

# STATE OF FLORIDA AUDITOR GENERAL

## Financial and Federal Single Audit

Report No. 2017-114  
February 2017

### **SANTA ROSA COUNTY DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended  
June 30, 2016



Sherrill F. Norman, CPA  
Auditor General

### **Board Members and Superintendent**

During the 2015-16 fiscal year, Timothy S. Wyrosdick served as Superintendent of the Santa Rosa County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Diane L. Scott, Ph.D.	1
E. Hugh Winkles, Chair to 11-17-15	2
Carol Boston	3
Jennifer G. Granse, Chair from 11-18-15, Vice Chair to 11-17-15	4
Scott T. Peden, Vice Chair from 11-18-15	5

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Santa Rosa County District School Board (District's) basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

## SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Head Start programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2016. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements. The results of our operational audit of the District are included in our report No. 2017-053.

## AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA  
Auditor General

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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT

### 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, as of and for the fiscal year ended June 30, 2016, 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 19 percent of the assets and 38 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are 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 from 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General Fund**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to 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.

#### *Supplementary 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**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying **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 February 8, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 8, 2017

## **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, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### **FINANCIAL HIGHLIGHTS**

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

- As of June 30, 2016, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$188,488,215.24.
- Net position increased \$15,608,993.24, which represents a 9 percent increase from the 2014-15 fiscal year.
- General revenues total \$231,376,365.99, or 93.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$16,883,671.95, or 6.8 percent of all revenues.
- Expenses total \$232,651,044.70. Only \$16,883,671.95 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$22,961,634.50, which is \$3,526,984.15 more than the 2014-15 fiscal year balance. The General Fund assigned and unassigned fund balances totaled \$18,918,598.90, or 9.6 percent of total General Fund revenues.

### **OVERVIEW OF 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, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in 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, charter schools, 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 entitywide 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, Capital Projects – Local Capital Improvement Fund, and 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. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's self-insurance program. 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 resources of the District's pre-tax flexible benefits plan and the school internal funds which are used to account for moneys collected at 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 net pension liability and its progress in funding its obligation to provide other postemployment benefits to its employees.

<b>GOVERNMENT-WIDE FINANCIAL ANALYSIS</b>
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As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

## Net Position, End of Year

	<b>Governmental Activities</b>	
	<b>6-30-16</b>	<b>6-30-15</b>
Current and Other Assets	\$ 58,918,178.43	\$ 51,311,720.84
Capital Assets	267,599,562.85	266,793,817.87
<b>Total Assets</b>	<b>326,517,741.28</b>	<b>318,105,538.71</b>
Deferred Outflows of Resources	19,925,371.20	14,628,107.00
Long-Term Liabilities	139,195,516.57	120,251,789.00
Other Liabilities	7,258,247.67	7,735,169.71
<b>Total Liabilities</b>	<b>146,453,764.24</b>	<b>127,986,958.71</b>
Deferred Inflows of Resources	11,501,133.00	31,867,465.00
Net Position:		
Net Investment in Capital Assets	230,791,234.75	226,687,250.02
Restricted	27,656,054.97	23,629,247.47
Unrestricted (Deficit)	(69,959,074.48)	(77,437,275.49)
<b>Total Net Position</b>	<b>\$ 188,488,215.24</b>	<b>\$ 172,879,222.00</b>

The largest portion of the District's net position is 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 deficit unrestricted net position is the result, in part, of accruing long-term liabilities (e.g., debt, compensated absences payable, and net pension liability). The deficit unrestricted net position decreased by \$7,478,201.01 from the 2014-15 fiscal year, primarily as a result of an increase of \$7,145,729.50 in cash and cash equivalents, an increase of \$5,379,493 in deferred outflows of resources related to pensions, and a decrease of \$20,366,332 in deferred inflows of resources related to pensions which were offset by an increase of \$22,150,257 in the net pension liability.

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

## Operating Results for the Fiscal Year Ended

	<b>Governmental Activities</b>	
	<b>6-30-16</b>	<b>6-30-15</b>
Program Revenues:		
Charges for Services	\$ 7,274,115.08	\$ 7,200,248.86
Operating Grants and Contributions	7,801,072.22	7,506,253.17
Capital Grants and Contributions	1,808,484.65	948,140.13
General Revenues:		
Property Taxes, Levied for Operational Purposes	52,747,089.87	52,705,710.79
Property Taxes, Levied for Capital Projects	12,697,264.54	12,216,535.68
Local Sales Tax	8,530,135.95	7,804,989.00
Grants and Contributions Not Restricted to Specific Programs	152,769,614.78	140,862,042.72
Unrestricted Investment Earnings	196,644.15	59,652.95
Miscellaneous	4,435,616.70	4,035,914.21
<b>Total Revenues</b>	<b>248,260,037.94</b>	<b>233,339,487.51</b>
Functions/Program Expenses:		
Instruction	131,009,531.33	119,952,616.48
Student Support Services	8,014,743.95	9,756,704.40
Instructional Media Services	2,173,459.49	2,301,491.89
Instruction and Curriculum Development Services	6,192,181.72	5,874,937.79
Instructional Staff Training Services	3,318,969.75	2,282,730.59
Instruction-Related Technology	5,181,608.95	5,457,927.72
Board	537,595.56	573,578.73
General Administration	1,230,236.74	1,416,607.33
School Administration	13,794,921.33	13,073,039.11
Facilities Acquisition and Construction	400,281.72	1,080,751.44
Fiscal Services	1,221,290.95	1,101,224.87
Food Services	11,572,807.24	11,520,108.97
Central Services	2,133,638.89	2,161,170.66
Student Transportation Services	11,724,072.43	11,953,579.04
Operation of Plant	12,871,585.66	13,010,914.16
Maintenance of Plant	7,001,216.90	8,519,729.84
Administrative Technology Services	1,955,832.74	1,748,995.93
Community Services	2,315,844.99	2,280,702.52
Unallocated Interest on Long-Term Debt	1,417,321.43	2,122,620.00
Unallocated Depreciation Expense	8,106,680.92	7,804,255.42
Loss on Disposal of Capital Assets	477,222.01	-
<b>Total Functions/Program Expenses</b>	<b>232,651,044.70</b>	<b>223,993,686.89</b>
<b>Change in Net Position</b>	<b>15,608,993.24</b>	<b>9,345,800.62</b>
Net Position - Beginning	172,879,222.00	240,394,507.38
Adjustment to Beginning Net Position (1)	-	(76,861,086.00)
Net Position - Beginning, as Restated	172,879,222.00	163,533,421.38
<b>Net Position - Ending</b>	<b>\$ 188,488,215.24</b>	<b>\$ 172,879,222.00</b>

Note: (1) The adjustment to beginning net position was due to the implementation of Government Accounting Standards Board Statement No. 68, which was a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

