Santa Rosa County
District School Board

FINANCIAL STATEMENTS

June 30, 2018



Santa Rosa County District School Board
Table of Contents
June 30, 2018

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 65

Schedule of Changes in the District's Total OPEB Liability and Related Ratios 66

Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan 67

Schedule of Contributions – Florida Retirement System Pension Plan 68

Schedule of Proportionate Share of Net Pension Liability – Health Insurance Subsidy Pension Plan 69

Schedule of Contributions – Health Insurance Subsidy Pension Plan 70

Notes to Required Supplementary Information 71

OTHER INFORMATION

Schedule of Expenditures of Federal Awards 73

Notes to Schedule of Expenditures of Federal Awards 75

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* 76

Independent Auditors' Report on Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance required By the Uniform Guidance 78

Schedule of Findings and Questioned Costs 80

Summary Schedule of Prior Audit Findings 82

Management Letter 83

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, 2018, 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 100% of the transactions and account balances of the discretely presented component unit columns. 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of the amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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,* and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 27, 2019, 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 solely 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 effectiveness of the District's 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 27, 2019

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, 2018. 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 2017-18 fiscal year are as follows:

- As of June 30, 2018, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $188,903,317.
- The District's net position increased by $5,202,017, which represents a 2.8 percent increase from the prior fiscal year.
- General revenues total $248,732,582, or 93.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $16,737,248, or 6.3 percent of all revenues.
- Expenses total $260,267,813. Only $16,737,248 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 $30,276,858, which is $2,130,142 more than the prior fiscal year balance. The combined assigned and unassigned fund balance for the General Fund was $18,571,099, or approximately 8.8 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 Tax Fund, and the Capital Projects – Other Capital Projects 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, 2018 compared to June 30, 2017, as restated:

	Governmental Activities		
	06/30/18	06/30/17	Increase (Decrease)
Current and Other Assets	$ 76,963,705	$ 71,973,424	$ 4,990,281
Other Assets	272,009,018	265,441,272	6,567,746
Total Assets	348,972,723	337,414,696	11,558,027
Deferred outflows of resources	52,352,640	48,136,161	4,216,479
Long-term Liabilities	190,427,564	191,528,735	(1,101,171)
Other Liabilities	8,976,329	7,214,829	1,761,500
Total Liabilities	199,403,893	198,743,564	660,329
Deferred inflows of resources	13,018,153	3,105,993	9,912,160
Net Position:			
Net Investment in Capital Assets	240,672,776	231,541,944	9,130,832
Restricted	36,207,956	36,273,467	(65,511)
Unrestricted Deficit	(87,977,415)	(84,114,111)	(3,863,304)
Total Net Postion, as restated	$ 188,903,317	$ 183,701,300	$ 5,202,017

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, net pension liability, and other postemployment benefits liability). The unrestricted net deficit increased by $16,694,326 from the prior year primarily as a result of the restatement required as part of the District's implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Additional information on the District's other postemployment benefits liability can be found in Note 14 of the notes to the financial statements. The impact of implementing GASB Statement No. 75 on the District's financial statements is as follows:

- Beginning net position was decreased $12,066,302.
- Long-term liabilities increased approximately $12.8 million at June 30, 2018, for the other postemployment benefit liability.
- Deferred outflows of resources increased $762,097.
- Deferred inflows of resources increased $1,098,708.

Other items that had an effect on the unrestricted net position are as follows:

- Cash and cash equivalents increased $4,089,754.
- Deferred outflows of resources related to pensions increased $4,247,391.
- Deferred inflows of resources related to pensions increased $8,813,452, which were offset by an increase of $809,901 in the net pension liability.

