Santa Rosa County
District School Board

FINANCIAL STATEMENTS

June 30, 2017

CRI CARR RIGGS & INGRAM
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REPORT
Independent Auditors' Report 1

FINANCIAL STATEMENTS
Management's Discussion and Analysis (required supplemental information) 4

Basic Financial Statements
Government-Wide Financial Statements

Statement of Net Position 14

Statement of Activities 15

Fund Financial Statements – Governmental Funds

Balance Sheet 17

Reconciliation of the Balance Sheet to the Statement of Net Position 19

Statement of Revenues, Expenditures and Changes in Fund Balances 20

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 22

Fund Financial Statements - Proprietary Funds

Statement of Net Position 23

Statement of Revenues, Expenses and Changes in Fund Net Position 24

Statement of Cash Flows 25

Fund Financial Statements – Fiduciary Funds

Statement of Fiduciary Assets and Liabilities 26

Notes to Financial Statements 27

Required Supplemental Information (other than MD&A)

Budgetary Comparison Schedule: General Fund 63

Budgetary Comparison Schedule: Special Revenue Food Service Fund 64

Schedule of Funding Progress for Other Post-Employment Benefits 65

Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan 66

Schedule of Contributions – Florida Retirement System Pension Plan 67

Schedule of Proportionate Share of Net Pension Liability – Health Insurance Subsidy Pension Plan 68

Schedule of Contributions – Health Insurance Subsidy Pension Plan 69

Notes to Required Supplementary Information 70

OTHER INFORMATION

Schedule of Expenditures of Federal Awards 72

Notes to Schedule of Expenditures of Federal Awards 74

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 75

Independent Auditors' Report on Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance required By the Uniform Guidance 77

Schedule of Findings and Questioned Costs 79

Summary Schedule of Prior Audit Findings 81

Management Letter 82

Attestation Report on Compliance with Section 218.415 Florida Statutes 85

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, rules, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 26, 2018

Management’s Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Santa Rosa County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2017. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to the financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal year are as follows:

- As of June 30, 2017, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $195,767,602.
- The District's net position increased by $7,279,387, which represents a 3.9 percent increase from the prior fiscal year.
- General revenues total $234,022,937, 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 $17,041,602, or 6.8 percent of all revenues.
- Expenses total $243,785,153. Only $17,041,602 of these expenses was offset by program specific charges, with the remaining paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $28,146,716, which is $5,185,082 more than the prior fiscal year balance. The combined assigned and unassigned fund balance for the General Fund was $17,161,948, or approximately 8.6 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

- Component units – The District presents three separate legal entities in this report. The Learning Academy, Inc., and Capstone Academy, LLC, 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 entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, the Capital Projects – Local Capital Improvement Fund, the Capital Projects – Other Fund, and Special Revenue-Food Service 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 the various schools in connection with school, student athletic, class, and club activities.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indication of government's financial health. The following is a summary of the District's net position as of June 30, 2017, as compared to June 30, 2016:

	Governmental Activities		
	06/30/17	06/30/16	Increase (Decrease)
Current and Other Assets	$ 71,973,424	$ 58,918,179	$ 13,055,245
Other Assets	265,441,272	267,599,563	(2,158,291)
Total Assets	337,414,696	326,517,742	10,896,954
Deferred outflows of resources	47,425,382	19,925,371	27,500,011
Long-term Liabilities	178,751,654	139,195,516	39,556,138
Other Liabilities	7,214,829	7,258,248	(43,419)
Total Liabilities	185,966,483	146,453,764	39,512,719
Deferred inflows of resources	3,105,993	11,501,133	(8,395,140)
Net Position:			
Net Investment in Capital Assets	231,541,944	230,791,235	750,709
Restricted	36,273,467	27,656,055	8,617,412
Unrestricted Deficit	(72,047,809)	(69,959,074)	(2,088,735)
Total Net Postion	$ 195,767,602	$ 188,488,216	$ 7,279,386

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The 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 increased by $2,088,735 from the 2015-2016 fiscal year, primarily as a result of an increase of $13,683,407 in cash and cash equivalents, an increase of $27,582,240 in deferred outflows of resources related to pensions, and a decrease of $8,395,140 in deferred inflows of resources related to pensions which were offset by an increase of $41,721,629 in the net pension liability.

The key elements of the changes in the District's net position for the fiscal year ended June 30, 2017, as compared to June 30, 2016, are as follows:

Grants and contributions not restricted to specific programs represent 64.2 percent of total governmental revenues in the 2016-17 fiscal year and increased by $7,958,277 or 5.2 percent from the 2015-16 fiscal year, primarily due to an increase in Florida Education Finance Program (FEFP) funding and Class Size Reduction. This funding increase is primarily due to additional student FTE. 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 56.6 percent of total governmental expenditures for the 2016-17 fiscal year. Instruction expenses increased by $6,378,388, or 5.1 percent, from the 2015-2016 fiscal year, primarily due to adjustments from other postemployment benefits and net pension expense.

The chart on the following page is a summary of the changes in the District's net position as of June 30, 2017 and June 30, 2016:

Operating Results for the Fiscal Year Ended

	Governmental Activities		
	06/30/17	06/30/16	Increase (Decrease)
Program Revenues:			
Charges for Services	$ 7,286,309	$ 7,274,115	$ 12,194
Operating Grants and Contributions	8,027,589	7,801,072	226,517
Capital Grants and Contributions	1,727,705	1,808,485	(80,780)
General Revenues:			
Property Taxes Levied for Operational Purposes	49,429,765	52,747,090	(3,317,325)
Property Taxes Levied for Capital Projects	12,717,475	12,697,265	20,210
Local Sales Taxes	8,938,746	8,530,136	408,610
Grants and Contributions Not Restricted to Specific Purposes	161,208,992	152,769,615	8,439,377
Unrestricted Investment Earnings	454,618	196,644	257,974
Miscellaneous	1,273,341	4,435,617	(3,162,276)
Total Revenues	251,064,540	248,260,039	2,804,501
Functions/Program Expenses:			
Instruction	$ 137,387,919	131,009,531	6,378,388
Pupil Personnel Services	8,150,023	8,014,744	135,279
Instructional Media Services	2,108,799	2,173,460	(64,661)
Instruction and Curriculum Development Services	6,389,446	6,192,182	197,264
Instructional Staff Training	3,719,613	3,318,970	400,643
Instruction Related Technology	6,306,363	5,181,609	1,124,754
School Board	745,870	537,596	208,274
General Administration	1,237,014	1,230,237	6,777
School Administration	14,625,686	13,794,921	830,765
Facilities Acquisition and Construction	587,690	400,282	187,408
Fiscal Services	1,186,811	1,221,291	(34,480)
Food Services	11,360,536	11,572,807	(212,271)
Central Services	2,528,122	2,133,639	394,483
Pupil Transportation Services	11,945,220	11,724,072	221,148
Operation of Plant	13,208,411	12,871,586	336,825
Maintenance of Plant	7,555,245	7,001,217	554,028
Administrative Technology Services	2,166,363	1,955,833	210,530
Community Services	2,516,937	2,315,845	201,092
Interest on Long-term Debt	1,345,315	1,417,321	(72,006)
Unallocated Depreciation Expense	8,713,770	8,106,681	607,089
Loss on Disposal of Capital Assets	-	477,222	(477,222)
Total Functions/Program Expenses	243,785,153	232,651,046	11,611,329
Change in Net Position	7,279,387	15,608,993	(8,329,606)
Net Position - Beginning	188,488,215	172,879,222	15,608,993
Net Position - Ending	$ 195,767,602	$ 188,488,215	$ 7,279,387