Grants and contributions not restricted to specific programs represent 61.5 percent of total governmental revenues in the 2015-16 fiscal year and increased by \$11,907,572.06, or 8.5 percent from the 2014-15 fiscal year, primarily due to an increase in Florida Education Finance Program (FEFP) funding. 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 56.3 percent of total governmental expenses in the 2015-16 fiscal year. Instruction expenses increased by \$11,056,914.85, or 9.2 percent, from the 2014-15 fiscal year, primarily due to an increase in salaries and related benefits.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

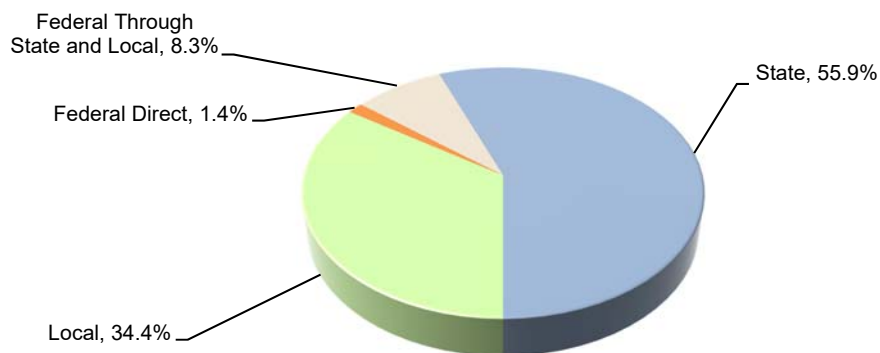
### **Governmental Funds**

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 \$6,718,225.72 during the fiscal year to \$48,668,369.99 at June 30, 2016. Approximately 37.7 percent of this amount is unassigned fund balance (\$18,323,182.37), 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 (\$260,846.63), (2) restricted for particular purposes (\$27,434,368.76), (3) committed for particular purposes (\$2,054,555.70), or (4) assigned for particular purposes (\$595,416.53).

In the governmental funds, revenues by source for the 2015-16 fiscal year were as follows:

#### **Revenues by Source**



The largest revenue source is the State of Florida. Revenue from State sources for current operations are primarily received through the FEFP funding formula. Other State revenues are primarily received for specific programs, such as Class Size Reduction. State revenues increased by \$12,529,630.04, or 10 percent, primarily due to increasing FEFP funding.

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the unassigned fund balance is \$18,323,182.37, while the total fund balance is \$22,961,634.50. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 9.6 percent of the total General Fund revenues, while total fund balance represents 11.6 percent of total General Fund revenues.

Total fund balance increased by \$3,526,984.15 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increases in State revenues totaling \$11,707,824.22, primarily due to an increase in FEFP funding.
- Increases in local revenues totaling \$1,597,622.86, primarily due to revenues received from a British Petroleum lawsuit.
- Increases in expenditures totaling \$9,296,802.43, primarily due to an increase in salaries and related benefits, which partially offset the above increases in revenues.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$7,639,391.05 which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$3,050,726.03, or 66.5 percent, during the 2015-16 fiscal year, primarily due to a decrease in construction related expenditures. Of the total fund balance, \$647,103.11 has been encumbered for specific projects.

Capital Projects – Other Fund has a total fund balance of \$12,443,058.94, of which \$11,624,493.97 is restricted for allowable purposes of various capital funding sources. The fund balance decreased by \$669,324.95, or 5.1 percent, primarily due to an increase in construction related expenditures. Of the total fund balance, \$1,282,882.30 has been encumbered for specific projects.

### **Proprietary Fund**

The unrestricted net position of the Internal Service Fund totaled \$2,984,722.34 at June 30, 2016. The net position increased by \$2,747,315.29, or 1,157.2 percent, during the 2015-16 fiscal year primarily due to a transfer of \$2,300,000 from the District's General Fund to establish an adequate net position for the District's self-insurance program.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2015-16 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$7,539,059.32, or 4 percent. At the same time, final budgeted expenditures are more than the original budgeted amounts by \$2,640,147.49, or 1.3 percent. Significant budget revisions occurred primarily from changes in estimated State funding and property taxes.



Actual revenues are in line with the final budgeted amounts while actual expenditures are \$6,175,335.41, or 3.1 percent, less than final budget amounts. Actual expenditures are less primarily due to salaries and related benefits costing less than estimated. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$7,220,509.21.

## CAPITAL ASSETS AND LONG-TERM DEBT

### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2016, is \$267,599,562.85 (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 a construction technology lab and kitchen and cafeteria expansions and renovations.
- At June 30, 2016, construction in progress includes multiple projects including kitchen and cafeteria expansions and renovations, chiller plant and heating, ventilating, and air conditioning renovations, and building energy renovations.

Additional information on the District's capital assets can be found in Notes I.F.4., II.C., and II.F. to the financial statements.

### **Long-Term Debt**

At June 30, 2016, the District has total long-term debt outstanding of \$37,867,733.30, composed of \$2,712,852.47 of bonds payable and \$35,154,880.83 of certificates of participation. During the current fiscal year, retirement of debt was \$3,307,914.70.

Additional information on the District's long-term debt can be found in Notes I.F.6. and II.H.1. through II.H.3. to the financial statements.

## REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the 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 financial information should be addressed to the Assistant Superintendent for Finance, Santa Rosa County District School Board, 5086 Canal Street, Milton, Florida 32570.

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# ***BASIC FINANCIAL STATEMENTS***

## **Santa Rosa County District School Board Statement of Net Position June 30, 2016**

	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 55,881,162.50	\$ 382,107.00
Investments	52,124.99	-
Accounts Receivable	5,840.00	96,402.00
Due from Other Agencies	2,718,204.31	73,021.00
Inventories	260,846.63	-
Prepaid Items	-	10,519.00
Capital Assets:		
Nondepreciable Capital Assets	17,075,086.01	495,828.00
Depreciable Capital Assets, Net	250,524,476.84	126,185.00
<b>TOTAL ASSETS</b>	<b>326,517,741.28</b>	<b>1,184,062.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	18,865,966.00	-
Deferred Charges on Debt Refunding	1,059,405.20	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>19,925,371.20</b>	<b>-</b>
<b>LIABILITIES</b>		
Accrued Salaries and Benefits	253,221.07	17,375.00
Payroll Deductions and Withholdings	290,837.79	-
Accounts Payable	775,039.58	22,208.00
Construction Contracts Payable - Retained Percentage	385,155.54	-
Due to Other Agencies	8,974.27	49,933.00
Deposits Payable	153,644.77	-
Unearned Revenues	3,251,919.81	-
Estimated Insurance Claims Payable	2,139,454.84	-
Long-Term Liabilities:		
Portion Due Within One Year	9,583,722.21	46,931.00
Portion Due After One Year	129,611,794.36	254,356.00
<b>TOTAL LIABILITIES</b>	<b>146,453,764.24</b>	<b>390,803.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	11,501,133.00	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	230,791,234.75	325,049.00
Restricted for:		
State Required Carryover Programs	2,767,884.45	-
Debt Service	1,934,477.12	-
Capital Projects	19,564,875.74	2,132.00
Food Service	3,388,817.66	-
Unrestricted	(69,959,074.48)	466,078.00
<b>TOTAL NET POSITION</b>	<b>\$ 188,488,215.24</b>	<b>\$ 793,259.00</b>

