capital projects	-	4,588,665	12,243,819
Food service	-	-	-
Committed to:			
Contractual agreements	-	-	868,565
Board approved carryover	1,008,071	-	-
School based budgets	-	-	-
Assigned to:			
Office and fee based budgets	393,874	-	-
Unassigned	14,919,498	-	-
Total fund balances	19,434,650	4,588,665	13,112,384
Total liabilities, deferred inflows of resources and fund balances	$ 22,845,015	$ 5,184,334	$ 13,233,499

The accompanying footnotes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
$ 4,121,702	$ 43,860,978
76,488	76,478
-	4,759
-	5,460
737,521	2,144,042
168,835	275,677
$ 5,104,546	$ 46,367,394
$ 73,112	$ 3,161,468
33,110	514,856
149,646	149,646
9,023	9,923
-	302,870
-	253,277
264,891	4,392,040
25,210	25,210
25,210	25,210
168,835	275,677
-	3,006,365
2,005,054	2,005,054
176,638	17,009,122
2,463,918	2,463,918
-	868,565
-	1,008,071
-	-
-	393,874
-	14,919,498
4,814,445	41,950,144
$ 5,104,546	$ 46,367,394

The accompanying footnotes are an integral part of these financial statements.

Santa Rosa County District School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30,		**2015**
Total fund balances, governmental funds	$	41,950,144
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.		266,793,818
Internal service funds are used by management to charge the costs of risk management services to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		237,407
Deferred outflows and inflows or resources related to pensions and debt refundings are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources		14,628,107
Deferred inflows of resources		(31,867,465)
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(118,862,789)
Total net position - governmental activities	$	172,879,222

The accompanying footnotes are an integral part of these financial statements.

Santa Rosa County District School Board
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year ended June 30,	2015				
	General Fund	Capital Projects - Local Capital Improvement Tax Fund	Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal direct	$ 479,766	$ -	$ -	$ 3,241,553	$ 3,721,319
Federal through state	1,064,010	-	-	18,688,878	19,752,888
State sources	124,459,797	-	116,559	1,265,873	125,842,229
Local sources	57,628,398	12,226,652	8,146,156	4,532,486	82,533,692
Total revenues	183,631,971	12,226,652	8,262,715	27,728,790	231,850,128
Expenditures					
Current:					
Instruction	115,842,184	-	-	6,688,689	122,530,873
Student personnel services	7,877,527	-	-	2,012,972	9,890,499
Instructional media services	2,362,850	-	-	7,141	2,369,991
Instructional and curriculum development services	3,344,086	-	-	2,700,530	6,044,616
Instructional staff training services	819,675	-	-	1,476,861	2,296,536
Instruction related technology	4,699,387	-	-	153,656	4,853,043
Board of education	579,179	-	-	311	579,490
General administration	750,157	-	-	681,921	1,432,078
School administration	13,194,388	-	-	200,745	13,395,133
Facilities acquisition and construction	39,022	462,424	443,397	-	944,843
Fiscal services	1,130,518	-	-	-	1,130,518
Food services	-	-	-	11,425,721	11,425,721
Central services	2,376,937	-	-	35,646	2,412,583
Student transportation services	12,005,849	-	-	19,721	12,025,570
Operation of plant	12,956,288	-	-	44,704	13,000,992
Maintenance of plant	3,986,061	12,679	1,798,284	102,711	5,899,735
Administrative technology services	1,701,604	-	-	-	1,701,604
Community services	1,620,978	-	-	690,820	2,311,798

The accompanying footnotes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)

Fixed capital outlay:					
Facilities acquisition and construction	36,002	7,873,761	2,394,770	-	10,304,533
Other capital outlay	665,182	6,856	251,037	127,451	1,050,526
Debt Service:					
Retirement of principal	-	-	-	2,945,000	2,945,000
Interest and fiscal charges	-	-	-	1,603,752	1,603,752
Miscellaneous	-	-	-	300,524	300,524
Total expenditures	185,987,874	8,355,720	4,887,488	31,218,876	230,449,958
Excess (deficiency) of revenues over expenditures	(2,355,903)	3,870,932	3,375,227	(3,490,086)	1,400,170
Other financing sources (uses)					
Proceeds of lease-purchase agreements	-	-	-	20,520,000	20,520,000
Premium on lease-purchase agreements	-	-	-	2,997,222	2,997,222
Refunding bonds issued	-	-	-	1,098,000	1,098,000
Loss recoveries	47,371	-	1,169,480	-	1,216,851
Premium on refunding bonds	-	-	-	79,878	79,878
Payments to refunded bond escrow agent	-	-	-	(24,668,264)	(24,668,264)
Transfers in	4,252,121	-	-	3,763,370	8,015,491
Transfers out	(326,036)	(5,800,303)	(1,889,152)	-	(8,015,491)
Total other financing sources and (uses)	3,973,456	(5,800,303)	(719,672)	3,790,206	1,243,687
Net change in fund balances	1,617,553	(1,929,371)	2,655,555	300,120	2,643,857
Fund balances, July 1, 2014	17,817,097	6,518,036	10,456,829	4,514,325	39,306,287
Fund balances, June 30, 2015	$ 19,434,650	$ 4,588,665	$ 13,112,384	$ 4,814,445	$ 41,950,144

The accompanying footnotes are an integral part of these financial statements.