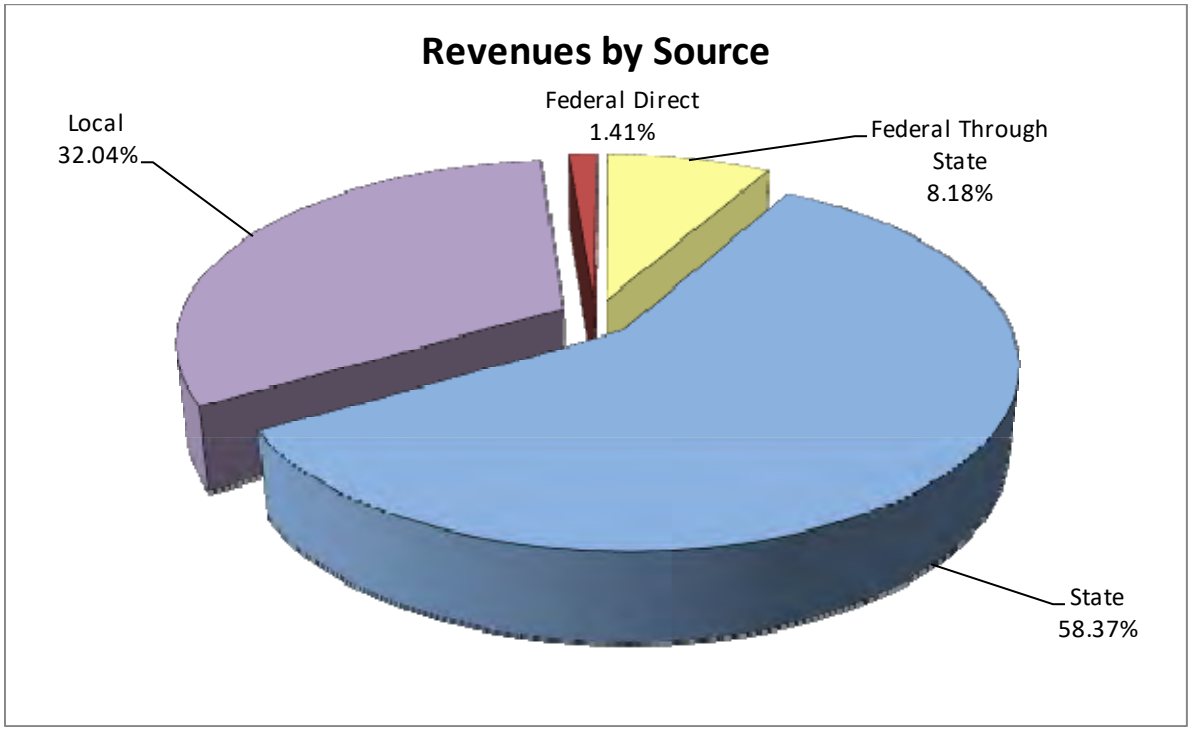
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 $9,933,206 during the fiscal year to $58,601,576 at June 30, 2017. Approximately 28 percent of this amount is unassigned fund balance, $16,287,803, 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, $247,614, 2) restricted for particular purposes, $36,116,087, 3) committed for particular purposes, $5,075,927, or 4) assigned for particular purposes, $874,146.

In the governmental funds, revenues by source for the 2016-17 fiscal year were as follows:



The largest revenue source is the State of Florida. Revenues from State sources for current operations are primarily received through the FEFP funding formula, Class Size Reduction, Workforce Development, and Discretionary Lottery funds. State revenues increased by $8,042,901, or 5.8 percent, primarily due to increases in FEFP funding.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $16,287,803, while the total fund balance is $28,146,716. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to General Fund total revenues. The total assigned and unassigned fund balance represents 8.6 percent of total General Fund revenues, while total fund balance represents approximately 14.1 percent of total General Fund revenues.

Total General Fund balance increased by $5,185,082. Key factors impacting the change in fund balance are as follows:

- Increases in State revenues totaling $7,966,276, primarily due to an increase in the following funding: FEFP, Class Size Reduction, Discretionary Lottery, and Workforce Development.
- Decreases in local revenues totaling $5,215,862, primarily due to a decrease in local property taxes and other miscellaneous local sources. The 2015-16 fiscal year included revenue received from lawsuits.
- Increases in Restricted and State Categorical projects of $3,605,562.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $10,413,169, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by $2,773,778, or 36.3 percent, during the 2016-17 fiscal year, primarily due to a decrease in construction and remodeling related expenditures. Of the total fund balance, $582,500 has been encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of $12,872,439, of which $12,317,600 is restricted for allowable purposes of various capital funding sources. The fund balance increased by $429,380, or 3.5 percent, primarily due to an increase in ½-cent sales tax collections. Of the total fund balance, $3,104,465 of fund balance has been encumbered for specific projects.

The Special Revenue – Food Service Fund has a total fund balance of $4,519,082, of which substantially all is restricted for allowable purposes of food service. The fund balance increased by $1,130,264, or 33.3 percent.

Proprietary Fund

The unrestricted net position of the Internal Service Fund totaled $6,157,019 at June 30, 2017. The net position increased by $3,172,297, or 39.3 percent, during the 2016-2017 fiscal year primarily due to a transfer of $3,000,000 from the District's General Fund to establish an adequate net position for the District's self-insurance program and to cover the Board's portion of insurance premium increases.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2016-17 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $8,352,800, or 4.4 percent. At the same time, final budgeted expenditures are more than the original budgeted amounts by $4,817,356, or 2.4 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 $10,535,647, or 5.1 percent, less than final budgeted amounts. Actual expenditures are less in 2016-2017 primarily due to Restricted/Categorical projects and School Based budgets having balances left in appropriations at year-end. Restricted/Categorical projects had a balance of $6,611,542, and School Based budgets had a balance of $1,406,696 at year-end. Community School, transfers in/out, and projects that cross fiscal years make up another $2,342,641 of the balance. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $10,870,203, primarily due to the encumbrances and appropriations from the Restricted/Categorical projects and School Based budget balances folding back into fund balance at year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017, amounts to $231,541,944 (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 chiller plant and heating, ventilating, and air conditioning renovations and building energy renovations..
- At June 30, 2017, construction in progress includes multiple projects including kitchen and cafeteria expansions and renovations, classroom and lab additions, and paving and drainage improvements.

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

Long-Term Debt

At June 30, 2017, the District has total long-term debt outstanding of $34,874,715, comprised of $2,032,661 of bonds payable and $32,842,054 of certificates of participation payable. During the current fiscal year, retirement of debt totaled $3,179,619.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional information should be addressed to the Assistant Superintendent for Finance, Santa Rosa County District School Board, 5086 Canal Street, Milton, Florida 32570.