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

**Santa Rosa County District School Board  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 131,009,531.33	\$ 823,238.77	\$ -
Student Support Services	8,014,743.95	-	-
Instructional Media Services	2,173,459.49	-	-
Instruction and Curriculum Development Services	6,192,181.72	-	-
Instructional Staff Training Services	3,318,969.75	-	-
Instruction-Related Technology	5,181,608.95	-	-
Board	537,595.56	-	-
General Administration	1,230,236.74	-	-
School Administration	13,794,921.33	-	-
Facilities Acquisition and Construction	400,281.72	20,689.83	-
Fiscal Services	1,221,290.95	-	-
Food Services	11,572,807.24	4,278,556.12	7,801,072.22
Central Services	2,133,638.89	-	-
Student Transportation Services	11,724,072.43	263,025.30	-
Operation of Plant	12,871,585.66	-	-
Maintenance of Plant	7,001,216.90	-	-
Administrative Technology Services	1,955,832.74	-	-
Community Services	2,315,844.99	1,888,605.06	-
Unallocated Interest on Long-Term Debt	1,417,321.43	-	-
Unallocated Depreciation Expense*	8,106,680.92	-	-
Loss on Disposal of Capital Assets	477,222.01	-	-
Total Primary Government	\$ 232,651,044.70	\$ 7,274,115.08	\$ 7,801,072.22
Component Units			
Charter Schools	\$ 2,357,212.00	\$ 0.00	\$ 198,841.00

**General Revenues:**

**Taxes:**

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

**Net Position - Ending**

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

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

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$ -	\$ (130,186,292.56)	\$ -
-	(8,014,743.95)	-
-	(2,173,459.49)	-
-	(6,192,181.72)	-
-	(3,318,969.75)	-
-	(5,181,608.95)	-
-	(537,595.56)	-
-	(1,230,236.74)	-
-	(13,794,921.33)	-
1,808,484.65	1,428,892.76	-
-	(1,221,290.95)	-
-	506,821.10	-
-	(2,133,638.89)	-
-	(11,461,047.13)	-
-	(12,871,585.66)	-
-	(7,001,216.90)	-
-	(1,955,832.74)	-
-	(427,239.93)	-
-	(1,417,321.43)	-
-	(8,106,680.92)	-
-	(477,222.01)	-
<u>\$ 1,808,484.65</u>	<u>(215,767,372.75)</u>	<u>-</u>
 \$ 69,377.00	 -	 (2,088,994.00)
	52,747,089.87	-
	12,697,264.54	-
	8,530,135.95	-
	152,769,614.78	2,102,043.00
	196,644.15	16.00
	4,435,616.70	4,996.00
	<u>231,376,365.99</u>	<u>2,107,055.00</u>
	15,608,993.24	18,061.00
	<u>172,879,222.00</u>	<u>775,198.00</u>
	<u>\$ 188,488,215.24</u>	<u>\$ 793,259.00</u>

**Santa Rosa County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2016**

	General Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 23,068,587.10	\$ 7,620,058.48	\$ 12,264,665.39
Investments	-	-	-
Accounts Receivable	5,840.00	-	-
Due from Other Agencies	1,141,171.16	139,387.29	640,233.55
Inventories	39,160.42	-	-
<b>TOTAL ASSETS</b>	<b>\$ 24,254,758.68</b>	<b>\$ 7,759,445.77</b>	<b>\$ 12,904,898.94</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accrued Salaries and Benefits	\$ 247,698.82	\$ -	\$ -
Payroll Deductions and Withholdings	260,560.79	-	-
Accounts Payable	542,399.56	51,181.20	145,557.98
Construction Contracts Payable - Retained Percentage	-	68,873.52	316,282.02
Due to Other Agencies	2,700.00	-	-
Deposits Payable	-	-	-
Estimated Insurance Claims Payable	239,765.01	-	-
<b>Total Liabilities</b>	<b>1,293,124.18</b>	<b>120,054.72</b>	<b>461,840.00</b>
Deferred Inflows of Resources:			
Deferred Revenue - Unavailable	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	39,160.42	-	-
Restricted for:			
State Required Carryover Programs	2,767,884.45	-	-
Debt Service	-	-	-
Capital Projects	-	7,639,391.05	11,624,493.97
Food Service	-	-	-
Total Restricted Fund Balance	2,767,884.45	7,639,391.05	11,624,493.97
Committed for:			
School Based Budgets	1,235,990.73	-	-
Contractual Agreements	-	-	818,564.97
Total Committed Fund Balance	1,235,990.73	-	818,564.97
Assigned for:			
Office and Fee Based Budgets	595,416.53	-	-
Unassigned Fund Balance	18,323,182.37	-	-
<b>Total Fund Balances</b>	<b>22,961,634.50</b>	<b>7,639,391.05</b>	<b>12,443,058.94</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 24,254,758.68</b>	<b>\$ 7,759,445.77</b>	<b>\$ 12,904,898.94</b>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,965,739.67	\$ 47,919,050.64
52,124.99	52,124.99
-	5,840.00
623,192.19	2,543,984.19
221,686.21	260,846.63
<u>\$ 5,862,743.06</u>	<u>\$ 50,781,846.45</u>
\$ 5,522.25	\$ 253,221.07
30,277.00	290,837.79
35,900.84	775,039.58
-	385,155.54
6,274.27	8,974.27
153,644.77	153,644.77
-	239,765.01
<u>231,619.13</u>	<u>2,106,638.03</u>
<u>6,838.43</u>	<u>6,838.43</u>
<u>221,686.21</u>	<u>260,846.63</u>
-	2,767,884.45
1,934,477.12	1,934,477.12
300,990.72	19,564,875.74
3,167,131.45	3,167,131.45
<u>5,402,599.29</u>	<u>27,434,368.76</u>
-	1,235,990.73
-	818,564.97
-	<u>2,054,555.70</u>
-	595,416.53
-	<u>18,323,182.37</u>
<u>5,624,285.50</u>	<u>48,668,369.99</u>
<u>\$ 5,862,743.06</u>	<u>\$ 50,781,846.45</u>

**Santa Rosa County District School Board  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2016**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>48,668,369.99</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		267,599,562.85
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Unavailable revenue in the governmental funds is susceptible to full accrual on the government-wide statements.		6,838.43
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Deferred charges on debt refundings are not expensed in the government-wide statements but are reported as deferred outflows of resources and amortized over the life of the debt.		1,059,405.20
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,984,722.34
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Certificates of Participation Payable	\$ (35,154,880.83)	
Bonds Payable	(2,712,852.47)	
Compensated Absences Payable	(19,929,867.27)	
Net Pension Liability	(76,344,897.00)	
Other Postemployment Benefits Payable	<u>(5,053,019.00)</u>	(139,195,516.57)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 18,865,966.00	
Deferred Inflows Related to Pensions	<u>(11,501,133.00)</u>	<u>7,364,833.00</u>

<b>Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>188,488,215.24</u></b>
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The accompanying notes to financial statements are an integral part of this statement.