The key elements of the changes in the District's net position for the fiscal year ended June 30, 2018, as compared to June 30, 2017, are as follows:

Grants and contributions not restricted to specific programs represent 64.3 percent of total governmental revenues in the 2017-18 fiscal year and increased by $9,657,712 or 6.0 percent from the 2016-17 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 57.9 percent of total governmental expenditures for the 2017-18 fiscal year. Instruction expenses increased by $13,388,600 or 9.7 percent, from the 2016-2017 fiscal year, primarily due to an increase in materials, supplies, and textbook purchases, an increase in salary and benefit expense and 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, 2018 and June 30, 2017:

Operating Results for the Fiscal Year Ended

	Governmental Activities		
	06/30/18	06/30/17	Increase (Decrease)
Program Revenues:			
Charges for Services	$ 7,315,569	$ 7,286,309	$ 29,260
Operating Grants and Contributions	7,873,707	8,027,589	(153,882)
Capital Grants and Contributions	1,547,972	1,727,705	(179,733)
General Revenues:			
Property Taxes Levied for Operational Purposes	49,339,302	49,429,765	(90,463)
Property Taxes Levied for Capital Projects	13,325,620	12,717,475	608,145
Local Sales Taxes	9,060,745	8,938,746	121,999
Grants and Contributions Not Restricted to Specific Purposes	170,866,704	161,208,992	9,657,712
Unrestricted Investment Earnings	923,792	454,618	469,174
Miscellaneous	5,216,419	1,273,341	3,943,078
Total Revenues	265,469,830	251,064,540	14,405,290
Functions/Program Expenses:			
Instruction	$ 150,776,519	137,387,919	13,388,600
Pupil Personnel Services	9,514,268	8,150,023	1,364,245
Instructional Media Services	2,111,904	2,108,799	3,105
Instruction and Curriculum Development Services	6,806,437	6,389,446	416,991
Instructional Staff Training	3,312,849	3,719,613	(406,764)
Instruction Related Technology	6,479,401	6,306,363	173,038
School Board	593,264	745,870	(152,606)
General Administration	1,298,281	1,237,014	61,267
School Administration	15,322,023	14,625,686	696,337
Facilities Acquisition and Construction	170,991	587,690	(416,699)
Fiscal Services	1,305,261	1,186,811	118,450
Food Services	11,518,457	11,360,536	157,921
Central Services	2,731,890	2,528,122	203,768
Pupil Transportation Services	12,396,293	11,945,220	451,073
Operation of Plant	13,501,421	13,208,411	293,010
Maintenance of Plant	7,038,002	7,555,245	(517,243)
Administrative Technology Services	2,517,165	2,166,363	350,802
Community Services	2,559,269	2,516,937	42,332
Interest on Long-term Debt	1,233,436	1,345,315	(111,879)
Unallocated Depreciation Expense	9,080,682	8,713,770	366,912
Total Functions/Program Expenses	260,267,813	243,785,153	16,482,660
Change in Net Position	5,202,017	7,279,387	(2,077,370)
Net Position - Beginning	183,701,300	188,488,215	(4,786,915)
Adjustment to Net Position (1)	-	(12,066,302)	12,066,302
Net Position - Beginning, restated	183,701,300	176,421,913	7,279,387
Net Position - Ending	$ 188,903,317	$ 183,701,300	$ (6,864,285)