Basic Financial Statements

June 30,	2017	
	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 69,564,570	$ 207,586
Investments	37,772	-
Accounts receivable	4,500	13,465
Due from other agencies	2,118,968	4,558
Inventories	247,614	-
Capital assets, net	265,441,272	1,645,822
Total assets	337,414,696	1,871,431
Deferred outflows of resources		
Pensions	46,448,206	-
Deferred charges on debt refunding	977,176	-
Total deferred outflows of resources	47,425,382	-
Liabilities, deferred inflows of resources and net position		
Salaries and wages payable	661,412	5,988
Accounts payable and accrued expenses	429,463	928
Deposits payable	202,601	-
Due to other agencies	2,783	-
Construction contracts retainage payable	70,057	-
Estimated unpaid claims - self-insurance programs	2,339,697	-
Advanced revenue	3,508,816	974
Long-term liabilities:		
Portion due within one year	8,224,227	83,760
Portion due after one year	170,527,427	1,071,855
Total liabilities	185,966,483	1,163,505
Deferred inflows of resources		
Pensions	3,105,993	-
Total deferred inflows of resources	3,105,993	-
Net Position		
Net investment in capital assets	231,541,944	413,656
Restricted for:		
State categorical programs	6,373,447	-
Food service	4,519,082	-
Capital projects	23,444,039	-
Debt service	1,936,899	-
Other projects	-	2,739
Unrestricted	(72,047,809)	291,531
Total net position	$ 195,767,602	$ 707,926

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

Year ended June 30, **2017**

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Units
Primary government						
Governmental Activities						
Instruction	$ 137,387,919	$ 875,610	$ -	$ -	$ (136,512,309)	$ -
Pupil personnel services	8,150,023	-	-	-	(8,150,023)	-
Instructional media services	2,108,799	-	-	-	(2,108,799)	-
Instruction and curriculum development	6,389,446	-	-	-	(6,389,446)	-
Instructional staff training	3,719,613	-	-	-	(3,719,613)	-
Instruction related technology	6,306,363	-	-	-	(6,306,363)	-
School board	745,870	-	-	-	(745,870)	-
General administration	1,237,014	-	-	-	(1,237,014)	-
School administration	14,625,686	-	-	-	(14,625,686)	-
Facilities acquisition and construction	587,690	19,105	-	1,727,705	1,159,120	-
Fiscal services	1,186,811	-	-	-	(1,186,811)	-
Food services	11,360,536	4,280,399	8,027,589	-	947,452	-
Central services	2,528,122	-	-	-	(2,528,122)	-
Pupil transportation services	11,945,220	239,463	-	-	(11,705,757)	-
Operation of plant	13,208,411	-	-	-	(13,208,411)	-
Maintenance of plant	7,555,245	-	-	-	(7,555,245)	-
Administrative technology services	2,166,363	-	-	-	(2,166,363)	-
Community services	2,516,937	1,871,732	-	-	(645,205)	-
Interest on long-term debt	1,345,315	-	-	-	(1,345,315)	-
Unallocated depreciation/amortization expense	8,713,770	-	-	-	(8,713,770)	-
Total governmental activities	$ 243,785,153	$ 7,286,309	$ 8,027,589	$ 1,727,705	(226,743,550)	-
Component Units						
Charter schools	2,146,771	$ -	$ 39,096	$ 57,838	-	(2,049,837)
Total component units	$ 2,146,771	$ -	$ 39,096	$ 57,838	-	(2,049,837)

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

Year ended June 30,	2017	
General revenues:		
Taxes:		
Property taxes, levied for general purposes	49,429,765	-
Property taxes, levied for capital purposes	12,717,475	-
Local sales tax	8,938,746	-
Grants and contributions not restricted to specific programs	161,208,992	1,952,551
Investment earnings	454,618	-
Miscellaneous	1,273,341	11,953
Total general revenues	234,022,937	1,964,504
Change in net position	7,279,387	(85,333)
Net position - beginning	188,488,215	793,259
Net position - ending	$ 195,767,602	$ 707,926

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

June 30,			**2017**
	General Fund	**Capital Projects - Local Capital Improvement Tax Fund**	**Capital Projects - Other Capital Projects**
Assets			
Cash and cash equivalents	$ 28,416,515	$ 10,418,574	$ 12,368,491
Investments	(11)	-	-
Accounts receivable, net	4,500	-	-
Due from other agencies	626,837	5,320	777,570
Inventory	90,233	-	-
Total assets	$ 29,138,074	$ 10,423,894	$ 13,146,061
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Salaries and wages payable	$ 626,011	$ -	$ -
Accounts payable	125,183	10,725	203,565
Deposits payable	-	-	-
Due to other agencies	720	-	-
Construction contracts payable - retainage	-	-	70,057
Insurance claims payable	239,444	-	-
Total liabilities	991,358	10,725	273,622
Fund Balances:			
Nonspendable:			
Inventory	90,233	-	-
Restricted for:			
State required carryover programs	6,373,447	-	-
Debt service	-	-	-
Capital projects	-	10,413,169	12,317,600
Food service	-	-	-
Committed to:			
Contractual agreements	-	-	554,839
Board approved carryover	4,521,088	-	-
Assigned to:			
Office and fee based budgets	874,146	-	-
Unassigned	16,287,802	-	-
Total fund balances	28,146,716	10,413,169	12,872,439
Total liabilities, deferred inflows of resources and fund balances	$ 29,138,074	$ 10,423,894	$ 13,146,061

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

Special Revenue - Food Service	Other Governmental Funds	Total Governmental Funds
$ 4,530,047	$ 2,142,548	$ 57,876,175
-	37,783	37,772
-	-	4,500
106,581	524,967	2,041,275
157,381	-	247,614
$ 4,794,009	$ 2,705,298	$ 60,207,336
$ 2,235	$ 33,166	$ 661,412
70,090	19,900	429,463
202,601	-	202,601
-	2,063	2,783
-	-	70,057
-	-	239,444
274,926	55,129	1,605,760
157,381	-	247,614
-	-	6,373,447
-	1,936,899	1,936,899
-	713,270	23,444,039
4,361,702	-	4,361,702
-	-	554,839
-	-	4,521,088
-	-	874,146
-	-	16,287,802
4,519,083	2,650,169	58,601,576
$ 4,794,009	$ 2,705,298	$ 60,207,336

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

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

June 30,		**2017**
Total fund balances, governmental funds	$	58,601,576
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.		265,441,272
Internal service funds are used by management to charge the costs of risk management services to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		6,157,019
Deferred outflows and inflows are resources related to pensions and debt refundings are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources		47,425,382
Deferred inflows of resources		(3,105,993)
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(178,751,654)
Total net position - governmental activities	$	195,767,602

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

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

Year ended June 30,	2017					
	General Fund	Capital Projects - Local Capital Improvement Tax Fund	Capital Projects - Other Capital Projects	Special Revenue - Food Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental:						
Federal direct	$ 497,224	$ -	$ -	$ -	$ 3,041,089	$ 3,538,313
Federal through state	1,216,526	-	-	7,918,396	11,395,191	20,530,113
State sources	144,133,897	-	235,733	109,193	1,935,936	146,414,759
Local sources	54,010,159	12,718,791	9,170,303	4,464,747	13,423	80,377,423
Total revenues	199,857,806	12,718,791	9,406,036	12,492,336	16,385,639	250,860,608
Expenditures						
Current:						
Instruction	124,551,316	-	-	-	7,665,948	132,217,264
Student personnel services	6,842,720	-	-	-	1,088,044	7,930,764
Instructional media services	1,985,543	-	-	-	50,481	2,036,024
Instructional and curriculum development services	3,514,570	-	-	-	2,650,254	6,164,824
Instructional staff training services	2,155,591	-	-	-	1,519,272	3,674,863
Instruction related technology	5,289,945	-	-	-	262,342	5,552,287
Board of education	737,216	-	-	-	-	737,216
General administration	740,226	-	-	-	462,542	1,202,768
School administration	13,902,427	-	-	-	159,400	14,061,827
Facilities acquisition and construction	4,120	279,702	236,977	-	4,200	524,999
Fiscal services	1,145,919	-	-	-	-	1,145,919
Food services	-	-	-	11,293,565	-	11,293,565
Central services	2,352,322	-	-	-	51,425	2,403,747
Student transportation services	11,832,257	-	-	-	26,935	11,859,192
Operation of plant	13,150,563	-	-	-	47,381	13,197,944
Maintenance of plant	3,637,338	228,114	1,683,112	-	86,522	5,635,086
Administrative technology services	2,028,638	-	-	-	-	2,028,638
Community services	1,809,827	-	-	-	604,239	2,414,066