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**Santa Rosa County District School Board**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances – Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	General Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 564,860.20	\$ -	\$ -
Federal Through State and Local	1,192,717.92	-	-
State	136,167,621.25	-	85,228.78
Local:			
Property Taxes	52,747,089.87	12,697,264.54	-
Local Sales Taxes	-	-	8,530,135.95
Charges for Services - Food Service	-	-	-
Miscellaneous	6,478,930.99	1,308.91	171,733.53
Total Local Revenues	<u>59,226,020.86</u>	<u>12,698,573.45</u>	<u>8,701,869.48</u>
<b>Total Revenues</b>	<u>197,151,220.23</u>	<u>12,698,573.45</u>	<u>8,787,098.26</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	124,710,741.21	-	-
Student Support Services	7,090,904.83	-	-
Instructional Media Services	2,201,345.65	-	-
Instruction and Curriculum Development Services	3,488,779.92	-	-
Instructional Staff Training Services	1,265,153.87	-	-
Instruction-Related Technology	4,587,216.87	-	-
Board	541,401.42	-	-
General Administration	741,701.43	-	-
School Administration	13,773,461.29	-	-
Facilities Acquisition and Construction	49,121.52	57,407.74	273,662.46
Fiscal Services	1,231,792.67	-	-
Food Services	-	-	-
Central Services	2,112,121.13	-	-
Student Transportation Services	11,740,295.45	-	-
Operation of Plant	12,835,747.91	-	-
Maintenance of Plant	3,757,453.76	-	1,606,681.26
Administrative Technology Services	1,893,925.09	-	-
Community Services	1,713,257.44	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	107,915.56	3,272,697.75	6,101,360.05
Other Capital Outlay	1,442,339.41	-	168,204.03
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<u>195,284,676.43</u>	<u>3,330,105.49</u>	<u>8,149,907.80</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,866,543.80</u>	<u>9,368,467.96</u>	<u>637,190.46</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,244,754.70	-	-
Loss Recoveries	23,926.49	8,413.75	24,481.29
Transfers Out	<u>(2,608,240.84)</u>	<u>(6,326,155.68)</u>	<u>(1,330,996.70)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,660,440.35</u>	<u>(6,317,741.93)</u>	<u>(1,306,515.41)</u>
<b>Net Change in Fund Balances</b>	3,526,984.15	3,050,726.03	(669,324.95)
Fund Balances, Beginning	19,434,650.35	4,588,665.02	13,112,383.89
<b>Fund Balances, Ending</b>	<u>\$ 22,961,634.50</u>	<u>\$ 7,639,391.05</u>	<u>\$ 12,443,058.94</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,974,266.37	\$ 3,539,126.57
19,268,629.78	20,461,347.70
2,119,008.92	138,371,858.95
-	65,444,354.41
-	8,530,135.95
4,278,556.12	4,278,556.12
183,161.88	6,835,135.31
4,461,718.00	85,088,181.79
<u>28,823,623.07</u>	<u>247,460,515.01</u>
7,497,618.07	132,208,359.28
1,015,258.72	8,106,163.55
8,835.67	2,210,181.32
2,771,370.32	6,260,150.24
1,573,450.48	2,838,604.35
427,008.53	5,014,225.40
-	541,401.42
493,942.65	1,235,644.08
205,303.77	13,978,765.06
20,090.00	400,281.72
-	1,231,792.67
11,476,487.82	11,476,487.82
38,876.07	2,150,997.20
18,495.78	11,758,791.23
39,613.44	12,875,361.35
31,703.21	5,395,838.23
-	1,893,925.09
602,750.35	2,316,007.79
696,563.71	10,178,537.07
174,045.17	1,784,588.61
2,925,000.00	2,925,000.00
1,718,007.34	1,718,007.34
<u>31,734,421.10</u>	<u>238,499,110.82</u>
<u>(2,910,798.03)</u>	<u>8,961,404.19</u>
3,720,638.52	7,965,393.22
-	56,821.53
-	(10,265,393.22)
<u>3,720,638.52</u>	<u>(2,243,178.47)</u>
809,840.49	6,718,225.72
4,814,445.01	41,950,144.27
<u>\$ 5,624,285.50</u>	<u>\$ 48,668,369.99</u>

**Santa Rosa County District School Board**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

**Net Change in Fund Balances - Governmental Funds** **\$ 6,718,225.72**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 994,419.31

Contributions and certain other additions of capital assets are not reported as revenues in the governmental funds. 288,547.68

In the governmental funds, the cost of capital assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of disposed assets. (477,222.01)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,925,000.00

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues and expenditures in the governmental funds.

Amortized Charge on Debt Refunding	\$	(82,228.79)	
Amortized Premiums		382,914.70	300,685.91

Certain revenues recognized in the statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds. 6,838.43

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current fiscal year. (828,851.09)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (661,534.00)

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.

FRS Pension Contribution	\$	6,924,790.00	
HIS Pension Contribution		2,039,187.00	
FRS Pension Expense		(2,570,667.00)	
HIS Pension Expense		(2,797,742.00)	3,595,568.00

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The change in net position of internal service funds is reported with governmental activities. 2,747,315.29

**Change in Net Position - Governmental Activities** **\$ 15,608,993.24**

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

**Santa Rosa County District School Board  
Statement of Net Position – Proprietary Fund  
June 30, 2016**

	<b>Governmental Activities - Internal Service Fund</b>
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 7,962,111.86
Due From Other Agencies	174,220.12
	<hr/>
<b>TOTAL ASSETS</b>	<b>8,136,331.98</b>
	<hr/>
<b>LIABILITIES</b>	
Current Liabilities:	
Unearned Revenues	3,251,919.81
Estimated Insurance Claims Payable	1,899,689.83
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>5,151,609.64</b>
	<hr/>
<b>NET POSITION</b>	
Unrestricted	\$ 2,984,722.34
	<hr/>

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

**Santa Rosa County District School Board  
Statement of Revenues, Expenses, and Changes in Fund  
Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2016**

	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Premiums	\$ 15,385,824.97
Other	200,000.00
<b>Total Operating Revenues</b>	<u>15,585,824.97</u>
<b>OPERATING EXPENSES</b>	
Insurance Claims	12,448,634.77
Purchased Services	2,689,823.79
Materials and Supplies	829.70
<b>Total Operating Expenses</b>	<u>15,139,288.26</u>
<b>Operating Income</b>	<u>446,536.71</u>
<b>NONOPERATING REVENUES</b>	
Interest Income	<u>778.58</u>
<b>Income Before Transfers</b>	447,315.29
Transfers In	<u>2,300,000.00</u>
<b>Change in Net Position</b>	2,747,315.29
Total Net Position - Beginning	<u>237,407.05</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 2,984,722.34</u></u>

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

**Santa Rosa County District School Board  
Statement of Cash Flows – Proprietary Fund  
For the Fiscal Year Ended June 30, 2016**

