I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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:

Blended Component Unit - 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 II.H. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units - The component units columns in the government-wide financial statements include the financial data of the District's other component units. 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, 2016. The audit reports are filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. 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.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

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

E. Basis of Accounting

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

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

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.

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

1. 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 equivalents include certificates of deposit and amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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.

2. 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 pools 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, 2016, 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.

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.

3. 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.

4. Capital Assets

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

5. 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 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.

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide Statement of Net Position. Debt premiums 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.

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.

7. 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 or 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 net carrying amount of debt refunding. 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.

8. 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.

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

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring 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 2015, 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

3. District Property Taxes

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

The Board adopted the 2015 tax levy on September 10, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to four percent for early payment.

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

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

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

4. 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.

5. 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.

6. 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.

7. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

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

Investments	Maturities	Fair Value
State Board of Administration:		
Florida PRIME (1)	39 Day Average	$ 30,484,945
Debt Service Accounts	6 Months	52,125
Certificate of Deposit (1)	August 23, 2015	20,000
Total Investments, Primary Government		$ 30,557,070

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

- Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 of 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, 2016, 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, 2016 as follows:

Issuer: State Board of Administration: Florida PRIME

Fair Value: $30,484,945

Percent of Total Cash and Investments, Primary Government: 55%

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Balance 7/1/2015	Additions	Deletions/Transfers	Balance 6/30/2016
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 7,317,360	$ -	$ -	$ 7,317,360
Land Improvements	4,857,431	191,189	-	5,048,619
Construction in Progress	4,673,748	3,737,887	3,702,527	4,709,108
Total Capital Assets Not Being Depreciated	16,848,539	3,929,076	3,702,527	17,075,087
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	25,549,616	479,460	165,564	25,863,512
Buildings and Fixed Equipment	352,385,801	9,690,347	758,512	361,317,635
Furniture, Fixtures, and Equipment	16,085,029	1,554,745	1,115,551	16,524,223
Motor Vehicles	3,651,284	229,637	175,613	3,705,308
Audio Visual Materials and Computer Software	5,001,787	70,936	154,779	4,917,944
Total Capital Assets Being Depreciated	402,673,517	12,025,124	2,370,019	412,328,622
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	15,707,259	902,253	152,902	16,456,611
Buildings and Fixed Equipment	118,995,761	8,293,333	419,310	126,869,784
Furniture, Fixtures, and Equipment	10,429,464	1,442,980	1,054,710	10,817,733
Motor Vehicles	3,234,126	114,414	115,834	3,232,706
Audio Visual Materials and Computer Software	4,361,628	215,727	150,042	4,427,312
Total Accumulated Depreciation	152,728,239	10,968,706	1,892,798	161,804,147
Total Capital Assets Being Depreciated, Net	249,945,278	1,056,418	477,221	250,524,475
Governmental Activities Capital Assets, Net	$ 266,793,818	$ 4,985,494	$ 4,179,749	$ 267,599,563

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 247,142
Student Personnel Services	11,784
Instructional Media Services	8,719
Instruction and Curriculum Development	13,238
Instructional Staff Training	497,884
Instruction Related Technology	210,224
General Administration	533
School Administration	4,385
Fiscal Services	1,623
Food Services	84,379
Central Services	20,127
Pupil Transportation Services	5,172
Operation of Plant	5,898
Maintenance of Plant	1,662,845
Administrative Technology Services	70,787
Community Services	17,284
Unallocated	8,106,681
Total Depreciation Expense - Governmental Activities	$ 10,968,706

D. 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the 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 (www.dms.myflorida.com).

The District's pension expense totaled $5,368,409 for the fiscal year ended June 30, 2016.

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 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 2015-16 fiscal year were as follows:

Class	Percent of Gross Salary Employee	Employer (A)
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
DROP - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The District's contributions including employee contributions to the Plan totaled $6,924,790 for the fiscal year ended June 30, 2016. 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, 2016, the District reported a liability of $37,811,446 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.29274 percent, which was a decrease of 0.00863 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of $2,570,667 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	$ 3,991,769	$ 896,772
Change of assumptions	2,509,672	
Net difference between projected and actual earnings on FRS pension plan investments		9,028,741
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	348,112	1,132,028
District FRS contributions subsequent to the measurement date	6,924,790	
Total	$ 13,774,343	$ 11,057,541

The deferred outflows of resources related to pensions, totaling $6,924,790, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as a 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
2017	$800,454
2018	800,454
2019	800,454
2020	800,454
2021	800,454
Thereafter	1,715,255
Total	$5,717,525

Actuarial Assumptions

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

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

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

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

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Total	100.00%			
Assumed inflation - Mean		2.6%		1.9%
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	$42,754,118	$37,811,446	$32,868,774

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, 2016, 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, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 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 $2,039,187 for the fiscal year June 30, 2016.