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

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

Fixed capital outlay:						
Facilities acquisition and construction	28,676	2,780,777	4,609,642	-	648,187	8,067,282
Other capital outlay	980,674	40,905	393,702	72,332	170,758	1,658,371
Debt Service:						
Retirement of principal	-	-	-	-	2,689,000	2,689,000
Interest and fiscal charges	-	-	-	-	1,550,835	1,550,835
Dues and fees	-	-	-	-	14,400	14,400
Miscellaneous	-	-	-	-	1,870	1,870
Total expenditures	196,689,888	3,329,498	6,923,433	11,365,897	19,754,035	238,062,751
Excess (deficiency) of revenues over expenditures	3,167,918	9,389,293	2,482,603	1,126,439	(3,368,396)	12,797,857
Other financing sources (uses)						
Proceeds of lease-purchase agreements	-	-	-	-	-	-
Premium on lease-purchase agreements	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	162,000	162,000
Loss recoveries	33,625	-	101,724	-	-	135,349
Premium on refunding bonds	-	-	-	-	24,602	24,602
Payments to refunded bond escrow agent	-	-	-	-	(186,602)	(186,602)
Transfers in	5,302,565	-	-	3,826	3,784,327	9,090,718
Transfers out	(3,319,026)	(6,615,515)	(2,154,947)	-	(1,230)	(12,090,718)
Total other financing sources and (uses)	2,017,164	(6,615,515)	(2,053,223)	3,826	3,783,097	(2,864,651)
Net change in fund balances	5,185,082	2,773,778	429,380	1,130,265	414,701	9,933,206
Fund balances, July 1, 2016	22,961,634	7,639,391	12,443,059	3,388,818	2,235,468	48,668,370
Fund balances, June 30, 2017	$ 28,146,716	$ 10,413,169	$ 12,872,439	$ 4,519,083	$ 2,650,169	$ 58,601,576

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

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

Year ended June 30,		**2017**
Net change in fund balances - total governmental funds:	$	9,933,206
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount of capital outlay in excess of depreciation expense in the current period.		(1,799,961)
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds, if any, from these sales. Thus, the change in net position differs from the change in fund balances by the cost of assets sold.		(358,331)
Bond proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds in the current period.		2,689,000
Premiums on debt are reported in the governmental funds in the fiscal year debt is issued, but are amortized over the life of the debt in the government-wide statements.		223,390
Revenue not reported in the governmental funds but reported in the statement of activities.		(8,439)
In the Statement of Activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period.		605,744
In the Statement of Activities, the cost of other post employment benefit (OPEB) obligation is measured by actuarial estimations, while in the governmental funds expenditures are recognized based on amounts actually paid for OPEB. This is the net increase of the OPEB obligation for the current period.		(1,433,270)
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.		(5,744,250)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of internal service funds is reported with governmental activities.		3,172,298
Change in net position of governmental activities	$	7,279,387

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

June 30,		**2017**
		Governmental Activities - Internal Service Funds
Assets		
Cash and cash equivalents	$	11,688,395
Due from other agencies		77,693
Total assets	$	11,766,088
Liabilities and Net Position		
Current Liabilities:		
Unearned revenue	$	3,508,816
Estimated health insurance claims payable		2,100,253
Total current liabilities		5,609,069
Noncurrent Liabilities:		
Estimated health insurance claims payable		-
Total liabilities		5,609,069
Net Position		
Unrestricted		6,157,019
Total liabilities and net position	$	11,766,088

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

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

Year ended June 30,	2017 Governmental Activities - Internal Service Funds
Operating Revenues	
Insurance premiums	$ 16,871,241
Operating Expenses	
Purchased services	922,637
Materials and supplies	380
Insurance claims	16,257,116
Total expenses	17,180,133
Operating income (loss)	(308,892)
Nonoperating Revenues	
Interest income	841
Other miscellaneous sources	480,348
Total nonoperating revenues	481,189
Income before operating transfers	172,297
Transfers in	3,000,000
Change in Net Position	3,172,297
Net position - beginning	2,984,722
Net position - ending	$ 6,157,019

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

Year ended June 30,	2017 Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Cash receipts from customers and users	$ 17,168,331
Cash payments to suppliers	(923,017)
Cash payments for insurance claims and fees	(16,000,220)
Net cash provided by operating activities	245,094
Cash flows from noncapital financing activities	
Transfers from other funds	3,000,000
Other receipts	480,348
Net cash provided by noncapital financing activities	3,480,348
Cash flows from investing activities	
Interest and dividends received	841
Net cash provided by investing activities	841
Net decrease in cash and cash equivalents	3,726,283
Cash and cash equivalents, beginning of year	7,962,112
Cash and cash equivalents, end of year	$ 11,688,395
Reconciliation of operating income to net cash used by operating activities	
Operating income (loss)	$ (308,892)
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable	96,527
Increase (decrease) in:	
Estimated health insurance claims payable	256,896
Unearned revenue	200,563
Net cash provided by operating activities	$ 245,094

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

Santa Rosa County District School Board
Statement of Fiduciary Assets and Liabilities

June 30,		**2017**
		Agency Funds
Assets		
Cash and cash equivalents	$	3,701,690
Total assets	$	3,701,690
Liabilities		
Payroll deductions and withholdings	$	176,525
Accounts payable		289,976
Due to other funds		4,500
Internal accounts payable		3,230,689
Total liabilities	$	3,701,690

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

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

Reporting Entity

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

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

<u>Blended Component Unit</u> – A blended component unit is, in substance, part of the primary District operations even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as a fund of the District. The Santa Rosa School Board Leasing Corporation ("Leasing Corporation") was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the District and the 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 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 provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2017. The audit reports are filed in the District's administrative offices at 5086 Canal Street, Milton, Florida 32570.

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.

Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Special Revenue – Food Service – to account for the financial resources, including federal grants and local sources, and expenditure payments associated with the District's food service programs.

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

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

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

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The proprietary fund distinguishes operating revenues and expenses from non-operating items and is reported using the economic resources measurement focus and the accrual basis of accounting.

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

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

Cash and Cash Equivalents

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Investments

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

The District's investments in Florida PRIME are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31 as amended by GASB Statement No. 79, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

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

Inventories

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

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide Statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000, except for buildings and improvements other than buildings which are defined as assets costing more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Pensions

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

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

Long-Term Liabilities

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation. In July 2016, the Board gave its approval to commit certain project balances during the budget process.

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

Program Revenues

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

State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education ("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 five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The 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 year is presented in a subsequent note.

District Property Taxes

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

The Board adopted the 2016 tax levy on September 8, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to four percent for early payment.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In March 2017, Santa Rosa County voters opted to continue the one-half cent school capital outlay surtax on sales through December 31, 2028.