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Premiums	\$ 15,662,142.00
Cash Received from Other Operating Revenues	200,000.00
Cash Payments for Insurance Claims	(12,384,609.94)
Cash Payments to Vendors for Goods and Services	(2,690,653.49)
<b>Net Cash Provided by Operating Activities</b>	<u>786,878.57</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from Other Funds	<u>2,300,000.00</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	<u>778.58</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,087,657.15
Cash and Cash Equivalents, Beginning	<u>4,874,454.71</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 7,962,111.86</u></u>

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities:**

Operating Income	\$ 446,536.71
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Due From Other Agencies	(104,348.18)
Advanced Revenues	380,665.21
Estimated Insurance Claims Payable	64,024.83
<b>Total Adjustments</b>	<u>340,341.86</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 786,878.57</u></u>

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

**Santa Rosa County District School Board  
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds  
June 30, 2016**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,559,837.76
<b>LIABILITIES</b>	
Payroll Deductions and Withholdings	\$ 155,977.76
Accounts Payable	290,702.00
Internal Accounts Payable	<u>3,113,158.00</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,559,837.76</u>

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



# **NOTES TO FINANCIAL STATEMENTS**

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## **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 separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Santa Rosa County School District's (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 that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component units are included within the District's reporting entity:

**Blended Component Unit.** Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, a blended component unit is appropriately presented as part 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 a subsequent note. 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 District's charter schools, The Learning Academy, Inc. and Capstone Academy, LLC 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 impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools, and the District is responsible for the operation, control, and supervision of public schools within the District.

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 at 5086 Canal Street, Milton, Florida 32570.

### **C. Basis of Presentation: Government-wide Financial Statements**

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

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

### **D. Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component unit. 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.

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 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, new and replacement equipment, and debt service payments on certificates of participation.

- Capital Projects – Other Fund – to account for 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 and 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 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. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Certain activity occurs during the fiscal year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated in preparation of the government-wide financial statements.

## **E. Measurement Focus and 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 as soon as all eligibility requirements imposed by the provider have been met.

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 as soon as they are both 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. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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, pension benefits, 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 is reported using the economic resources measurement focus and the accrual basis of accounting.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting 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, Deferred Outflows/Inflows of Resources, 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 liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include 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 the 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 Section 218.405, Florida Statutes. The investment pool operates 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, 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.

Types and amounts of investments held at fiscal year-end are described in a subsequent note.

### **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 price, which approximates the first-in, first-out basis, and United

States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

#### **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 by the District 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 acquisition value at the date of donation.

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

<b><u>Description</u></b>	<b><u>Estimated Useful Lives</u></b>
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 and the HIS 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 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 fiscal year.

Changes in 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 reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The first item is deferred charges on debt refunding that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is a deferred amount related to pensions which is discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The first item is a deferred amount related to unavailable bond revenue, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the fiscal year that the amount become available. The second item is a deferred amount related to pensions which is only reported on the government-wide statement of net position and which is 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## **9. Fund Balance Flow Assumptions**

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

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

## **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 approve a commitment of fund balance. The limitation imposed by the commitment 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 fiscal 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 FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

A schedule of revenue from State sources for the current fiscal 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 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for



taxes collected by the 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. Proprietary Fund Operating and Nonoperating Revenues and Expenses**

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses of the District's internal service fund include insurance claims and purchased services which includes excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

### **A. Cash Deposits with Financial Institutions**

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

## B. Investments

The District's investments have the following maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	39 Day Average	\$ 30,484,945.08
Debt Service Accounts	6 Months	<u>52,124.99</u>
<b>Total Investments</b>		<u><b>\$ 30,537,070.07</b></u>

Note: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.

### **Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments in the SBA Debt Service Accounts, totaling \$52,124.99, have a level 1 fair value measurement.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 its exposure to fair value losses from increasing interest rates.

Florida PRIME uses a weighted average days to maturity (WAM). 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.

For Florida PRIME, Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no

case may the time limit set by the trustees exceed 15 days.” As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

### **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’s Florida PRIME, or any other 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; 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 the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

The District’s investment in Florida PRIME is rated AAAm by Standard & Poor’s.

## C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 7,317,359.70	\$ -	\$ -	\$ 7,317,359.70
Land Improvements	4,857,430.59	191,188.53	-	5,048,619.12
Construction in Progress	4,673,747.39	3,737,886.44	3,702,526.64	4,709,107.19
Total Capital Assets Not Being Depreciated	16,848,537.68	3,929,074.97	3,702,526.64	17,075,086.01
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	25,549,616.24	479,459.70	165,564.00	25,863,511.94
Buildings and Fixed Equipment	352,385,801.78	9,690,347.33	758,513.12	361,317,635.99
Furniture, Fixtures, and Equipment	16,085,029.00	1,554,745.00	1,115,551.00	16,524,223.00
Motor Vehicles	3,651,284.00	229,637.00	175,613.00	3,705,308.00
Audio-Visual Materials and Computer Software	5,001,787.00	70,936.00	154,779.00	4,917,944.00
Total Capital Assets Being Depreciated	402,673,518.02	12,025,125.03	2,370,020.12	412,328,622.93
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	15,707,259.49	902,253.07	152,901.49	16,456,611.07
Buildings and Fixed Equipment	118,995,760.17	8,293,333.35	419,310.28	126,869,783.24
Furniture, Fixtures, and Equipment	10,429,464.37	1,442,979.66	1,054,710.22	10,817,733.81
Motor Vehicles	3,234,126.72	114,413.69	115,833.97	3,232,706.44
Audio-Visual Materials and Computer Software	4,361,627.08	215,726.60	150,042.15	4,427,311.53
Total Accumulated Depreciation	152,728,237.83	10,968,706.37	1,892,798.11	161,804,146.09
Total Capital Assets Being Depreciated, Net	249,945,280.19	1,056,418.66	477,222.01	250,524,476.84
Governmental Activities Capital Assets, Net	\$ 266,793,817.87	\$ 4,985,493.63	\$ 4,179,748.65	\$ 267,599,562.85

Depreciation expense was charged to functions as follows:

<b>Function</b>	<b>Amount</b>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 247,142.13
Student Support Services	11,783.89
Instructional Media Services	8,718.54
Instruction and Curriculum Development Services	13,238.08
Instructional Staff Training Services	497,883.56
Instruction-Related Technology	210,224.47
General Administration	533.12
School Administration	4,385.08
Fiscal Services	1,623.24
Food Services	84,379.31
Central Services	20,126.94
Student Transportation Services	5,172.47
Operation of Plant	5,897.63
Maintenance of Plant	1,662,845.34
Administrative Technology Services	70,787.47
Community Services	17,284.18
Unallocated	8,106,680.92
Total Depreciation Expense - Governmental Activities	<u>\$ 10,968,706.37</u>

## **D. Retirement Plans**

### **1. FRS – Defined Benefit Pension Plans**

#### **General Information about the FRS**

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

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

required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's FRS and HIS 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 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.