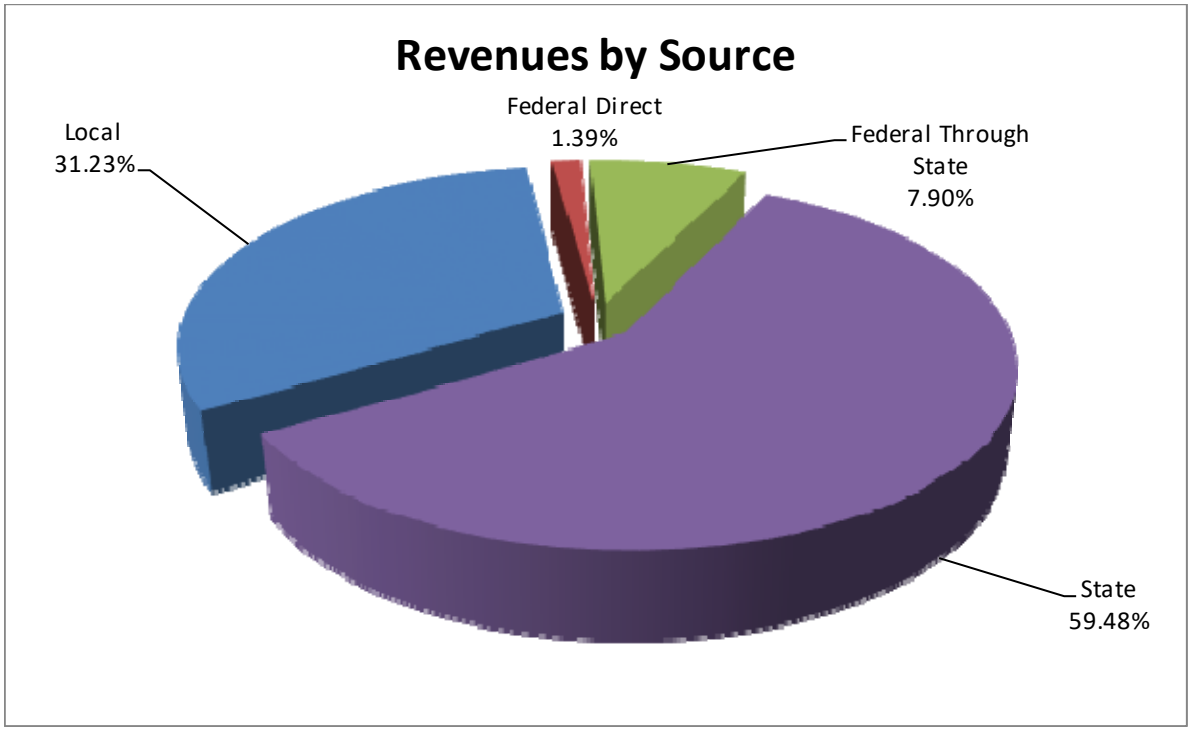
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 $1,307,472 during the fiscal year to $59,909,048 at June 30, 2018. Approximately 30 percent of this amount is unassigned fund balance, $17,849,318, 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, $254,144, 2) restricted for particular purposes, $36,071,286, 3) committed for particular purposes, $5,012,519, or 4) assigned for particular purposes, $721,781.

In the governmental funds, revenues by source for the 2017-18 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 $9,535,146, or 6.4 percent, primarily due to increases in FEFP funding and the Best and Brightest allocation.

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 $17,849,318, while the total fund balance is $30,276,858. 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 is 8.83 percent of total General Fund revenues, while total fund balance represents approximately 14.4 percent of total General Fund revenues.

Total General Fund balance increased by $2,130,142. Key factors impacting the change in fund balance are as follows:

- Increases in State revenues totaling $9,840,845, primarily due to an increase in the following funding: FEFP, Class Size Reduction, Discretionary Lottery, and the Best and Brightest allocation.
- Increases in local revenues totaling $525,288, primarily due to an increase in interest and other miscellaneous local sources.
- Increases in Restricted and State Categorical projects of $456,933.

The Capital Projects – Local Capital Improvement Tax Fund has a total fund balance of $6,602,045, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by $3,811,124, or 36.6 percent, during the 2017-18 fiscal year, primarily due to energy upgrades, adding additional security cameras, adding classrooms, and other ongoing project expenditures. Of the total fund balance, $3,943,844 has been encumbered for specific projects.

The Capital Projects – Other Capital Projects Fund has a total fund balance of $14,493,449, of which $14,238,835 is restricted for allowable purposes of various capital funding sources. The fund balance increased by $1,621,010, or 12.6 percent, primarily due to an increase in ½-cent sales tax collections. Of the total fund balance, $2,207,805 of fund balance has been encumbered for specific projects