Federal Revenue Sources

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

Compensated Absences

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

Proprietary Fund Operating and Nonoperating Revenue 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 are charges for employee health insurance premiums. Operating expenses of the District's internal service fund include insurance claims and purchased services that include excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

NOTE 3: INVESTMENTS

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

Investment	Maturities		Fair Value
State Board of Administration:			
Florida PRIME (1)	39 day average	$	38,091,195
Debt Service Accounts	6 Months		37,772
Total investments, primary government		$	38,128,967

Note (1): These investments are reported as cash and cash equivalents 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 $37,773, 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 the exposure to fair value losses from increasing interest rates.

NOTE 3: INVESTMENTS (Continued)

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 trustee, 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, 2017, 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 Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments in interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to funds placed in qualified public depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, Securities of the United States Government (including obligations of the United States Treasury), and investment pools managed and directed by an approved agency of the State.

NOTE 3: INVESTMENTS (Continued)

The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

As of June 30, 2017, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's.

NOTE 4: CHANGES IN CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Function		Amount
Instruction	$	272,658
Pupil personnel services		10,409
Instructional media services		6,695
Instruction and curriculum development		2,831
Instructional staff training		9,308
Instruction related technology		663,028
General administration		425
School administration		4,191
Fiscal services		1,705
Food services		76,269
Central services		24,185
Pupil transportation services		10,764
Operation of plant		6,219
Maintenance of plant		1,900,657
Administrative technology services		66,830
Community services		17,123
Unallocated		8,713,770
	$	11,787,067

NOTE 4: CHANGES IN CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended June 30, 2017 are shown below:

	Balance 7/1/2016	Additions	Deletions/ Transfers	Balance 6/30/2017
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 7,317,360	$ 731,558	$ -	$ 8,048,918
Land improvements	5,048,619	409,958	-	5,458,577
Construction in progress	4,709,108	2,486,971	(6,320,568)	875,511
Total capital assets not being depreciated	17,075,087	3,628,487	(6,320,568)	14,383,006
Capital assets being depreciated:				
Improvements other than buildings	25,863,512	1,315,580	(415,675)	26,763,417
Buildings and fixed equipment	361,317,635	10,025,801	(917,662)	370,425,774
Furniture, fixtures and equipment	16,524,223	1,168,477	(1,109,914)	16,582,786
Motor vehicles	3,705,308	217,370	(395,208)	3,527,470
Audio-visual materials and computer software	4,917,944	23,385	(542,926)	4,398,403
Total capital assets being depreciated	412,328,622	12,750,613	(3,381,385)	421,697,850
Less accumulated depreciation for:				
Improvements other than buildings	16,456,611	907,500	(254,820)	17,109,291
Buildings and fixed equipment	126,869,784	9,219,838	(827,586)	135,262,036
Furniture, fixtures and equipment	10,817,733	1,339,739	(1,004,932)	11,152,540
Motor vehicles	3,232,706	111,120	(350,056)	2,993,770
Audio-visual materials and computer software	4,427,312	208,870	(514,235)	4,121,947
Total accumulated depreciation	161,804,146	11,787,067	(2,951,629)	170,639,584
Total capital assets being depreciated, net	250,524,476	963,546	(429,756)	251,058,266
Governmental activities - capital assets, net	$ 267,599,563	$ 4,592,033	$ (6,750,324)	$ 265,441,272

NOTE 5 – CERTIFICATES OF PARTICIPATION

The District has entered into financing arrangements with the Leasing Corporation, pursuant to which the District has authorized several certificates of participation debt issues, characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2017:

Series	Original Amount	Principal Paid to Date	Refunded	Refunded by Series	Balance
2006-1	$ 12,370,000	$ 6,885,000	$ 5,485,000	2014	$ -
2006-2	18,870,000	-	16,150,000	2014	2,720,000
2009	12,585,000	4,945,000	-		7,640,000
2014	20,520,000	290,000	-		20,230,000
					$ 30,590,000

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

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

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

NOTE 5: CERTIFICATES OF PARTICIPATION (Continued)

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

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

Series 2006 (as amended) and 2014:

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

Series 2009:

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 2,035,000	$ 1,341,954	$ 3,376,954
2019	2,120,000	1,258,647	3,378,647
2020	2,205,000	1,165,351	3,370,351
2021	2,310,000	1,061,441	3,371,441
2022	2,390,000	953,138	3,343,138
2023-2027	11,430,000	3,052,616	14,482,616
2028-2031	8,100,000	667,769	8,767,769
Total mimimum lease payments	30,590,000	9,500,916	40,090,916
Plus: unamortized premium	2,252,054	-	2,252,054
Total certificates of participation	$ 32,842,054	$ 9,500,916	$ 42,342,970

NOTE 6: BONDS PAYABLE

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

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2009A, Refunding	4.0 - 5.0	2019	$ 100,000
Series 2010A	3.5 - 5.0	2030	910,000
Series 2011A, Refunding	3.0 - 5.0	2023	255,000
Series 2014A, Refunding	2.0 - 5.0	2025	257,000
Series 2014B, Refunding	2.0 - 5.0	2020	131,000
Series 2017A, Refunding	5.0	2026	162,000
Bonds payable			1,815,000
Plus: unamortized premium			217,661
Total bonds payable			$ 2,032,661

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

State School Bonds

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

District Revenue Bonds

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

NOTE 6: BONDS PAYABLE (Continued)

During the 2016-2017 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $196,085 (88%) of these revenues for debt service directly collateralized by these revenues. The debt of the pledged pari-mutuel tax revenues matured on August 1, 2016.

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

Year Ending June 30,	Principal	Interest	Total
State School Bonds:			
2018	$ 270,000	$ 80,579	$ 350,579
2019	184,000	66,905	250,905
2020	149,000	58,155	207,155
2021	149,000	51,095	200,095
2022	163,000	43,645	206,645
2023-2027	615,000	122,935	737,935
2028-2030	285,000	23,200	308,200
Total State School Bonds	1,815,000	446,514	2,261,514
Total	$ 1,815,000	$ 446,514	$ 2,261,514

NOTE 7: CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017	Due in One Year
Certificates of participation payable	$ 32,625,000	$ -	$ (2,035,000)	$ 30,590,000	$ 2,035,000
Unamortized premium	2,529,881	-	(277,828)	2,252,053	277,827
Total certificates of participation payable	35,154,881	-	(2,312,828)	32,842,053	2,312,827
Bonds payable	2,492,000	162,000	(839,000)	1,815,000	270,000
Unamortized premium	220,852	24,601	(27,792)	217,661	31,563
Total bonds payable	2,712,852	186,601	(866,792)	2,032,661	301,563
Estimated insurance claims payable	-	-	-	-	-
Compensated absences payable	19,929,867	6,751,561	(7,357,304)	19,324,124	5,609,837
Net pension liability	76,344,897	63,345,477	(21,623,847)	118,066,527	-
Other post employment benefits payable	5,053,019	2,237,361	(804,091)	6,486,289	-
Total	$ 139,195,516	$ 72,521,000	$ (32,964,862)	$ 178,751,654	$ 8,224,227

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

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

NOTE 8: DEFEASED DEBT

The FDOE issued Capital Outlay Refunding Bonds, Series 2017A, dated April 27, 2017, with interest rates ranging from 3 to 5 percent. The District's pro rata share of net proceeds totaling $186,601, along with other monies, was placed in an irrevocable trust to provide for future debt service payments. As a result, $185,000 of the State School Bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

NOTE 9: 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.