Santa Rosa County District School Board
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30,		**2015**
Net change in fund balances - total governmental funds:	$	2,643,857
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount of capital outlay in excess of depreciation expense in the current period.		498,359
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds, if any, from these sales. Thus, the change in net position differs from the change in fund balances by the cost of assets sold.		(1,024,913)
Bond proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds in the current period.		2,689,820
Premiums on debt are reported in the governmental funds in the fiscal year debt is issued, but are amortized over the life of the debt in the government-wide statements.		243,899
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 paid in excess of the amount earned in the current period.		404,283
In the Statement of Activities, the cost of other post employment benefit (OPEB) obligation is measured by actuarial estimations, while in the governmental funds expenditures are recognized based on amounts actually paid for OPEB. This is the net increase of the OPEB obligation for the current period.		(632,365)
Governmental funds report district pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		4,285,454
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of internal service funds is reported with governmental activities.		237,407
Change in net position of governmental activities	$	9,345,801

The accompanying footnotes are an integral part of these financial statements.

June 30,		**2015**
		Governmental Activities - Internal Service Funds
Assets		
Cash and cash equivalents	$	4,874,455
Due from other agencies		69,872
Total assets	$	4,944,327
Liabilities and Net Position		
Current Liabilities:		
Unearned revenue	$	2,871,255
Estimated health insurance claims payable		446,665
Total current liabilities		3,317,920
Noncurrent Liabilities:		
Estimated health insurance claims payable		1,389,000
Total liabilities		4,706,920
Net Position		
Unrestricted		237,407
Total liabilities and net position	$	4,944,327

The accompanying footnotes are an integral part of these financial statements.

Santa Rosa County District School Board
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund

Year ended June 30,	2015
	Governmental Activities - Internal Service Funds
Operating Revenues	
Insurance premiums	$ 7,817,804
Operating Expenses	
Insurance claims	7,580,929
Operating Income	236,875
Nonoperating Revenues	
Interest income	532
Change in Net Position	237,407
Net position - beginning	-
Net position - ending	$ 237,407

The accompanying footnotes are an integral part of these financial statements.

Year ended June 30,		**2015**
		Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Cash receipts from customers and users	$	10,619,324
Cash payments for insurance claims and fees		(5,745,264)
Net cash used by operating activities		4,874,060
Cash flows from investing activities		
Interest and dividends received		395
Net cash provided by investing activities		395
Net decrease in cash and cash equivalents		4,874,455
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	4,874,455
Reconciliation of operating income to net cash used by operating activities		
Operating income	$	236,875
Adjustments to reconcile operating income to net cash used by operating activities:		
(Increase) decrease in:		
Accounts receivable		(69,735)
Increase (decrease) in:		
Estimated health insurance claims payable		1,389,000
Unearned revenue		2,871,255
Insurance claims payable		446,665
Net cash provided by operating activities	$	4,874,060

The accompanying footnotes are an integral part of these financial statements.

June 30,		**2015**
		Agency Funds
Assets		
Cash and cash equivalents	$	3,260,512
Investments		20,000
Total assets	$	3,280,512
Liabilities		
Payroll deductions and withholdings	$	132,050
Accounts payable		265,121
Due to other funds		9,960
Internal accounts payable		2,873,381
Total liabilities	$	3,280,512

The accompanying footnotes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

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

Reporting Entity

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

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

<u>Blended Component Unit</u> – A blended component unit is, in substance, part of the primary District operations even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as a fund of the District. The Santa Rosa School Board Leasing Corporation ("Leasing Corporation") was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units - The component units columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The Learning Academy, Inc. and Capstone Academy, LLC, ("charter schools") are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by their sponsor, the Santa Rosa County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

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

Basis of Presentation: Government-wide Financial Statements

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

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

Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Capital Projects – Local Capital Improvement Tax Fund – to account for the financial resources generated by local capital improvement tax levy to be used for educational capital outlay needs including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.

- Capital Projects – Other – to account for the various financial resources (e.g., certificates of participation, capital outlay sales tax, hurricane-related loss recoveries) to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

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

- Internal Service Funds – to account for the District's individual self-insurance programs.

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

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

Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund distinguishes operating revenues and expenses from non-operating items and is reported using the economic resources measurement focus and the accrual basis of accounting. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The major operating revenues of the District's internal service fund are from charges for employee health insurance premiums. The major operating expenses for the internal service funds include insurance claims and insurance premiums for excess coverage. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash and cash equivalents include certificates of deposit and amounts placed with the State Board of Administration (SBA) in Florida PRIME.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investments

Investments consist of amounts placed in SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME investment pool created by Sections 218.405, Florida Statutes. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2015, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

On September 5, 2014, SBA initiated a transfer from Fund B to Florida PRIME for the final portion of the original principal for all fund participants. These funds were transferred in proportion to participants' original adjusted Fund B balances. Fund B participants did not realize any losses on their original principal balances.

Investments made locally consist of certificates of deposit which are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

Inventories

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

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide Statement of Position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000, except for buildings and improvements other than buildings which are defined as assets

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

costing more than $5,000. 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 construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

Description	Estimated Lives
Improvements other than buildings	10 – 40 years
Buildings and fixed equipment	10 – 50 years
Furniture, fixtures and equipment	3 – 20 years
Motor vehicles	15 years
Audio-visual materials and computer software	5 – 7 years

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

Pensions

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

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

Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt. Bonds and certificates of participation payable are reported net of the applicable premiums or discounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and the related debt premiums are reported as other financing sources.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is a deferred refunding charge related to the current year debt refundings. The second is the deferred amount on pensions. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is deferred revenue relating to self-insurance. The second is the deferred amount on pensions reported only in the government-wide Statement of Net Position. The deferred inflows of resources related to pensions are discussed in a subsequent note.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation. In July 2014, the Board gave its approval to commit certain project balances during the budget process.

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

Program Revenues

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

State Revenue Sources

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

District Property Taxes

The Board is authorized by State law to levy property taxes for District school operations, capital improvements, and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Santa Rosa County Property Appraiser, and property taxes are collected by the Santa Rosa County Tax Collector.