Proprietary Fund

The unrestricted net position of the Internal Service Fund totaled $8,078,328 at June 30, 2018. The net position increased by $1,921,308, or 31.2 percent, during the 2017-2018 fiscal year primarily due to a decrease in claims expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2017-18 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $5,982,477, or 2.9 percent. At the same time, final budgeted expenditures are more than the original budgeted amounts by $12,466,541, or 5.9 percent. Significant budget revisions occurred primarily from changes in estimated State funding, changes made to State Categorical/Restricted projects, and salary increases.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are $11,770,531, or 5.2 percent, less than final budget amounts. Actual expenditures are less in 2017-2018 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 $6,609,883, and School Based budgets had a balance of $1,596,000 at year-end. Community School, transfers in/out, encumbrances, year-end adjustments, and projects that cross fiscal years make up the majority of the remaining balance. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $12,104,575, primarily due to the encumbrances and the unspent 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, 2018, amounts to $272,009,018 (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 kitchen expansion and renovation, classroom and lab additions, and paving and drainage improvements.
- At June 30, 2018, construction in progress includes multiple projects including building replacements and renovations, heating, ventilating, and air conditioning renovations, building energy upgrades, track replacement and the construction of a new school.

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, 2018, the District has total long-term debt outstanding of $32,260,325, composed of $1,731,098 of bonds payable and $30,529,227 of certificates of participation payable. During the current fiscal year, retirement of debt was $2,614,389.

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

Santa Rosa County District School Board
Statement of Net Position

June 30,	2018	
	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 73,654,324	$ 201,218
Investments	35,396	-
Accounts receivable	4,500	18,483
Due from other agencies	3,015,341	2,900
Inventories	254,144	-
Capital assets, net	272,009,018	1,579,555
Total assets	348,972,723	1,802,156
Deferred outflows of resources		
Other post employement benefits	762,097	
Pensions	50,695,597	-
Deferred charges on debt refunding	894,946	-
Total deferred outflows of resources	52,352,640	-
Liabilities, deferred inflows of resources and net position		
Salaries and wages payable	699,417	3,111
Accounts payable and accrued expenses	1,337,101	1,354
Deposits payable	224,081	-
Due to other agencies	4,043	76,273
Construction contracts retainage payable	574,700	-
Estimated unpaid claims - self-insurance programs	2,177,174	-
Advanced revenue	3,959,813	692
Long-term liabilities:		
Portion due within one year	8,008,268	89,843
Portion due after one year	182,419,296	982,964
Total liabilities	199,403,893	1,154,237
Deferred inflows of resources		
Other post employement benefits	1,098,708	
Pensions	11,919,445	-
Total deferred inflows of resources	13,018,153	-
Net Position		
Net investment in capital assets	240,672,776	446,045
Restricted for:		
State categorical programs	6,830,380	-
Food service	5,340,764	-
Capital projects	21,913,860	-
Debt service	2,122,952	-
Other projects	-	746
Unrestricted	(87,977,415)	201,128
Total net position	$ 188,903,317	$ 647,919

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

Santa Rosa County District School Board
Statement of Activities

Year ended June 30, **2018**

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	$ 150,776,519	$ 779,668	$ -	$ -	$ (149,996,851)	$ -
Pupil personnel services	9,514,268	-	-	-	(9,514,268)	-
Instructional media services	2,111,904	-	-	-	(2,111,904)	-
Instruction and curriculum development	6,806,437	-	-	-	(6,806,437)	-
Instructional staff training	3,312,849	-	-	-	(3,312,849)	-
Instruction related technology	6,479,401	-	-	-	(6,479,401)	-
School board	593,264	-	-	-	(593,264)	-
General administration	1,298,281	-	-	-	(1,298,281)	-
School administration	15,322,023	-	-	-	(15,322,023)	-
Facilities acquisition and construction	170,991	18,048	-	1,547,972	1,395,029	-
Fiscal services	1,305,261	-	-	-	(1,305,261)	-
Food services	11,518,457	4,367,461	7,873,707	-	722,711	-
Central services	2,731,890	-	-	-	(2,731,890)	-
Pupil transportation services	12,396,293	239,229	-	-	(12,157,064)	-
Operation of plant	13,501,421	-	-	-	(13,501,421)	-
Maintenance of plant	7,038,002	-	-	-	(7,038,002)	-
Administrative technology services	2,517,165	-	-	-	(2,517,165)	-
Community services	2,559,269	1,911,163	-	-	(648,106)	-
Interest on long-term debt	1,233,436	-	-	-	(1,233,436)	-
Unallocated depreciation/amortization expense	9,080,682	-	-	-	(9,080,682)	-
Total governmental activities	$ 260,267,813	$ 7,315,569	$ 7,873,707	$ 1,547,972	(243,530,565)	-