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

At June 30, 2016, the District reported a net pension liability of $38,533,451 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of July 01, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was

0.37783 percent, which was a decrease of 0.00512 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of $2,797,742 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	$ 3,031,577	$ -
Net difference between projected and actual		
earnings on HIS pension plan investments	20,859	-
Changes in proportion and differences between		
District HIS contributions and proportionate		
share of HIS contributions	-	443,592
District contributions subsequent to the		
measurement date	2,039,187	-
Total	$ 5,091,623	$ 443,592

The deferred outflows of resources related to pensions, totaling $2,039,187, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2017	$417,415
2018	417,415
2019	417,415
2020	417,415
2121	417,415
Thereafter	521,769
Total	$2,608,844

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

Sensitivity of the District's Proportionate Share of the Net 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 3.80 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.80 percent) or 1 percentage-point higher (4.809) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
District's proportionate share of the net pension liability	$38,918,786	$38,533,451	$38,148,116

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.

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 2015-2016 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, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, could be immaterial to the District.

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

The District's Investment Plan pension expense totaled approximately $1.6 million for the fiscal year ended June 30, 2016.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and 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 2015-2016 fiscal year, the District provided required contributions of $619,439 toward the annual OPEB cost, net of retiree contributions totaling $1,712,667, which represents .58% of covered payroll. Required contributions are based on projected pay-as-you-go financing.

The per capita claims costs, retiree premiums, and medical trend rates have been updated since the last full valuation.

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:

Description	Amount
Normal Cost (service cost for one year)	$ 618,891
Amortization of Unfunded Actuarial Accrued Liability	740,383
Annual Required Contribution	1,359,274
Interest on Net OPEB Obligation	175,659
Adjustment to Annual Required Contribution	(253,960)
Annual OPEB Cost (Expense)	1,280,973
Contributions Made	(619,439)
Increase (Decrease) in Net OPEB Obligation	661,534
Net OPEB Obligation, Beginning of Year	4,391,485
Net OPEB Obligation, End of Year	$ 5,053,019

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 1,049,404	60.7%	$ 3,759,120
6/30/2015	1,257,923	49.7%	4,391,485
6/30/2016	1,280,973	48.4%	5,053,019

Funded Status and Funding Progress. As of July 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $12,586,938, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $12,586,938 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $107,159,237, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.8 percent.

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

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, 2016, and to estimate the District's 2015-2016 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included an inflation rate of 3 percent and an annual healthcare cost trend rate of 6.50 percent for the 2015-2016 fiscal year, reduced periodically thereafter to an ultimate rate of 4.50 percent for the fiscal year ending June 30, 2020.

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

F. 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	$ 840,467	$ 838,074	2,393
Gulf Breeze Middle - Kitchen Addition/Cafeteria Renovation	981,378	971,022	10,356
Gulf Breeze High - Chiller Plant & Bldg 1 HVAC Renovation Ph II	1,704,955	1,694,955	10,000
Gulf Breeze High - Chiller Plant & Bldg 1 & 3 HVAC Renovation Ph III	858,525	666,837	191,688
Holley Navarre Middle - Kitchen/Cafeteria Expansion	678,253	622,409	55,845
Milton High - Chiller Plant/HVAC & Bldg 35 Energy Renovations	2,004,710	1,315,347	689,363
Total	$ 7,068,289	$ 6,108,644	$ 959,645

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, 2016:

Major Funds				
General	Capital Projects - Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 852,698	$ 647,103	$ 1,282,882	$ 37,869	$ 2,820,552

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Florida School Board 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, workers' 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.

The District provides 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 $150,000 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 $1,899,690 was recorded to cover estimated incurred, but not reported, insurance claims payable at June 30, 2016.