The Board adopted the 2014 tax levy on September 11, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to four percent for early payment.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Outlay Surtax

In March 2007, the voters of Santa Rosa County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective October 1, 2008, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

Federal Revenue Sources

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

Compensated Absences

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

Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: ACCOUNTING CHANGES

The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As participating employers, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. As a result of implementation, government-wide net position at the beginning of the year has been restated. The restatement resulted in a decrease in beginning net position of $76,861,086.

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

NOTE 4: INVESTMENTS

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

Investment	Maturities		Fair Value
State Board of Administration:			
Florida PRIME (1)	34 day average	$	20,173,249
Debt Service Accounts	6 Months		76,478
Certificate of deposit (1)	August 23, 2015		20,000
Total investments, primary government		$	20,269,727

Notes:

1) These investments are reported as cash and cash equivalents for financial statement reporting purposes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy states that the highest priority shall be given to the safety and liquidity of funds. The policy limits the types of authorized investments as a means of managing the exposure to fair value losses from increasing interest rates.

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

NOTE 4: INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments in interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to funds placed in qualified public depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, Securities of the United States Government (including obligations of the United States Treasury), and investment pools managed and directed by an approved agency of the State.

The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing credit risk for this account. As of June 30, 2015, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's.

The District's investment in a certificate of deposit is in a qualified public depository as required by Chapter 280, Florida Statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy that limits the amount the District may invest in any one issuer.

The District had investments that represent 5 percent or more of total investments in certain instrumentalities at June 30, 2015 as follows:

Issuer: State Board of Administration: Florida PRIME
Fair Value: $20,173,249
Percent of Total Cash and Investments, Primary Government: 41%

NOTE 5: CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015 are shown below:

	Balance 7/1/2014	Additions	Deletions/ Transfers	Balance 6/30/2015
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 7,317,360	$ -	$ -	$ 7,317,360
Land improvements	4,604,748	252,682	-	4,857,430
Construction in progress	8,066,566	5,933,780	(9,326,598)	4,673,748
Total capital assets not being depreciated	19,988,674	6,186,462	(9,326,598)	16,848,538
Capital assets being depreciated:				
Improvements other than buildings	24,971,695	577,921	-	25,549,616
Buildings and fixed equipment	343,274,520	13,066,169	(3,954,888)	352,385,801
Furniture, fixtures and equipment	16,490,006	879,760	(1,284,737)	16,085,029
Motor vehicles	3,663,304	169,710	(181,730)	3,651,284
Audio-visual materials and computer software	5,367,859	8,155	(374,227)	5,001,787
Total capital assets being depreciated	393,767,384	14,701,715	(5,795,582)	402,673,517
Less accumulated depreciation for:				
Improvements other than buildings	14,792,861	914,398	-	15,707,259
Buildings and fixed equipment	113,716,740	8,302,796	(3,023,775)	118,995,761
Furniture, fixtures and equipment	10,171,335	1,483,821	(1,225,692)	10,429,464
Motor vehicles	3,266,958	119,478	(152,310)	3,234,126
Audio-visual materials and computer software	4,487,791	242,729	(368,893)	4,361,627
Total accumulated depreciation	146,435,685	11,063,222	(4,770,670)	152,728,237
Total capital assets being depreciated, net	247,331,699	3,638,493	(1,024,912)	249,945,280
Governmental activities - capital assets, net	$ 267,320,373	$ 9,824,955	$ (10,351,510)	$ 266,793,818

NOTE 5: CHANGES IN CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Function		Amount
Instruction	$	251,604
Pupil personnel services		11,445
Instructional media services		12,788
Instruction and curriculum development		15,944
Instructional staff training		10,813
Instruction related technology		656,480
General administration		588
School administration		2,928
Fiscal services		2,160
Food services		91,114
Central services		22,231
Pupil transportation services		4,184
Operation of plant		10,122
Maintenance of plant		2,082,970
Administrative technology services		66,969
Community services		16,627
Unallocated		7,804,255
	$	11,063,222

NOTE 6 – CERTIFICATES OF PARTICIPATION

The District has entered into financing arrangements with the Leasing Corporation, pursuant to which the District has authorized several certificates of participation debt issues, characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2015:

Series	Original Amount	Principal Paid to Date	Refunded	Refunded by Series	Balance
2006-1	$ 12,370,000	$ 4,460,000	$ 5,485,000	2014	$ 2,425,000
2006-2	18,870,000	-	16,150,000	2014	2,720,000
2009	12,585,000	3,385,000	-		9,200,000
2014	20,520,000	290,000	-		20,230,000
					$ 34,575,000

NOTE 6: CERTIFICATES OF PARTICIPATION (Continued)

As a condition of the financing arrangement, the District has given ground leases on District property to the Leasing Corporation.

The ground lease on the properties associated with the Series 2006 Certificates ends on the earlier of (a) the date on which the 2006 Certificates and any series of certificates refunding the Series 2006 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity of the Series 2006 Certificates and any series of certificates refunding the Series 2006 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 2006 Certificates will exceed April 13, 2046. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates of 4.34% for the Series 2006-1 and 4.25% to 5.25% for the Series 2006-2 Certificates.

The ground lease on the properties associated with the Series 2009 Certificates ends on the earlier of (a) the date on which the Series 2009 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity date of the Series 2009 Certificates and any series of certificates refunding the Series 2009 Certificates. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates of 4.11% for the Series 2009 Certificates.

The ground lease on the properties associated with the Series 2014 Certificates ends on the earlier of (a) the date on which the Series 2014 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity date of the Series 2014 Certificates and any series of certificates refunding the Series 2014 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 2014 Certificates will exceed February 1, 2031. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates ranging from 2.00 percent to 5.00 percent for the Series 2014 Certificates. The Series 2014 Certificates were issued to refund the Refunded Certificates and thereby refinance a portion of the cost of acquisition, construction and installation of the Consolidated 2006 Project as well as to pay costs associated with the issuance of the Series 2014 Certificates.