NOTE 10: SCHEDULE OF STATE REVENUE SOURCES

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

Sources		Amount
Florida education finance program	$	109,439,222
Class size reduction categorical		28,808,199
Workforce development		2,192,881
Florida Best and Brightest Scholarship Program		1,397,467
School recognition		1,079,583
Motor vehicles license tax (capital outlay and debt service)		1,018,044
Gross Receipts Tax (public education capital outlay)		709,661
Voluntary prekindergarten program		505,376
Discretionary lottery funds		438,844
Food service supplement		109,193
Charter school capital outlay		65,027
Mobile home license tax		29,835
Miscellaneous		621,427
Total	$	146,414,759

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

NOTE 11: PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2016-17 fiscal year:

	Millages		Taxes Levied
General Fund			
Nonvoted School Tax:			
Required local effort	4.692	$	44,147,615
Basic discretionary local effort	0.748		7,038,026
Capital Projects Funds			
Nonvoted Tax:			
Local capital improvements	1.400		13,172,775
Total	6.84	$	64,358,416

NOTE 12: INTERFUND TRANSFERS

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major funds:		
General	$ 5,302,565	$ 3,319,026
Capital projects:		
Local capital improvement tax	-	6,615,515
Other capital projects	-	2,154,947
Nonmajor governmental funds	3,788,153	1,230
Internal Service	3,000,000	
TOTAL	$ 12,090,718	$ 12,090,718

The District made transfers to the General Fund to cover payments on the student transportation contract, pay for certain property and casualty insurance premiums, cover payments for computer upgrades, 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 Officer 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.

NOTE 13: RETIREMENT PLANS

Florida Retirement System (FRS) - Defined Benefit Pension Plans

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (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 Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

NOTE 13: RETIREMENT PLANS (Continued)

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of 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 (http://www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled $14,647,147 for the fiscal year ended June 30, 2017.

FRS Pension Plan

Plan Description

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

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011 are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. 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 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

NOTE 13: RETIREMENT PLANS (Continued)

Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

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

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

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

NOTE 13: RETIREMENT PLANS (Continued)

Contributions

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

	Percent of Gross Salary	
Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.52
Florida Retirement System, Elected County Officers	3.00	42.47
Deferred Retirement Option Program - Applicable to Members From All of the Above Classes	-	12.99
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:
(A) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, includes 0.06 percent for administative costs of the Investment Plan.
(B) Contribution rates are dependent upon the retirement class in which reemployed.

The District's contributions including employee contributions to the Plan totaled $6,898,970 for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of $71,699,838 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.28396 percent, which was a decrease of 0.00878 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized Plan pension expense of $10,606,778 related to the Plan.

NOTE 13: RETIREMENT PLANS (Continued)

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,489,891	$ 667,574
Change of assumptions	4,337,626	
Net difference between projected and actual earnings on FRS pension plan investments	18,533,534	
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	267,156	1,962,217
District FRS contributions subsequent to the measurement date	6,898,970	
Total	$ 35,527,177	$ 2,629,791

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $6,898,970, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 3,581,153
2019	3,581,153
2020	10,364,416
2021	7,093,326
2022	1,043,336
Thereafter	335,032
Total	$ 25,998,416

NOTE 13: RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed Income	18.00%	4.70%	4.60%	4.60%
Global Equity	53.00%	8.10%	6.80%	17.20%
Real Estate (Property)	10.00%	6.40%	5.80%	12.00%
Private Equity	6.00%	11.50%	7.80%	30.0.%
Strategic Investments	12.00%	6.10%	5.60%	11.10%
Total	100.00%			
Assumed inflation - Mean		2.60%		1.90%

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

NOTE 13: RETIREMENT PLANS (Continued)

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.60 percent) or 1 percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 132,004,256	$ 71,699,838	$ 21,504,374

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.

NOTE 13: RETIREMENT PLANS (Continued)

Benefits Provided

For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include 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, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statues. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $2,003,926 for the fiscal year June 30, 2017.

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

At June 30, 2017, the District reported a net pension liability of $46,366,688 for its proportionate share of the HIS Plan's net pension liability. The current portion of the new pension liability is the District's proportionate share of benefit payments expected to be paid within one year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.39784 percent, which was an increase of 0.02000 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS pension expense of $4,040,368.

NOTE 13: RETIREMENT PLANS (Continued)

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 105,606
Change of assumptions	7,276,112	-
Net difference between projected and actual earnings on HIS pension plan investments	23,444	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	1,617,547	370,596
District contributions subsequent to the measurement date	2,003,926	-
Total	$ 10,921,029	$ 476,202

The deferred outflows of resources related to pensions, resulting from District contributions to the HIS Plan subsequent to measurement date, totaling $2,003,926, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2018	$ 1,511,478
2019	1,511,478
2020	1,506,240
2021	1,503,726
2022	1,300,950
Thereafter	1,107,029
Total	$ 8,440,901

NOTE 13: RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.85 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 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.85 percent) or 1 percentage-point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension liability	$ 37,966,601	$ 33,094,230	$ 29,050,429

Pension Plan Fiduciary Net Position

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

NOTE 13: RETIREMENT PLANS (Continued)

Florida Retirement System (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 2016-2017 fiscal year were as follows:

Class	Percent of Gross Compensation
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 one 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 five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

NOTE 13: RETIREMENT PLANS (Continued)

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

The District's Investment Plan pension expense totaled $1,814,840 for the fiscal year ended June 30, 2017.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

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

Funding Policy

Plan contribution requirements of the District and OPEB Plan members are established and may be amended through Board action. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-2017 fiscal year, 277 retirees received other postemployment benefits. For the 2016-2017 fiscal year, the District provided required contributions of $804,091 toward the annual OPEB cost, net of retiree contributions totaling $1,825,305, which represents 1.7% of covered payroll.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Year ended June 30,		**2017**
Normal Cost (service cost for one year)	$	1,237,557
Amortization of Unfunded Actuarial Accrued Liability (UAAL)		1,101,589
Annual Required Contribution (ARC)		2,339,146
Interest on Net OPEB Obligation		202,121
Adjustment to Annual Required Contribution		(303,906)
Annual OPEB Cost (Expense)		2,237,361
Contributions made		(804,091)
Increase (decrease) in Net OPEB Obligation		1,433,270
Net OPEB Obligation, beginning of year		5,053,019
Net OPEB Obligation, end of year	$	6,486,289

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and the previous two fiscal years, were as follows:

Fiscal year Ending		**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**		**Net OPEB Obligation**
6/30/2015	$	1,257,923	49.70%	$	4,391,485
6/30/2016		1,280,973	48.40%		5,053,019
6/30/2017		2,237,361	35.90%		6,486,289

Funded Status and Funding Progress

As of July 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was $18,596,008, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $18,596,008 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was $107,866,360 and the ratio of unfunded actuarial accrued liability to the covered payroll was 17.2%.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

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

Actuarial Methods and Assumptions

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 prospective. 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, 2016, used the entry age normal level percentage of pay cost method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-2017 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included an inflation rate of 3% per year , a payroll growth rate of 0% per year, and an annual healthcare cost trend rate of 8.75% for the 2016-2017 fiscal year, reduced periodically thereafter to an ultimate rate of 4%in fiscal year 2073. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis over a 30 year period.