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

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

**Benefits Provided.** Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>Percent Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Elected County Officers</b>	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 Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer (1)</b>
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	(2)	(2)

Notes: (1) 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.

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

The District's contributions to the Plan totaled \$6,924,790 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a 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 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 0.292741153 percent, which was a decrease of 0.008625404 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized Plan pension expense of \$2,570,667. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	-
<b>Total</b>	<b>\$ 13,774,343</b>	<b>\$ 11,057,541</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$6,924,790, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (3,123,810)
2018	(3,123,810)
2019	(3,123,810)
2020	4,325,183
2021	676,389
Thereafter	161,870
<b>Total</b>	<b>\$ (4,207,988)</b>

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

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

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



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

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:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
<b>Total</b>	<b>100%</b>			
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 Pension Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 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:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
District's proportionate share of the net pension liability (asset)	\$ 97,978,008	\$ 37,811,446	\$ (12,257,016)

*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 Florida Department of Management Services, Division of Retirement.

*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 Federal 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 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,039,187 for the fiscal year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2016, the District reported a net pension liability of \$38,533,451 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. 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 0.377837200 percent, which was a decrease of 0.005113749 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of \$2,797,742. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 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	-
<b>Total</b>	<b>\$ 5,091,623</b>	<b>\$ 443,592</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,039,187, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 454,669
2018	454,668
2019	454,668
2020	450,429
2021	448,393
Thereafter	346,017
<b>Total</b>	<b>\$ 2,608,844</b>

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
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 HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

**Discount Rate.** The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	<b>1% Decrease (2.8%)</b>	<b>Current Discount Rate (3.8%)</b>	<b>1% Increase (4.8%)</b>
District's proportionate share of the net pension liability	\$ 43,907,074	\$ 38,533,451	\$ 34,052,656

**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.

## **2. FRS – Defined Contribution Pension Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering 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 plan members. Allocations to the Investment Plan members' accounts during the 2015-16 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$1,607,979 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 is not included in the report of a public employee retirement system or other 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, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 265 retirees received other postemployment benefits. For the 2015-16 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 1.6 percent of covered payroll.

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:

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and the 2 preceding fiscal years were as follows:

<b><u>Fiscal Year</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
2013-14	\$ 1,049,404	60.7%	\$ 3,759,120
2014-15	1,257,923	49.7%	4,391,485
2015-16	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 \$12,103,351, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$12,103,351 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 11.3 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 Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of 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 actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District's 2015-16 fiscal year ARC. 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 per year, a payroll growth rate of 0 percent per year, and an annual healthcare cost trend rate of 6.5 percent for the 2015-16 fiscal year, reduced periodically thereafter to an ultimate rate of 4.5 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**

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

The following is a schedule of encumbrances at June 30, 2016:

<b>Major Funds</b>				
<b>General</b>	<b>Capital Projects - Local Capital Improvement</b>	<b>Capital Projects - Other</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 852,697.77</u>	<u>\$ 647,103.11</u>	<u>\$ 1,282,882.30</u>	<u>\$ 37,869.30</u>	<u>\$ 2,820,552.48</u>

**Construction Contracts.** Encumbrances include the following major construction contract commitment at fiscal year-end:

<b>Project</b>	<b>Contract Amount</b>	<b>Completed to Date</b>	<b>Balance Committed</b>
Milton High School - Chiller Plant/Heating, Ventilating, and Air Conditioning Renovations and Building 35 Energy Renovations	<u>\$ 2,004,710.05</u>	<u>\$ 1,315,346.78</u>	<u>\$ 689,363.27</u>

## 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 workers' 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 the self-insurance program, including the processing, investigating, and payment of claims. A liability in the amount of \$1,899,689.83 was actuarially determined 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 workers' compensation exposures up to specified limits. At June 30, 2016, a liability in the amount of \$239,765.01 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 2 fiscal years for the District's former and current self-insurance programs:

<b>Fiscal Year</b>	<b>Beginning-of-Fiscal-Year Liability</b>	<b>Current-Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year-End</b>
Workers Compensation:				
2014-15	\$ 187,752.00	\$ 172,334.00	\$ (106,809.00)	\$ 253,277.00
2015-16	253,277.00	109,206.42	(122,718.41)	239,765.01
Employee Health:				
2014-15	\$ -	\$ 6,332,385.00	\$ (4,496,720.00)	\$ 1,835,665.00
2015-16	1,835,665.00	12,448,634.77	(12,384,609.94)	1,899,689.83

## H. Long-Term Liabilities

### 1. Certificates of Participation

The District entered into financing arrangements with the Santa Rosa School Board Leasing Corporation (Leasing Corporation) pursuant to which the District authorized several certificates of participation debt issues, which are characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2016:

<b>Series</b>	<b>Original Amount</b>	<b>Principal Paid to Date</b>	<b>Principal Refunded</b>	<b>Refunded by Series</b>	<b>Outstanding Balance</b>
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
<b>Total</b>					<b>\$ 32,625,000</b>

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) 10 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) 10 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) 10 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 percent to 5 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 fiscal years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 3,461,184.97	\$ 2,035,000.00	\$ 1,426,184.97
2018	3,376,954.00	2,035,000.00	1,341,954.00
2019	3,378,646.50	2,120,000.00	1,258,646.50
2020	3,370,350.50	2,205,000.00	1,165,350.50
2021	3,371,441.00	2,310,000.00	1,061,441.00
2022-2026	15,634,590.75	12,020,000.00	3,614,590.75
2027-2031	10,958,931.25	9,900,000.00	1,058,931.25
Total Minimum Lease Payments	\$43,552,098.97	\$32,625,000.00	\$10,927,098.97
Plus: Unamortized Premium	2,529,880.83	2,529,880.83	-
<b>Total Certificates of Participation</b>	<b>\$46,081,979.80</b>	<b>\$35,154,880.83</b>	<b>\$10,927,098.97</b>

## 2. Bonds Payable

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

<b>Bond Type</b>	<b>Amount Outstanding</b>	<b>Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
State School Bonds:			
Series 2006A	\$ 200,000.00	4.25 - 4.625	2026
Series 2009A, Refunding	150,000.00	5	2019
Series 2010A	945,000.00	3.5 - 5	2030
Series 2011A, Refunding	285,000.00	3 - 5	2023
Series 2014A, Refunding	284,000.00	3 - 5	2025
Series 2014B, Refunding	438,000.00	2 - 5	2020
District Revenue Bonds:			
Racetrack, Series 1996	190,000.00	5.8	2016
Bonds Payable	2,492,000.00		
Plus: Unamortized Premium	220,852.47		
<b>Total Bonds Payable</b>	<b>\$ 2,712,852.47</b>		

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 SBE on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

### **District Revenue Bonds**

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 Santa Rosa County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$195,510 of pari-mutuel tax revenues in connection with the District Revenue Bonds described above. 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.