The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the master lease-purchase agreement provides for several remedies that are available to the Leasing Corporation.

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

Series 2006 (as amended) and 2014:

- Navarre High School - Gymnasium, Classrooms and Maintenance Building
- Navarre High School - Cafeteria Expansion, Fieldhouse and North Wing Addition
- Thomas L. Sims Middle School - Classroom spaces and accoutrements
- Bennett C. Russell Elementary School
- Woodlawn Beach Middle School - Classroom additions

NOTE 6: CERTIFICATES OF PARTICIPATION (Continued)

Series 2009:

- Jay High School - Improvements
- Central High School - Improvements

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	$ 1,950,000	$ 1,510,980	$ 3,460,980
2017	2,035,000	1,426,185	3,461,185
2018	2,035,000	1,341,954	3,376,954
2019	2,120,000	1,258,647	3,378,647
2020	2,205,000	1,165,351	3,370,351
2020-2024	12,615,000	4,196,994	16,811,994
2025-2029	9,470,000	1,492,913	10,962,913
2030-2031	2,145,000	2,190,056	4,335,056
Total mimimum lease payments	34,575,000	14,583,080	49,158,080
Plus: unamortized premium	2,894,629	-	2,894,629
Total certificates of participation	$ 37,469,629	$ 14,583,080	$ 52,052,709

NOTE 7: BONDS PAYABLE

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

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2006A	4.0 - 4.625	2026	$ 210,000
Series 2009A, Refunding	4.0 - 5.0	2019	195,000
Series 2010A	3.5 - 5.0	2030	975,000
Series 2011A, Refunding	3.0 - 5.0	2023	310,000
Series 2014A, Refunding	2.0 - 5.0	2025	309,000
Series 2014B, Refunding	2.0 - 5.0	2020	1,098,000
District Revenue Bonds:			
Racetrack, Series 1996	5.8	2016	370,000
Bonds payable			3,467,000
Plus: unamortized premium			239,019
Total bonds payable			$ 3,706,019

NOTE 7: BONDS PAYABLE (Continued)

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

Year Ending June 30,	Principal	Interest	Total
State School Bonds:			
2016	$ 795,000	$ 147,028	$ 942,028
2017	464,000	103,473	567,473
2018	273,000	80,655	353,655
2019	186,000	67,118	253,118
2020	149,000	58,361	207,361
2021-2025	750,000	185,569	935,569
2026-2030	480,000	56,539	536,539
Total State School Bonds	3,097,000	698,743	3,795,743
District Revenue Bonds:			
2016	180,000	16,240	196,240
2017	190,000	5,510	195,510
Total District Revenue Bonds	370,000	21,750	391,750
Total	$ 3,467,000	$ 720,493	$ 4,187,493

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

State School Bonds

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

District Revenue Bonds

These bonds are authorized by Chapter 73-616, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to the District from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

NOTE 7: BONDS PAYABLE (Continued)

The District has pledged a total of $784,100 of pari-mutuel tax revenues in connection with the revenue bonds. During the 2014-2015 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $196,965 (88%) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on August 1, 2016. Assuming no growth rate in the collection of pari-mutuel funds, 100% of this revenue stream has been pledged in connection with debt service on the revenue bonds.

NOTE 8: CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2014	Additions	Deductions	Balance 6/30/2015	Due in One Year
Certificates of participation payable	$ 37,845,000	$ 20,520,000	$ (23,790,000)	$ 34,575,000	$ 1,950,000
Unamortized premium	637,384	2,997,222	(739,977)	2,894,629	236,691
Total certificates of participation payable	38,482,384	23,517,222	(24,529,977)	37,469,629	2,186,691
Bonds payable	4,319,000	1,098,000	(1,950,000)	3,467,000	975,000
Unamortized premium	166,350	79,878	(7,209)	239,019	18,167
Total bonds payable	4,485,350	1,177,878	(1,957,209)	3,706,019	993,167
Estimated insurance claims payable	-	1,389,000	-	1,389,000	1,389,000
Compensated absences payable	19,505,299	6,447,270	(6,851,553)	19,101,016	5,664,200
Net pension liability (1)	84,774,153	2,401,268	(32,980,781)	54,194,640	-
Other post employment benefits payable	3,759,120	1,257,923	(625,558)	4,391,485	-
Total	$ 151,006,306	$ 36,190,561	$ (66,945,078)	$ 120,251,789	$ 10,233,058

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

For the governmental activities, compensated absences and postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with resources of the internal service funds.

NOTE 9: DEFEASED DEBT

The FDOE issued Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, with interest rates ranging from 2 to 5 percent. The District's pro rata share of net proceeds totaling $1,177,878, along with other monies, was placed in an irrevocable trust to provide for future debt service payments. As a result, $1,160,000 of the State School Bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

NOTE 9: DEFEASED DEBT (Continued)

In addition, the District issued Certificates of Participation, Series 2014, to partially refund the District's Certificates of Participation, Series 2006-1 and Series 2006-2. The District's pro rata share of net proceeds totaling $23,517,222, along with other monies, was placed in an irrevocable trust to provide for future debt service payments. As a result, $21,635,000 of the Certificates of Participation are considered to be in-substance defeased and the liability for this debt has been removed from the government-wide financial statements.