NOTE 15: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Contracts

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

Project	Contract Amount	Completed to Date	Balance Committed
Chumuckla Elementary-Primary Classrooms/Lab/ESE Addition	$ 1,321,003	$ 167,565	$ 1,153,438
Locklin Tech & TR Jackson-Paving & Drainage Improvements	978,170	111,730	866,440
Sims Middle-Kitchen Exp./Renovation & Classroom Additions	1,361,593	622,259	739,334
Total	$ 3,660,766	$ 901,554	$ 2,759,212

NOTE 15: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Encumbrances

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

The following is a schedule of encumbrances at June 30, 2017:

Major Funds					
General	Capital Projects - Local Capital Improvement	Capital Projects - Other	Special Revenue- Food Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 604,898	$ 582,500	$ 3,104,465	$ -	$ 215,926	$ 4,507,789

NOTE 16: RISK MANAGEMENT PROGRAMS

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

The District provides self-insured employee health and hospitalization coverage. The District entered into an agreement with a stop loss insurance company to provide specific excess coverage of claim amounts above $150,000 on an individual claim basis, and aggregate excess coverage of approximately $1.3 million. Aggregate excess coverage is paid out when total claims annually, minus specific excess coverage, exceed 100% of the overall variable claims cost. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims. A liability in the amount of $2,100,253 was actuarially determined to cover the estimated incurred, but not reported, insurance claims payable at June 30, 2017.

NOTE 16: RISK MANAGEMENT PROGRAMS (Continued)

Dental, vision, long-term disability, and life insurance coverage are provided through commercial insurance.

Prior to July 1, 1997, the District was self-insured for worker's compensation exposures up to specified limits. At June 30, 2017, a liability in the amount of $239,444 was recorded to cover future claims payments relating to this former self-insurance program.

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

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance programs:

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
Workers Compensation:				
2015-16	$ 253,277	$ 109,206	$ (122,718)	$ 239,765
2016-17	239,765	22,577	(22,898)	239,444
Employee Health				
2015-16	1,835,665	12,448,635	(12,384,610)	1,899,690
2016-17	1,899,690	(14,008,526)	14,209,089	2,100,253

NOTE 18: LITIGATION

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

Required Supplemental Information
(Other Than MD&A)

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

Year ended June 30, **2017**

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal direct	$ 500,000	$ 500,000	$ 497,224	$ (2,776)
Federal through state	850,000	990,133	1,216,526	226,393
State sources	138,028,555	144,123,382	144,133,897	10,515
Local sources	51,792,190	53,910,031	54,010,159	100,128
Total revenues	191,170,745	199,523,546	199,857,806	334,260
Expenditures				
Instruction	132,048,430	131,900,006	124,551,316	7,348,690
Student personnel services	6,905,570	7,158,943	6,842,720	316,223
Instructional media services	2,187,215	2,217,294	1,985,543	231,751
Instructional and curriculum development services	3,377,655	3,640,490	3,514,570	125,920
Instructional staff training services	2,058,561	2,698,909	2,155,591	543,318
Instruction related technology	5,076,974	5,815,922	5,289,945	525,977
Board of education	698,906	774,872	737,216	37,656
General administration	709,837	747,340	740,226	7,114
School administration	13,073,477	14,173,398	13,902,427	270,971
Facilities acquisition and construction	24,837	49,118	4,120	44,998
Fiscal services	1,173,094	1,184,354	1,145,919	38,435
Central services	2,804,392	2,542,756	2,352,322	190,434
Student transportation services	12,056,235	11,996,384	11,832,257	164,127
Operation of plant	13,183,752	13,260,991	13,150,563	110,428
Maintenance of plant	3,869,396	3,940,479	3,637,338	303,141
Administrative technology services	2,241,504	2,072,391	2,028,638	43,753
Community services	918,342	2,042,537	1,809,827	232,710
Fixed capital outlay:				
Facilities acquisition and construction	-	28,676	28,676	-
Other capital outlay	-	980,674	980,674	-
Total expenditures	202,408,177	207,225,534	196,689,888	10,535,646
Excess (deficiency) of revenues over expenditures	(11,237,432)	(7,701,988)	3,167,918	10,869,906
Other financing sources (uses)				
Loss recoveries	-	(33,328)	33,625	(66,953)
Transfers in	(4,712,369)	(5,302,565)	5,302,565	(10,605,130)
Transfers out	(637,380)	(3,645,062)	(3,319,026)	(326,036)
Total other financing sources	(5,349,749)	(8,980,955)	2,017,164	(10,998,119)
Net change in fund balances	(16,587,181)	(16,682,943)	5,185,082	21,868,025
Fund balances - beginning	22,961,634	22,961,634	22,961,634	-
Fund balances - ending	$ 6,374,453	$ 6,278,691	$ 28,146,716	$ 21,868,025

Santa Rosa County District School Board
Budget to Actual Comparison Schedule – Special Revenue Food Service Fund

Year ended June 30, **2017**

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
Revenues				
Intergovernmental:				
Federal through state	$ 6,952,009	$ 6,952,009	$ 7,918,396	$ 966,387
State sources	109,536	109,536	109,193	(343)
Local sources	4,337,171	4,337,171	4,464,747	127,576
Total revenues	11,398,716	11,398,716	12,492,336	1,093,620
Expenditures				
Food services	11,524,671	11,524,671	11,293,565	231,106
Other capital outlay	-	-	72,332	(72,332)
Total expenditures	11,524,671	11,524,671	11,365,897	158,774
Net change in fund balances	(116,296)	(116,296)	1,130,265	1,246,561
Fund balances - beginning	3,388,818	3,388,818	3,388,818	-
Fund balances - ending	$ 3,272,522	$ 3,272,522	$ 4,519,083	$ 1,246,561

Santa Rosa County District School Board
Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)-(1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2014	$ -	$ 12,103,351	$ 12,103,351	0.00%	$ 107,159,237	11.29%
July 1, 2015	$ -	$ 12,586,938	$ 12,586,938	0.00%	$ 107,159,237	11.75%
July 1, 2016	$ -	$ 18,596,008	$ 18,596,008	0.00%	$ 107,866,360	17.24%

Note (1): Beginning in fiscal year 2014, the entry age normal (level dollar) actuarial cost method was used.

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

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.28396%	0.29274%	0.30137%	0.29840%
District's proportionate share of the FRS net pension liability	$ 71,699,838	$ 37,811,446	$ 18,387,792	$ 51,368,573
District's covered-employee payroll	$123,528,778	$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	58.04%	32.98%	16.16%	44.75%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

Notes: (1) The amounts presented were determined as of June 30.
(2) Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

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

	2017	2016	2015	2014
Contractually required FRS contribution	$ 6,898,970	$ 6,924,790	$ 7,137,278	$ 6,601,206
FRS contributions in relation to the contractually required contribution	$ (6,898,970)	$ (6,924,790)	$ (7,137,278)	$ (6,601,206)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$120,728,089	$123,528,778	$114,639,462	$113,783,755
FRS contributions as a percentage of covered-employee payroll	5.71%	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.

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

	2016	2015	2014	2013
District's proportion of the HIS net pension liability	0.39784%	0.37784%	0.38295%	0.38369%
District's proportionate share of the HIS net pension liability	$ 46,366,688	$ 38,533,451	$ 35,806,848	$ 33,405,580
District's covered-employee payroll	$123,528,778	$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	37.54%	33.61%	31.47%	29.10%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

Notes: (1) The amounts presented were determined as of June 30.
(2) Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

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

	2017	2016	2015	2014
Contractually required HIS contribution	$ 2,003,926	$ 2,039,187	$ 1,444,329	$ 1,311,861
HIS contributions in relation to the contractually required contribution	$ (2,003,926)	$ (2,039,187)	$ (1,444,329)	$ (1,311,861)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$120,728,089	$123,528,778	$114,639,462	$113,783,755
HIS contributions as a percentage of covered-employee payroll	1.66%	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.