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

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
State School Bonds:			
2017	\$ 567,472.50	\$ 464,000.00	\$ 103,472.50
2018	353,655.00	273,000.00	80,655.00
2019	253,117.50	186,000.00	67,117.50
2020	207,361.25	149,000.00	58,361.25
2021	204,395.00	153,000.00	51,395.00
2022-2026	860,136.25	707,000.00	153,136.25
2027-2030	407,575.00	370,000.00	37,575.00
Total State School Bonds	2,853,712.50	2,302,000.00	551,712.50
District Revenue Bonds:			
2017	195,510.00	190,000.00	5,510.00
<b>Total</b>	<b>\$ 3,049,222.50</b>	<b>\$ 2,492,000.00</b>	<b>\$ 557,222.50</b>

### 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
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable	\$ 34,575,000.00	\$ -	\$ 1,950,000.00	\$ 32,625,000.00	\$ 2,035,000.00
Unamortized Premium on Certificates	2,894,629.00	-	364,748.17	2,529,880.83	277,826.51
Total Certificates of Participation Payable	37,469,629.00	-	2,314,748.17	35,154,880.83	2,312,826.51
Bonds Payable	3,467,000.00	-	975,000.00	2,492,000.00	654,000.00
Unamortized Premium on Bonds	239,019.00	-	18,166.53	220,852.47	27,792.33
Total Bonds Payable	3,706,019.00	-	993,166.53	2,712,852.47	681,792.33
Estimated Insurance Claims Payable	1,389,000.00	-	1,389,000.00	-	-
Compensated Absences Payable	19,101,016.18	6,730,134.08	5,901,282.99	19,929,867.27	5,493,339.01
Net Pension Liability	54,194,640.00	60,400,418.00	38,250,161.00	76,344,897.00	1,095,764.36
Other Postemployment Benefits Payable	4,391,485.00	1,280,973.00	619,439.00	5,053,019.00	-
<b>Total Governmental Activities</b>	<b>\$120,251,789.18</b>	<b>\$ 68,411,525.08</b>	<b>\$ 49,467,797.69</b>	<b>\$ 139,195,516.57</b>	<b>\$ 9,583,722.21</b>

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

#### 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

### 1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 102,534,177.00
Categorical Educational Program - Class Size Reduction	27,562,211.00
School Recognition	2,192,775.00
Workforce Development Program	1,870,731.00
Florida Best and Brightest Scholarship Program	1,213,671.69
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,031,538.22
Gross Receipts Tax (Public Education Capital Outlay)	770,108.00
Voluntary Prekindergarten Program	523,722.48
Food Service Supplement	109,536.00
Charter School Capital Outlay	66,247.00
Mobile Home License Tax	27,759.62
Miscellaneous	469,381.94
<b>Total</b>	<b>\$ 138,371,858.95</b>

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:

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>General Fund</u></b>		
Nonvoted School Tax:		
Required Local Effort	5.054	\$ 45,737,203.36
Basic Discretionary Local Effort	0.748	6,769,178.49
<b><u>Capital Projects - Local Capital Improvement Fund</u></b>		
Nonvoted Tax:		
Local Capital Improvements	1.400	12,669,585.42
<b>Total</b>	<b>7.202</b>	<b>\$ 65,175,967.27</b>

## K. Interfund Transfers

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

<b>Funds</b>	<b>Interfund</b>	
	<b>Transfers In</b>	<b>Transfers Out</b>
Major:		
General	\$ 4,244,754.70	\$ 2,608,240.84
Capital Projects:		
Local Capital Improvement	-	6,326,155.68
Other	-	1,330,996.70
Nonmajor Governmental	3,720,638.52	-
Internal Service	2,300,000.00	-
<b>Total</b>	<b>\$10,265,393.22</b>	<b>\$10,265,393.22</b>

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, 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 and to cover the District's portion of Reserve Officers Training Corps. The District made transfers to the internal service fund to establish an adequate net position for its self-insurance program and to cover increases in insurance premiums.

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 479,871.64	\$ 565,731.84	\$ 564,860.20	\$ (871.64)
Federal Through State and Local	978,945.57	1,054,331.86	1,192,717.92	138,386.06
State	133,562,912.72	136,142,517.85	136,167,621.25	25,103.40
Local:				
Property Taxes	49,580,261.54	52,170,774.85	52,747,089.87	576,315.02
Miscellaneous	3,964,995.62	6,172,690.01	6,478,930.99	306,240.98
Total Local Revenues	53,545,257.16	58,343,464.86	59,226,020.86	882,556.00
<b>Total Revenues</b>	188,566,987.09	196,106,046.41	197,151,220.23	1,045,173.82
<b>Expenditures</b>				
Current - Education:				
Instruction	130,613,811.96	128,310,105.40	124,710,741.21	3,599,364.19
Student Support Services	6,651,128.07	7,410,549.28	7,090,904.83	319,644.45
Instructional Media Services	2,155,015.58	2,423,044.04	2,201,345.65	221,698.39
Instruction and Curriculum Development Services	3,234,345.88	3,612,699.61	3,488,779.92	123,919.69
Instructional Staff Training Services	1,339,581.52	1,686,917.40	1,265,153.87	421,763.53
Instruction-Related Technology	4,553,236.15	4,641,107.95	4,587,216.87	53,891.08
Board	698,956.98	553,842.45	541,401.42	12,441.03
General Administration	688,886.04	759,499.66	741,701.43	17,798.23
School Administration	12,532,820.78	14,021,266.06	13,773,461.29	247,804.77
Facilities Acquisition and Construction	115,540.51	70,545.64	49,121.52	21,424.12
Fiscal Services	1,279,177.58	1,258,960.60	1,231,792.67	27,167.93
Central Services	2,119,411.86	2,221,577.19	2,112,121.13	109,456.06
Student Transportation Services	12,532,947.68	11,941,662.17	11,740,295.45	201,366.72
Operation of Plant	13,427,776.34	13,015,637.60	12,835,747.91	179,889.69
Maintenance of Plant	3,915,944.70	3,913,291.64	3,757,453.76	155,837.88
Administrative Technology Services	2,067,656.23	1,945,977.70	1,893,925.09	52,052.61
Community Services	893,626.49	2,123,072.48	1,713,257.44	409,815.04
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	107,915.56	107,915.56	-
Other Capital Outlay	-	1,442,339.41	1,442,339.41	-
<b>Total Expenditures</b>	198,819,864.35	201,460,011.84	195,284,676.43	6,175,335.41
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(10,252,877.26)	(5,353,965.43)	1,866,543.80	7,220,509.23
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,228,508.00	4,244,754.70	4,244,754.70	-
Loss Recoveries	4,192.28	23,926.51	23,926.49	(0.02)
Transfers Out	(313,773.00)	(2,608,240.84)	(2,608,240.84)	-
<b>Total Other Financing Sources</b>	3,918,927.28	1,660,440.37	1,660,440.35	(0.02)
<b>Net Change in Fund Balance</b>	(6,333,949.98)	(3,693,525.06)	3,526,984.15	7,220,509.21
Fund Balance, Beginning	19,434,650.35	19,434,650.35	19,434,650.35	-
<b>Fund Balance, Ending</b>	\$ 13,100,700.37	\$ 15,741,125.29	\$ 22,961,634.50	\$ 7,220,509.21



**Schedule of Funding Progress –  
Other Postemployment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (2) (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/12	\$ -	\$ 9,247,801	\$ 9,247,801	0.0%	\$ 64,129,466	14.4%
7/1/13	-	9,930,640	9,930,640	0.0%	65,789,331	15.1%
7/1/14	-	12,103,351	12,103,351	0.0%	107,159,237	11.3%

Notes: (1) The District's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability for the 7/1/12 and 7/1/13 valuations and the entry age normal (level dollar) actuarial cost method to estimate the actuarial accrued liability for the 7/1/14 valuation.