NOTE 10: INTERFUND TRANSFERS

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major funds:		
General	$ 4,252,121	$ 326,036
Capital projects:		
Local capital improvement tax	-	5,800,303
Other capital projects	-	1,889,152
Nonmajor governmental funds	3,763,370	-
TOTAL	$ 8,015,491	$ 8,015,491

The District made transfers to the General Fund to cover payments on the student transportation contract, pay for certain property and casualty insurance premiums, cover payments for computer upgrades and Computer on Wheels, to facilitate the transfer of State funds to its charter school, to pay for network infrastructure, and to pay contractual payments for tennis courts usage. The District made transfers to the nonmajor governmental funds to facilitate debt service payments on certificates of participation, payments of school recognition bonuses to food service personnel, and to cover the District's portion of Reserve Officer Training Corps.

NOTE 11: FUND BALANCE REPORTING

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

- **Nonspendable Fund Balance** – Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

NOTE 11: FUND BALANCE REPORTING (Continued)

- **Restricted Fund Balance** – Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.

- **Unassigned Fund Balance** – The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

NOTE 12: SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2013-2014 fiscal year:

Sources		Amount
Florida education finance program	$	92,978,193
Class size reduction categorical		27,152,018
School recognition		1,925,063
Workforce development		1,805,234
Motor vehicles license tax (capital outlay and debt service)		948,140
Voluntary prekindergarten program		271,759
Discretionary lottery funds		223,250
Racing commission funds (debt service)		108,605
Food service supplement		89,353
Charter school capital outlay		74,404
Mobile home license tax		28,482
Miscellaneous		237,728
Total	$	125,842,229

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

NOTE 13: PROPERTY TAXES

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

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required local effort	5.295	$ 45,818,322
Basic discretionary local effort	0.748	6,472,541
Capital Projects Funds		
Nonvoted Tax:		
Local capital improvements	1.400	12,114,382
Total	7.443	$ 64,405,245

NOTE 14: RETIREMENT PLANS

Florida Retirement System (FRS) - Defined Benefit Pension Plans

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (http://www.dms.myflorida.com).

The District's pension expense totaled $4,296,153 for the fiscal year ended June 30, 2015.

NOTE 14: RETIREMENT PLANS (Continued)

FRS Pension Plan

Plan Description

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

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- DROP – Members who have elected to defer receipt of monthly benefit payments while continuing employment with an FRS employer.
- Reemployed Retiree

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

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

Benefits Provided

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

NOTE 14: RETIREMENT PLANS (Continued)

credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

Contributions

The State of Florida established contribution rates for participating employers and employees. Contribution rates during the 2014-2015 fiscal year were as follows:

	Percent of Gross Salary	
Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.37
Florida Retirement System, Elected County Officers	3.00	46.24
Deferred Retirement Option Program - Applicable to Members From All of the Above Classes	-	12.28
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

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

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

NOTE 14: RETIREMENT PLANS (Continued)

The District's contributions including employee contributions to the Plan totaled $7,137,278 for the fiscal year ended June 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of $18,387,792 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2014-2015 fiscal year contributions relative to the 2013-2014 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.30137 percent, which was an increase of 0.00267 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of $1,818,678 related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,137,892
Change of assumptions	3,184,460	
Net difference between projected and actual earnings on FRS pension plan investments		30,673,889
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	429,068	
District FRS contributions subsequent to the measurement date	7,137,278	
Total	$ 10,750,806	$ 31,811,781

The deferred outflows of resources related to pensions, totaling $7,137,278, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 14: RETIREMENT PLANS (Continued)

Fiscal Year Ending June 30,		Amount
2016	$	(5,728,970)
2017		(5,728,970)
2018		(5,728,970)
2019		(5,728,970)
2020		(5,728,970)
Thereafter		446,597
Total	$	(28,198,253)

Actuarial Assumptions

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

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

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

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

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

NOTE 14: RETIREMENT PLANS (Continued)

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

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

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 78,647,028	$ 18,387,792	$ (31,736,395)

NOTE 14: RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position

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

HIS Pension Plan

Plan Description

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

Benefits Provided

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

Contributions

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

The District's contributions to the HIS Plan totaled $1,444,329 for the fiscal year June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a net pension liability of $35,806,848 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial

NOTE 14: RETIREMENT PLANS (Continued)

valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.38295 percent, which was a decrease of 0.00074 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of $2,477,475 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 1,274,150	$ -
Net difference between projected and actual earnings on HIS pension plan investments	17,188	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	55,684
District contributions subsequent to the measurement date	1,444,329	-
Total	$ 2,735,667	$ 55,684

The deferred outflows of resources related to pensions, totaling $1,444,329, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2016	$ 171,422
2017	171,422
2018	171,422
2019	171,422
2020	171,420
Thereafter	378,546
Total	$ 1,235,654

NOTE 14: RETIREMENT PLANS (Continued)

Actuarial Assumptions

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.29 percent) or 1 percentage-point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	$ 40,727,390	$ 35,806,848	$ 31,699,604

Pension Plan Fiduciary Net Position

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

NOTE 14: RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) - Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2014-2015 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
DROP - Applicable to All of the Above Classes	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

NOTE 14: RETIREMENT PLANS (Continued)

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

The District's Investment Plan pension expense totaled approximately $1.2 million for the fiscal year ended June 30, 2015.

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

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

Funding Policy

Plan contribution requirements of the District and OPEB Plan members are established and may be amended through Board action. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. The calculations were based on July 1, 2014 data where there were 265 retirees and 46 eligible dependents receiving postemployment healthcare benefits. For the 2014-2015 fiscal year, the District provided required contributions of $625,558 toward the annual OPEB cost, net of retiree contributions totaling $1,668,526, which represents .58% of covered payroll. Required contributions are based on projected pay-as-you-go financing.