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

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

NOTE 2: SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2016 actuarial accrued liability (AAL) of $18,596,008 was significantly higher than the July 1, 2014 AAL of $12,103,351 as a result of the following changes since the prior valuation:

- The annual per capita claims costs have been updated to reflect current age-adjusted premiums and updated manual rates.
- The premium rates have been updated to use the rates effective for 2017, which remained relatively flat compared to expected premiums.
- Health care inflation rates have been updated to reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries.
- The actuarial cost method was changed from Entry Age Normal Level Dollar to Entry Age Normal Level Percentage of Pay which will be the required funding method under the new GASB standards.
- The mortality rates have been updated to use projected mortality improvements to the new valuation date.

NOTE 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. The long-term expected rate of return decreased from 7.65 percent to 7.60 percent.

NOTE 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 rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent.

Other Information

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (Note 1)	Amount Provided To Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	300	$ 1,602,414	$ -
National School Lunch Program	10.555	321	5,270,656	-
Summer Food Service Program for Children	10.559	323	229,456	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	300	764,671	-
Total Child Nutrition Cluster			7,867,197	-
Florida Department of Education:				
Team Nutrition Training Grants	10.574	301	-	-
Fresh Fruit and Vegetable Program	10.582	330, 331	-	
Florida Department of Financial Services				
Schools and Roads - Grants to States	10.665	none	5	-
Total United States Department of Agriculture			7,867,202	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	12	N/A	56,709	-
Navy Junior Reserve Officers Training Corps	12	N/A	237,771	-
Total United States Department of Defense			294,480	-
United States Department of Labor:				
Indirect:				
Workforce Escarosa, Inc.:				
WIA Youth Activities	17.259	none	306,262	-
Total United States Department of Labor			306,262	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703	-
Federal Work-Study Program	84.033	N/A	529	-
Federal Pell Grant Program	84.063	N/A	493,220	-
Total Student Financial Assistance Cluster			499,452	-
Impact Aid	84.041	N/A	497,224	-
Total Direct			996,676	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	5,412,440	1,127
Special Education - Preschool Grants	84.173	267	140,042	-
University of South Florida				
Special Education - Grants to States	84.027	none	-	-
Total Special Education Cluster			5,552,482	1,127

Santa Rosa County District School Board
Schedule of Expenditures of Federal Awards

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (Note 1)	Amount Provided To Subrecipients
United States Department of Education:				
Indirect:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	269,826	-
Title I Grants to Local Education Agencies	84.010	212, 226	4,114,992	43,756
Career and Technical Education - Basic Grants to States	84.048	161	258,831	-
Education for Homeless Children and Youth	84.196	127	126,184	-
English Language Acquisition Grants	84.365	102	28,670	-
Supporting Effective Instruction State Grants	84.367	224	715,004	-
Florida State University/Mills College:				
Education Research, Development and Dissemination/Institute of Education Sciences	84.305	none	4,000	
			5,517,507	43,756
Total Indirect			11,069,989	44,883
Total United States Department of Education			12,066,665	44,883
United States Department of Health and Human Services:				
Direct:				
Head Start Cluster:				
Head Start (Note 4)	93.600	none	2,315,686	-
Total United States Department of Health and Human Services			2,315,686	-
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance - Presidentially Declared (Note 5)	97.036	none	2,583	-
Total United States Department of Homeland Security			2,583	-
Total Expenditures of Federal Awards			$ 22,852,878	$ 44,883

Notes:

(1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2016-2017 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the general purpose financial statements have been reported. 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) Noncash Assistance - National School Lunch Program Food Donation - Represents the amount of donated food received during the fiscal year. Commodities are valued at fair value as determined at time of donation.

(3) Indirect Cost Rate - The District's cognizant agency is Florida Department of Education ("FLDOE"). For the fiscal year 2016-2017, FLDOE approved a restricted indirect cost rate of 4.39%. As a result of the approved indirect cost rate, the District does not have the option to elect the 10 percent de minimis rate in accordance with Uniform Guidance.

(4) Head Start - Expenditures include $1,314,911 for grant number/program year 04CH4795/02 and $1,000,775 for grant number/program year 04CH4795/03.

(5) Disaster Grants - Public Assistance. The amount disclosed as expenditures represents Florida Severe Storm, Tornadoes, Straight-line Winds, and Flooding recoveries for the 2016-2017 fiscal year as follows: $2,583 for large projects for which the District is required to make an accounting of eligible costs for each approved project; $-0- for small projects; and $-0- for allowable administrative costs.

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Rosa County District School Board (hereinafter referred to as the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2018. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 26, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the Santa Rosa County District School Board's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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; 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, 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.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 26, 2018

Summary of Audit Results

As required by United States Office of Management and Budget and Uniform Guidance, the following is a summary of the results of the audit of the Santa Rosa County District School Board for the fiscal year ended June 30, 2017.

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

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

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

- No significant deficiencies relating to the audit of the major Federal programs reported in the Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the Uniform Guidance.

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

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

- The programs tested as major programs included: Title I (CFDA 84.010), Supporting Effective Instruction State Grants (CFDA 84.367)

- The threshold for distinguishing between Types A and B programs was $750,000.

- The Santa Rosa County District School Board was determined to be a low risk auditee, as defined in the Uniform Guidance.

Findings and Questioned Costs - Financial Statement Audit

None

Findings and Questioned Coasts - Major Federal Award Programs Audit

None

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

No findings were noted in the prior audit.

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Santa Rosa County District School Board, Florida ("District") as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated March 26, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.800, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 26, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.

Financial Condition

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

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

Section 10.804(1)(f)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we make the following recommendation:

As part of our audit procedures we noted several instances of technical inaccuracies in the preparation of the School District's annual financial report (AFR). These included:

- The Food Service Fund was not identified as a major fund. The fund's liabilities represented approximately 17% of total liabilities of all governmental funds at June 30, 2017. The threshold for major fund status is 10% of total assets, liabilities, revenues or expenditures.
- Nonspendable fund balance related to inventory for governmental funds totaled $318,586, but inventory totaled only $247,613.
- Fund balance restrictions are all listed on line 2723 – State Required Carryover Program. These should be listed on the appropriate restriction line for each item, such as restricted for debt service, capital projects, or food service.
- The Statement of Cash Flows for the Internal Service Fund presents a different amount for cash and cash equivalents ($12.0 million) than that found on the Balance Sheet ($11.7 million). In addition, operating income on the cash flow reconciliation ($1.54 million) does not agree to operating loss on the Statement of Revenues, Expenses, and Changes in Fund Net Position ($308,000).
- As part of the conversion from the fund-level statements to the government-wide statements, the District ended up with a remaining difference of approximately $890,000 that was included as an addition to miscellaneous income on the government-wide statement of net activities.

We recommend that the District continue to allow its personnel responsible for AFR preparation to take additional training. Organizations such as Florida Government Finance Officers Association (FGFOA) or Florida School Finance Officers Association (FSFOA) provide this type of training. These organizations and others like them generally have periodic local chapter meetings as well as annual state-wide conferences.

In addition, as the District's audit firm, we can provide guidance related to the preparation of the AFR to the extent the assistance does not impair our independence. We cannot be seen as auditing our own work. We recommend the District consider working with a second accounting firm if additional guidance is needed in the years CRI performs the audit. We would be happy to assist in those years that the Florida Auditor General is scheduled to audit the financial statements (every third year).

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we report the results of our determination as to whether the Santa Rosa County District School Board maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the Santa Rosa County District School Board maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 26, 2018

CRI CARR RIGGS & INGRAM
CPAs and Advisors

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Santa Rosa County District School Board's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2017. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 26, 2018