Dental, vision, long-term disability, 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, 2016, a liability in the amount of $239,765 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 former self-insurance program:

Fiscal Years	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
Workers Compensation:				
2014-15	$ 187,752	$ 172,334	$ (106,809)	$ 253,277
2015-16	253,277	109,206	(122,718)	239,765
Employee Health:				
2014-15	-	6,332,385	(4,496,720)	1,835,665
2015-16	1,835,665	6,122,889	(6,058,864)	1,899,690

H. Long-Term Liabilities

1. 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, 2016:

Series	Original Amount	Principal Paid to Date	Principal Refunded	Refunded by Series	Balance
2006-1	$12,370,000	$5,645,000	$5,485,000	2014	$1,240,000
2006-2	18,870,000		16,150,000	2014	2,720,000
2009	12,585,000	4,150,000			8,435,000
2014	20,520,000	290,000			20,230,000
					$32,625,000

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 percent for the Series 2006-1 and 4.25 percent to 5.25 percent 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 percent 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 01, 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

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,	Total	Principal	Interest
2017	$ 3,461,185	$ 2,035,000	$ 1,426,185
2018	3,376,954	2,035,000	1,341,954
2019	3,378,647	2,120,000	1,258,647
2020	3,370,351	2,205,000	1,165,351
2021	3,371,441	2,310,000	1,061,441
2022-2026	15,634,591	12,020,000	3,614,591
2027-2031	10,958,931	9,900,000	1,058,931
Total Minimum Lease Payments	43,552,099	32,625,000	10,927,099
Plus: Unamortized Premium	2,529,881	2,529,881	
Total Certificates of Participation	$ 46,081,980	$ 35,154,881	$ 10,927,099

2. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2006A	$ 200,000	4.0 - 4.625	2026
Series 2009A, Refunding	150,000	4.0 - 5.0	2019
Series 2010A	945,000	3.50 - 5.0	2030
Series 2011A, Refunding	285,000	3.0 - 5.0	2023
Series 2014A, Refunding	284,000	2.0 - 5.0	2025
Series 2014B, Refunding	438,000	2.0 - 5.0	2020
District Revenue Bonds:			
Racetrack, Series 1996	190,000	5.8	2016
Bonds Payable	2,492,000		
Plus: Unamortized Premium	220,852		
Total Bonds Payable	$ 2,712,852		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	Total	Principal	Interest
State School Bonds:			
2017	$ 567,473	464,000	103,473
2018	353,655	273,000	80,655
2019	253,118	186,000	67,118
2020	207,361	149,000	58,361
2021	204,395	153,000	51,395
2022-2026	860,136	707,000	153,136
2027-2030	407,575	370,000	37,575
Total State School Bonds	2,853,713	2,302,000	551,713
District Revenue Bonds:			
2017	195,510	190,000	5,510
Total District Revenue Bonds	195,510	190,000	5,510
Total	$ 3,049,223	$ 2,492,000	$ 557,223

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.

The District has pledged a total of $784,100 of pari-mutuel tax revenues in connection with the revenue bonds. During the 2015-16 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $196,815 (88 percent) 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 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	$ 34,575,000	$ -	$ 1,950,000	$ 32,625,000	$ 2,035,000
Unamortized Premium on Certificates	3,397,916	-	868,035	2,529,880	277,827
Total Certificates of Participation Payable	37,972,916	-	2,818,035	35,154,880	2,312,827
Bonds Payable	3,467,000	-	975,000	2,492,000	654,000
Unamortized Premium on Bonds	239,019	-	18,167	220,852	27,792
Total Bonds Payable	3,706,019	-	993,167	2,712,852	681,792
Estimated Insurance Claims Payable	1,389,000	1,725,000	1,389,000	1,725,000	1,725,000
Compensated Absences Payable	19,101,016	6,730,134	5,901,283	19,929,867	5,493,339
Net Pension Liablility	54,194,640	22,150,257	-	76,344,897	-
Other Postemployment Benefits Payable	4,391,485	1,280,973	619,439	5,053,019	-
Total Governmental Activities	$ 120,755,075	$ 31,886,364	$ 11,720,923	$ 140,920,516	$ 10,212,958

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

I. 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.

- **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.