(2) The District's covered payroll for the 7/1/12 and 7/1/13 valuations included payroll of active participating members and for the 7/1/14 valuation included the annual payroll of all covered members.

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Florida Retirement System Pension Plan (1)**

	2015	2014	2013
District's proportion of the FRS net pension liability	0.292741153%	0.301366557%	0.298403787%
District's proportionate share of the FRS net pension liability	\$ 37,811,446	\$ 18,387,792	\$ 51,368,573
District's covered-employee payroll (2)	\$ 114,639,462	\$ 113,783,755	\$ 114,789,889
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	32.98%	16.16%	44.75%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of District 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 (2)	\$ 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.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1)**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
District's proportion of the HIS net pension liability	0.377837200%	0.382950949%	0.383693682%
District's proportionate share of the HIS net pension liability	\$ 38,533,451	\$ 35,806,848	\$ 33,405,580
District's covered-employee payroll (2)	\$ 114,639,462	\$ 113,783,755	\$ 114,789,889
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.61%	31.47%	29.10%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of District Contributions –  
Health Insurance Subsidy Pension Plan (1)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required HIS contribution	\$ 2,039,187	\$ 1,444,329	\$ 1,311,861
HIS contributions in relation to the contractually required contribution	(2,039,187)	(1,444,329)	(1,311,861)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll (2)	\$ 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.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**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, student transportation 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 fiscal year's appropriations.

## **2. Schedule of Funding Progress – Other Postemployment Benefits Plan**

The July 1, 2014, actuarial accrued liability (AAL) of \$12,103,351 was significantly higher than the July 1, 2013, AAL of \$9,930,640 as a result of changes in cost and liability as discussed below:

- The funding method was updated to use the entry age funding method.
- The termination rates, disability rates, and mortality rate assumptions were updated to better reflect anticipated experience for school district employees.
- The change in the retirement rate assumption lowered the average weighted retirement age from approximately 61.3 to 59.2 years.
- The per capital claims costs were significantly lower than expected in the July 1, 2013, valuation, resulting in updated per capita claims costs, retiree premiums, and medical trends rates.

## **3. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Benefit Terms.* No changes in benefit terms.

*Changes of Assumptions.* No changes in assumptions.

## **4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

*Changes of Benefit Terms.* No changes in benefit terms.

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability was decreased from 4.29 percent to 3.8 percent.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Santa Rosa County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	15002	\$ 1,500,240.47	\$ -
National School Lunch Program	10.555	15001, 15003	5,869,567.62	-
Summer Food Service Program for Children	10.559	14006, 14007, 15006, 150007	120,645.45	-
<b>Total Child Nutrition Cluster</b>			<u>7,490,453.54</u>	<u>-</u>
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	4.24	-
<b>Total United States Department of Agriculture</b>			<u>7,490,457.78</u>	<u>-</u>
<b>United States Department of Labor:</b>				
Indirect:				
Workforce Escarosa, Inc.:				
WIA/WIOA Youth Activities	17.259	None	236,096.71	-
<b>United States Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703.00	-
Federal Work-Study Program	84.033	N/A	4,948.26	-
Federal Pell Grant Program	84.063	N/A	531,675.93	-
<b>Total Student Financial Assistance Cluster</b>			<u>542,327.19</u>	<u>-</u>
Impact Aid	84.041	N/A	564,860.20	-
<b>Total Direct</b>			<u>1,107,187.39</u>	<u>-</u>
Indirect:				
Special Education Cluster:				
Special Education - Grants to States	84.027	263	5,345,540.75	-
Special Education - Preschool Grants	84.173	267	119,530.25	-
<b>Total Special Education Cluster</b>			<u>5,465,071.00</u>	<u>-</u>
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	263,448.87	-
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	4,428,460.39	59,610.05
Career and Technical Education - Basic Grants to States	84.048	161	209,536.56	-
Education for Homeless Children and Youth	84.196	127	106,675.72	-
English Language Acquisition State Grants	84.365	102	21,645.90	-
Improving Teacher Quality State Grants	84.367	224	845,070.40	-
<b>Total Indirect</b>			<u>11,339,908.84</u>	<u>59,610.05</u>
<b>Total United States Department of Education</b>			<u>12,447,096.23</u>	<u>59,610.05</u>
<b>United States Department of Health and Human Services:</b>				
Direct:				
Head Start	93.600	N/A	2,216,952.97	-
Indirect:				
University of South Florida:				
Teenage Pregnancy Prevention Program	93.297	None	1,088.01	-
<b>Total United States Department of Health and Human Services</b>			<u>2,218,040.98</u>	<u>-</u>
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	15,936.31	-
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	49,660.85	-
Navy Junior Reserve Officers Training Corps	None	N/A	229,046.89	-
<b>Total United States Department of Defense</b>			<u>278,707.74</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 22,686,335.75</u>	<u>\$ 59,610.05</u>

The accompanying notes are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Santa Rosa County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District did not elect to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance for National School Lunch Program, CFDA 10.555. Includes \$749,967 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid, CFDA 84.041. Expenditures include \$39,132.61 for award number S041B-2013-1262, \$66,707.63 for award number S041B-2014-1262, and \$459,019.96 for award number S041B-2016-1262.
- (6) Head Start, CFDA 93.600. Expenditures include \$1,243,065.10 for grant number/program year 04CH4795/01 and \$973,887.87 for grant number/program year 04CH4795/02.
- (7) Disaster Grants – Public Assistance, CFDA 97.036. The amount disclosed represents Florida Severe Storm, Tornadoes, Straight-line Winds, and Flooding recoveries (agreement number 15-SP-8Z-01-67-14-537) received for small projects during the 2015-16 fiscal year.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 8, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the District'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, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to District management in our operational audit report No. 2017-053.

### **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.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 8, 2017



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Report on Compliance for Each Major Federal Program

We have audited the Santa Rosa County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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 fiscal year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a middle initial.

Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 8, 2017

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **SUMMARY OF AUDITOR'S RESULTS**

#### **Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

#### **Federal Awards**

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
93.600	Head Start
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

## ***PRIOR AUDIT FOLLOW-UP***

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There were no prior audit findings requiring follow-up.

## ***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

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The District did not have prior audit findings required to be reported under 2 CFR 200.511.