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

The following changes have been made since the last valuation:

- The per capita claims costs, retiree premiums, and medical trend rates have been updated since the last full valuation. The per capita claims costs were significantly lower than expected.
- The termination rates, disability rates, retirement rates, and mortality rate assumptions have been updated to better reflect anticipated experience for school district employees. The change to the retirement rate assumption lowered the average weighted retirement age from approximately 61.3 to 59.2. Additionally, the census information reflects actual experience since the last full valuation (July 1, 2013).
- The funding method has been updated to use the entry age funding method. This is the prescribed method that will be used under the new GASB 75 standards effective for fiscal years beginning after June 15, 2017.

The overall impact of these changes to the unfunded actuarial accrued liability was an increase of approximately $1.86 million.

Additionally, the amortization period for amortizing future actuarial gains and losses has been changed from a 30-year open amortization to a 30-year closed amortization.

Annual OPEB Cost and Net OPEB Obligation

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

Year ended June 30,		**2015**
Normal Cost (service cost for one year)	$	625,010
Amortization of Unfunded Actuarial Accrued Liability (UAAL)		699,938
Annual Required Contribution (ARC)		1,324,948
Interest on Net OPEB Obligation		150,365
Adjustment to Annual Required Contribution		(217,390)
Annual OPEB Cost (Expense)		1,257,923
Contributions made		(625,558)
Increase (decrease) in Net OPEB Obligation		632,365
Net OPEB Obligation, beginning of year		3,759,120
Net OPEB Obligation, end of year	$	4,391,485

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

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

Fiscal year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$ 858,464	94.85%	$ 3,346,673
6/30/2014	1,049,404	60.70%	3,759,120
6/30/2015	1,257,923	49.73%	4,391,485

Funded Status and Funding Progress

As of July 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $12,103,351, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $12,103,351 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was $107,159,237 and the ratio of unfunded actuarial accrued liability to the covered payroll was 11.3%.

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

Actuarial Methods and Assumptions

Calculations are based upon the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of sharing costs between the employer and plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of July 1, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and to estimate the District’s 2014-2015 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included an inflation rate of 3% and an annual healthcare cost trend rate of 7.5% for the 2014-2015

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

fiscal year, reduced periodically thereafter to an ultimate rate of 4.5% for the fiscal year ending June 30, 2015.

The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis over a 30 year period.

NOTE 16: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Contracts

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

Project	Contract Amount	Completed to Date	Balance Committed
Central - Gym HVAC, Locker Rm & Weight Rm Renovations	$ 1,185,543	$ 72,612	$ 1,112,931
Gulf Breeze Middle -Kitchen Addition/Cafeteria Renovation	1,517,856	161,491	1,356,365
Gulf Breeze High - Chiller Plant & Bldg 1 HVAC Renovation Ph. II	3,280,990	1,293,740	1,987,250
Hobbs Middle - Kitchen Expansion/Cafeteria Renovation	1,271,727	1,096,458	175,269
Holley Navarre Middle - Kitchen/Cafeteria Expansion	967,885	139,619	828,266
King Middle - Kitchen/Cafeteria	1,017,412	837,231	180,181
Navarre High - Construction Technology Lab	788,386	194,381	594,005
Total	$ 10,029,799	$ 3,795,532	$ 6,234,267

Encumbrances

Appropriations in governmental fund types are encumbered upon issuance of purchase orders for goods and/or 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 following is a schedule of encumbrances at June 30, 2015:

Major Funds			
General	Capital Projects - Local Capital Improvement	Capital Projects - Other	Total Governmental Funds
$ 886,360	$ 1,873,581	$ 3,287,408	$ 6,047,349

NOTE 17: RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Florida School Boards Insurance Trust (Trust). The Trust is a self-insurance fund of Florida school boards established under the authority set forth in Section 1001.42, Florida Statutes, and was established for the purpose of pooling certain exposures (e.g. property, casualty, and worker's compensation) of participating districts. If a participating district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to that district. Through its participation in the Trust, the District has acquired various types of insurance coverage including property, general and automotive liability, worker's compensation, errors and omissions, employee benefits liability, boiler and machinery, crime, special events, pollution, legal liability, school crisis risk, and cyber liability coverage. Catastrophic student accident, flood, and storage tank liability insurance are provided through purchased commercial insurance.

Employee health and hospitalization coverage was provided through purchased commercial insurance through December 31, 2014. Beginning January 1, 2015, the District provided self-insured employee health and hospitalization coverage. The District entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above $200,000 on an individual claim basis, and aggregate excess coverage of $1 million when total claims minus specific excess coverage exceeds the loss fund established by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims. A liability in the amount of $1,835,664 was recorded to cover estimated incurred, but not reported, insurance claims payable at June 30, 2015.

Dental and life insurance coverage are provided through commercial insurance.

Prior to July 1, 1997, the District was self-insured for worker's compensation exposures up to specified limits. At June 30, 2015, a liability in the amount of $253,277 was recorded to cover future claims payments relating to this former self-insurance program.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years. The following schedule represents the changes in claims liability for the past two fiscal years for the District’s self-insurance programs:

NOTE 17: RISK MANAGEMENT PROGRAMS (Continued)

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
Workers Compensation:				
2013-14	$ 304,887	$ 59,307	$ (176,442)	$ 187,752
2014-15	187,752	172,334	(106,809)	253,277
Employee Health				
2014-15	-	6,332,385	(4,496,720)	1,835,665

NOTE 18: LITIGATION

The District is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by District management and the Board's legal counsel, should not materially affect the financial condition of the District.