J. Revenues And Expenditures/Expenses

1. Schedule of State Revenue Sources

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

Sources	Amount
Florida Education Finance Program	$ 102,534,177
Class Size Reduction Categorical	27,562,211
School Recognition	2,192,775
Workforce Development	1,870,731
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,031,538
Gross Receipts Tax (Public Education Capital Outlay)	770,108
Voluntary Prekindergarten Program	523,722
Sales Tax Distributions (Debt Service)	223,250
Food Service Supplement	109,536
Charter School Capital Outlay	66,247
Mobile Home License Tax	27,760
Miscellaneous	1,459,804
Total	$ 138,371,859

Accounting policies relating to certain State revenue sources are described in note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2015 tax roll for the 2015-16 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.054	$ 45,737,203
Basic Discretionary Local Effort	0.748	6,769,178
Capital Projects Funds		
Nonvoted Tax:		
Local Capital Improvements	1.400	12,669,585
Total	7.202	$ 65,175,967

K. 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:		
General	$ 4,244,755	$ 308,241
Capital Projects:		
Local Capital Improvement		6,326,156
Other Capital Projects		1,330,997
Nonmajor Governmental	3,720,639	
Internal Service	2,300,000	2,300,000
Total	$ 10,265,393	$ 10,265,393

The District made transfers to the General Fund to cover payments on the student transportation contract, to pay for certain property and casualty insurance premiums, to cover payments for computer upgrades and Computer on Wheels, to facilitate the transfer of State funds to its charter schools, 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. The District made transfers to the Internal Service Fund to establish a Safe Harbor Reserve for self-insurance and to cover increases in insurance premiums.

SANTA ROSA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT 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 (2) (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2013	$ 0	9,930,640	9,930,640	0.0%	65,789,331	15.09%
July 1, 2014	0	12,103,351	12,103,351	0.0%	107,159,237	11.30%
July 1, 2015	0	12,586,938	12,586,938	0.0%	107,159,237	11.80%

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 beginning with fiscal year 2014 included the annual rate of pay of all covered members.

SANTA ROSA COUNTY
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JUNE 30, 2016

Schedule of Proportionate Share of Net Pension Liability -
Florida Retirement System Pension Plan (1)

	2015	2014
District's proportion of the FRS net pension liability (asset)	0.29274%	0.30137%
District's proportion share of the FRS net pension liability (asset)	$ 37,811,446	$ 18,387,792
District's covered-employee payroll	$ 114,639,462	$ 113,783,755
District's proportion share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	32.98%	16.16%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

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

SANTA ROSA COUNTY
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JUNE 30, 2016

Schedule of Contributions -
Florida Retirement System Pension Plan (1)

	2016	2015	2014
Contractually required FRS contribution	$ 6,924,790	$ 7,137,278	$ 6,601,206
FRS contributions in relation to the contractually required contribution	$ (6,924,790)	$ (7,137,278)	$ (6,601,206)
FRS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 123,528,778	$ 114,639,462	$ 113,783,755
FRS contributions as a percentage of covered-employee payroll	5.61%	6.23%	5.80%

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

SANTA ROSA COUNTY
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REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Schedule of Proportionate Share of Net Pension Liability - Health Insurance Subsidy Pension Plan (1)		
	2015	2014
District's proportion of the HIS net pension liability (asset)	0.37783%	0.38295%
District's proportion share of the HIS net pension liability (asset)	$ 38,533,451	$ 35,806,848
District's covered-employee payroll	$ 114,639,462	$ 113,783,755
District's proportion share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	33.61%	31.47%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%
Notes: (1) The amounts presented were determined as of June 30.		

SANTA ROSA COUNTY
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REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Schedule of Contributions - Health Insurance Subsidy Pension Plan (1)			
	2016	2015	2014
Contractually required HIS contribution	$ 2,039,187	$ 1,444,329	$ 1,311,861
HIS contributions in relation to the contractually required HIS contribution	$ (2,039,187)	$ (1,444,329)	$ (1,311,861)
HIS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 123,528,778	$ 114,639,462	$ 113,783,755
HIS contributions as a percentage of covered-employee payroll	1.65%	1.26%	1.15%

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

SANTA ROSA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

I. 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.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The June 30, 2016 unfunded actuarial accrued liability of $12,586,938 was slightly higher than the June 30, 2015 liability of $12,103,351 as a result of the following reasons:

- The current year normal cost for benefits increased.
- Expected administrative expenses during the year increased.
- The interest on the unfunded actuarial accrued liability, normal cost, and expected administrative expenses increased.
- Assumed employer contributions increased.

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

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