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

Component Units						
Charter schools	1,994,773	$ -	$ 58,706	$ 58,800	-	(1,877,267)
Total component units	$ 1,994,773	$ -	$ 58,706	$ 58,800	-	(1,877,267)

Year ended June 30,	**2018**	
General revenues:		
Taxes:		
Property taxes, levied for general purposes	49,339,302	-
Property taxes, levied for capital purposes	13,325,620	-
Local sales tax	9,060,745	-
Grants and contributions not restricted to specific programs	170,866,704	1,804,559
Investment earnings	923,792	-
Miscellaneous	5,216,419	12,701
Total general revenues	248,732,582	1,817,260
Change in net position	5,202,017	(60,007)
Net position - beginning, as restated	183,701,300	707,926
Net position - ending	$ 188,903,317	$ 647,919

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

Santa Rosa County District School Board
Balance Sheet - Governmental Funds

June 30,	General Fund	Capital Projects - Local Capital Improvement Tax Fund	Capital Projects - Other Capital Projects	2018
Assets				
Cash and cash equivalents	$ 31,458,018	$ 7,232,582	$ 13,938,357	
Investments	-	-	-	
Accounts receivable, net	4,500	-	-	
Due from other agencies	634,146	4,198	710,862	
Inventory	117,474	-	-	
Total assets	$ 32,214,138	$ 7,236,780	$ 14,649,219	
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Salaries and wages payable	$ 661,893	$ -	$ -	
Accounts payable	1,071,271	96,384	119,421	
Deposits payable	-	-	-	
Due to other agencies	2,430	-	-	
Construction contracts payable - retainage	-	538,351	36,349	
Insurance claims payable	201,686	-	-	
Total liabilities	1,937,280	634,735	155,770	
Fund Balances:				
Nonspendable:				
Inventory	117,474	-	-	
Restricted for:				
State required carryover programs	6,830,380	-	-	
Debt service	-	-	-	
Capital projects	-	6,602,045	14,238,835	
Food service	-	-	-	
Committed to:				
Contractual agreements	-	-	254,614	
Board approved carryover	4,757,905	-	-	
Assigned to:				
Office and fee based budgets	721,781	-	-	
Unassigned	17,849,318	-	-	
Total fund balances	30,276,858	6,602,045	14,493,449	
Total liabilities, deferred inflows of resources and fund balances	$ 32,214,138	$ 7,236,780	$ 14,649,219	

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

	Other Governmental Funds		Total Governmental Funds
$	7,213,552	$	59,842,509
	35,396		35,396
	-		4,500
	1,464,321		2,813,527
	136,670		254,144
$	8,849,939	$	62,950,076
$	37,524	$	699,417
	50,025		1,337,101
	224,081		224,081
	1,613		4,043
	-		574,700
	-		201,686
	313,243		3,041,028
	136,670		254,144
	-		6,830,380
	2,122,952		2,122,952
	1,072,980		21,913,860
	5,204,094		5,204,094
	-		254,614
	-		4,757,905
	-		721,781
	-		17,849,318
	8,536,696		59,909,048
$	8,849,939	$	62,950,076

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,		**2018**
Total fund balances, governmental funds	$	59,909,048
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.		272,009,018
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.		8,078,328
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		52,352,640
Deferred inflows of resources		(13,018,153)
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(190,427,564)
Total net position - governmental activities	$	188,903,317