Required Supplemental Information
(Other Than MD&A)

Santa Rosa County District School Board
Budget to Actual Comparison Schedule – General Fund

Year ended June 30, **2015**

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal direct	$ 575,000	$ 479,872	$ 479,766	$ (106)
Federal through state	585,000	976,779	1,064,010	87,231
State sources	122,788,118	124,438,445	124,459,797	21,352
Local sources	54,591,058	57,453,614	57,628,398	174,784
Total revenues	178,539,176	183,348,710	183,631,971	283,261
Expenditures				
Instruction	118,645,419	119,379,520	115,842,184	3,537,336
Student personnel services	7,896,872	8,196,918	7,877,527	319,391
Instructional media services	2,469,875	2,577,041	2,362,850	214,191
Instructional and curriculum development services	3,631,884	3,586,292	3,344,086	242,206
Instructional staff training services	873,832	1,093,452	819,675	273,777
Instruction related technology	4,664,156	5,184,268	4,699,387	484,881
Board of education	707,999	714,673	579,179	135,494
General administration	655,570	762,275	750,157	12,118
School administration	12,143,823	13,387,961	13,194,388	193,573
Facilities acquisition and construction	5,969	88,383	39,022	49,361
Fiscal services	1,215,179	1,210,907	1,130,518	80,389
Central services	2,416,051	2,501,487	2,376,937	124,550
Student transportation services	12,755,440	12,274,701	12,005,849	268,852
Operation of plant	12,828,321	13,021,832	12,956,288	65,544
Maintenance of plant	4,726,593	4,647,140	3,986,061	661,079
Administrative technology services	1,920,552	1,808,707	1,701,604	107,103
Community services	2,336,785	2,371,829	1,620,978	750,851
Fixed capital outlay:				
Facilities acquisition and construction	-	36,002	36,002	-
Other capital outlay	-	665,182	665,182	-
Total expenditures	189,894,320	193,508,570	185,987,874	7,520,696
Excess (deficiency) of revenues over expenditures	(11,355,144)	(10,159,860)	(2,355,903)	7,803,957
Other financing sources (uses)				
Loss recoveries	-	46,120	47,371	(1,251)
Transfers in	4,356,966	4,252,121	4,252,121	-
Transfers out	(313,773)	(326,036)	(326,036)	-
Total other financing sources	4,043,193	3,972,205	3,973,456	(1,251)
Net change in fund balances	(7,311,951)	(6,187,655)	1,617,553	7,805,208
Fund balances - beginning	17,817,097	17,817,097	17,817,097	-
Fund balances - ending	$ 10,505,146	$ 11,629,442	$ 19,434,650	$ 7,805,208

Schedule of Funding Progress for Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)-(1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UALL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2012	$ -	$ 9,247,801	$ 9,247,801	0.00%	$ 64,129,466	14.42%
July 1, 2013	$ -	$ 9,930,640	$ 9,930,640	0.00%	$ 65,789,331	15.09%
July 1, 2014	$ -	$ 12,103,351	$12,103,351	0.00%	$ 107,159,237	11.29%

Note (1): The District's actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability for fiscal years 2012 and 2013. Beginning in fiscal year 2014, the entry age normal (level dollar) actuarial cost method was used.

Note (2): The District's covered payroll for fiscal years 2012 and 2013 included payroll of active participating members. Covered payroll for fiscal year 2014 included the annual rate of pay of all covered members.

Santa Rosa County District School Board
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan (1)

		2014
District's proportion of the FRS net pension liability (asset)		0.30137%
District's proportionate share of the FRS net pension liability (asset)	$	18,387,792
District's covered-employee payroll	$	113,783,755
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll		16.16%
FRS Plan fiduciary net position as a percentage of the total pension liability		96.09%

Notes: (1) The amounts presented were determined as of June 30.

Santa Rosa County District School Board
Schedule of Contributions –
Florida Retirement System Pension Plan (1)

	2015	2014
Contractually required FRS contribution	$ 7,137,278	$ 6,601,206
FRS contributions in relation to the contractually required contribution	(7,137,278)	(6,601,206)
FRS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 114,639,462	$ 113,783,755
FRS contributions as a percentage of covered-employee payroll	6.23%	5.80%

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

Santa Rosa County District School Board
Schedule of Proportionate Share of Net Pension Liability – Health Insurance Subsidy Pension Plan (1)

		2014
District's proportion of the HIS net pension liability (asset)		0.38295%
District's proportionate share of the HIS net pension liability (asset)	$	35,806,848
District's covered-employee payroll	$	113,783,755
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll		31.47%
HIS Plan fiduciary net position as a percentage of the total pension liability		0.99%

Notes: (1) The amounts presented were determined as of June 30.

Santa Rosa County District School Board
Schedule of Contributions –
Health Insurance Subsidy Pension Plan (1)

	2015	2014
Contractually required HIS contribution	$ 1,444,329	$ 1,311,861
HIS contributions in relation to the contractually required HIS contribution	(1,444,329)	(1,311,861)
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 114,639,462	$ 113,783,755
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system, and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end, and encumbrances outstanding are honored from the subsequent year's appropriations.

NOTE 2: SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The June 30, 2015 unfunded actuarial accrued liability of $4,391,485 was significantly higher than the June 30, 2014 obligation of $3,759,120 as a result of the following changes:

- The current year normal cost for benefits increased
- The amortization of unfunded liability increased
- Assumed employer contributions decreased

NOTE 3: SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM PENSION PLAN

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

NOTE 4: SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE SUBSIDY PENSION PLAN

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

Other Information

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (Note 1)	Amount Provided To Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	300	$ 1,414,536	$ -
National School Lunch Program	10.555	321	4,927,719	-
Summer Food Service Program for Children	10.559	323	157,215	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	300	546,504	-
Total Child Nutrition Cluster			7,045,974	-
Florida Department of Education:				
Team Nutrition Training Grants	10.574	301	3,988	-
Fresh Fruit and Vegetable Program	10.582	330, 331	34,668	
Florida Department of Financial Services				
Schools and Roads - Grants to States	10.665	none	3,949	-
Total United States Department of Agriculture			7,088,579	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	12	N/A	56,152	-
Navy Junior Reserve Officers Training Corps	12	N/A	204,611	-
Total United States Department of Defense			260,763	-
United States Department of Labor:				
Indirect:				
Workforce Escarosa, Inc.:				
WIA Youth Activities	17.259	none	241,160	-
Total United States Department of Labor			241,160	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703	-
Federal Work-Study Program	84.033	N/A	5,610	-
Federal Pell Grant Program	84.063	N/A	623,416	-
Total Student Financial Assistance Cluster			634,729	-
Impact Aid	84.041	N/A	474,895	-
Total Direct			1,109,624	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262,263	5,003,436	-
Special Education - Preschool Grants	84.173	267	186,001	-
University of South Florida				
Special Education - Grants to States	84.027	none	2,517	-
Total Special Education Cluster			5,191,954	-

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (Note 1)	Amount Provided To Subrecipients
United States Department of Education:				
Indirect:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	257,574	-
Title I Grants to Local Education Agencies	84.010	212, 223, 212, 223, 226	4,041,113	27,041
Career and Technical Education - Basic Grants to States	84.048	161	200,402	-
Education for Homeless Children and Youth	84.196	127	98,408	-
English Language Acquisition Grants	84.365	102	43,781	-
Improving Teacher Quality State Grants	84.367	224	733,088	-
			5,374,366	27,041
State Fiscal Stabilization Fund:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund - Race to the Top	84.395	111, 311,	430,231	-
Indian River State College/NWFL State College:				
ARRA- State Fiscal Stabilization Fund - Race to the top Incentive Grants, Recovery Act	84.395	none	50,750	-
			480,981	
Total Indirect			11,047,301	27,041
Total United States Department of Education			12,156,925	27,041
United States Department of Health and Human Services:				
Indirect:				
University of South Florida				
Teenage Pregnancy Prevention Program	93.297	none	2,269	-
Direct:				
Head Start Cluster:				
Head Start (Note 3)	93.600	none	2,381,131	-
Total United States Department of Health and Human Services			2,383,400	-
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance - Presidentially Declared (Note 4)	97.036	none	106,713	-
Total United States Department of Homeland Security			106,713	-
Total Expenditures of Federal Awards			$ 22,237,540	$ 27,041

Notes:

(1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2014-2015 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the general purpose financial statements have been reported.

(2) Noncash Assistance - Food Donation - Represents the amount of donated food received during the fiscal year. Commodities are valued at fair value as determined at time of donation.

(3) Head Start - Expenditures include $1,358,341 for grant number/program year 04CH0384/24 and $1,022,790 for grant number/program year 04CH0795/01.

(4) Disaster Grants - Public Assistance. The amount disclosed as expenditures represents Florida Severe Storm, Tornadoes, Straight-line Winds, and Flooding recoveries for the 2014-2015 fiscal year as follows: $ 0.00 for large projects for which the District is required to make an accounting of eligible costs for each approved project; $ 106,712.61 for small projects; and $ 0.00 for allowable administrative costs.

Compliance Section

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

To the Santa Rosa County District School Board and
Tim Wyrosdick, Superintendent of Schools
Milton, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Rosa County District School Board (hereinafter referred to as the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 28, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

To the Santa Rosa County District School Board and
Tim Wyrosdick, Superintendent of Schools
Milton, Florida

Report on Compliance for Each Major Federal Program

We have audited the Santa Rosa County District School Board's ("the District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

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.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 28, 2016

Summary of Audit Results

As required by United States Office of Management and Budget *Circular A-133*, Section 505, the following is a summary of the results of the audit of the Santa Rosa County District School Board for the fiscal year ended June 30, 2015.

- The auditor's report expresses an unmodified opinion on the basic financial statements of the Santa Rosa County District School Board.

- No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

- No instances of noncompliance material to the basic financial statements of Santa Rosa County District School Board which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

- No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance in Accordance with *OMB Circular A-133*.

- The auditor's report on compliance for the major federal award programs for the Santa Rosa County District School Board is unmodified on all major federal programs.

- The auditor identified no audit findings relative to the major federal award programs for Santa Rosa County District School Board.

- The programs tested as major programs included: ARRA - State Fiscal Stabilization Fund - Race to the Top (CFDA 84.395), Special Education Cluster (CFDA 84.027, 84.173), and Impact Aid (CFDA 84.041).

- The threshold for distinguishing between Types A and B programs was $667,126.

- The Santa Rosa County District School Board was determined to be a low risk auditee, as defined in *OMB Circular A-133*.

Findings and Questioned Costs - Financial Statement Audit

None

Findings and Questioned Coasts - Major Federal Award Programs Audit

None

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

Audit Report and Schedule Paragraph No.	Program/Area	Brief Description	Status
2014 - 001	Student Financial Aid Cluster (CFDA No. 84.007, 84.033, 84.063)	The District was not in compliance with federal requirements regarding time frames for annual return of interest in excess of $250, excess cash tolerances that must be eliminated within 7 working days, and Pell Grants being distributed within 3 working days of a drawdown request.	Resolved

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MANAGEMENT LETTER

To the Santa Rosa County District School Board and
Tim Wyrosdick, Superintendent of Schools
Milton, Florida

Report on the Financial Statements

We have audited the financial statements of Santa Rosa County District School Board ("District") as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated March 28, 2016.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.800, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards,* Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 28, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the District has met has met one or more of the conditions described in Section 218.503(1),

Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Transparency

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

Other Matters

Section 10.804(1)(f)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 28, 2016

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ATTESTATION REPORT ON COMPLIANCE WITH
SECTION 218.415 FLORIDA STATUTES

To the Santa Rosa County District School Board and
Tim Wyrosdick, Superintendent of Schools
Milton, Florida

We have examined Santa Rosa County District School Board's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 28, 2016