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,	2018				
	General Fund	Capital Projects - Local Capital Improvement Tax Fund	Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal direct	$ 560,130	$ -	$ -	$ 3,080,530	$ 3,640,660
Federal through state	1,249,744	-	-	19,448,068	20,697,812
State sources	153,974,743	-	109,989	1,865,175	155,949,907
Local sources	54,535,448	13,327,428	9,384,359	4,625,191	81,872,426
Total revenues	210,320,065	13,327,428	9,494,348	29,018,964	262,160,805
Expenditures					
Current:					
Instruction	137,294,207	-	-	7,876,790	145,170,997
Student personnel services	8,019,670	-	-	1,237,613	9,257,283
Instructional media services	2,011,132	-	-	24,578	2,035,710
Instructional and curriculum development services	3,938,229	-	-	2,614,360	6,552,589
Instructional staff training services	1,801,202	-	-	1,456,924	3,258,126
Instruction related technology	5,473,568	-	-	393,976	5,867,544
Board of education	584,881	-	-	-	584,881
General administration	752,353	-	-	520,672	1,273,025
School administration	14,537,273	-	-	167,838	14,705,111
Facilities acquisition and construction	1,789	-	169,202	-	170,991
Fiscal services	1,259,857	-	-	-	1,259,857
Food services	-	-	-	11,451,825	11,451,825
Central services	2,557,770	-	-	70,332	2,628,102
Student transportation services	12,312,010	-	-	10,885	12,322,895
Operation of plant	13,424,560	-	-	58,682	13,483,242
Maintenance of plant	3,767,536	314,085	1,730,815	49,093	5,861,529
Administrative technology services	2,406,856	-	-	-	2,406,856
Community services	1,981,191	-	-	481,090	2,462,281

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	8,806	8,782,592	5,486,985	744,470	15,022,853
Other capital outlay	1,582,700	108,992	375,393	375,615	2,442,700
Debt Service:					
Retirement of principal	-	-	-	2,305,000	2,305,000
Interest and fiscal charges	-	-	-	1,443,950	1,443,950
Dues and fees	-	-	-	16,647	16,647
Total expenditures	213,715,590	9,205,669	7,762,395	31,300,340	261,983,994
Excess (deficiency) of revenues over expenditures	(3,395,525)	4,121,759	1,731,953	(2,281,376)	176,811
Other financing sources (uses)					
Sale of capital assets	-	-	125,001	-	125,001
Loss recoveries	31,450	-	147,471	-	178,921
Transfers in	5,782,472	-	-	3,648,820	9,431,292
Transfers out	(288,255)	(7,932,883)	(383,415)	-	(8,604,553)
Total other financing sources and (uses)	5,525,667	(7,932,883)	(110,943)	3,648,820	1,130,661
Net change in fund balances	2,130,142	(3,811,124)	1,621,010	1,367,444	1,307,472
Fund balances, July 1, 2017	28,146,716	10,413,169	12,872,439	7,169,252	58,601,576
Fund balances, June 30, 2018	$ 30,276,858	$ 6,602,045	$ 14,493,449	$ 8,536,696	$ 59,909,048

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,		**2018**
Net change in fund balances - total governmental funds:	$	1,307,472
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.		6,693,216
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include proceeds from sales. Thus, the change in net position differs from the change in fund balances by the cost of assets sold.		(125,470)
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.		2,305,000
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.		227,161
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.		(636,209)
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.		(1,114,498)
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.		(5,375,963)
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.		1,921,308
Change in net position of governmental activities	$	5,202,017

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

June 30,	2018 Governmental Activities - Internal Service Funds
Assets	
Cash and cash equivalents	$ 13,811,815
Due from other agencies	201,814
Total assets	$ 14,013,629
Liabilities and Net Position	
Current Liabilities:	
Unearned revenue	$ 3,959,813
Estimated health insurance claims payable	1,975,488
Total current liabilities	5,935,301
Net Position	
Restricted for State required safe harbor reserve	2,000,000
Unrestricted	6,078,328
Total liabilities and net position	$ 14,013,629

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,	**2018**
	Governmental Activities - Internal Service Funds
Operating Revenues	
Insurance premiums	$ 19,002,334
Operating Expenses	
Purchased services	1,676,175
Materials and supplies	1,085
Insurance claims	15,293,406
Total expenses	16,970,666
Operating income (loss)	2,031,668
Nonoperating Revenues	
Interest income	1,502
Other miscellaneous sources	714,877
Total nonoperating revenues	716,379
Income before operating transfers	2,748,047
Transfers out	(826,739)
Change in Net Position	1,921,308
Net position - beginning	6,157,020
Net position - ending	$ 8,078,328

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

Year ended June 30,	2018 Governmental Activities - Internal Service Funds
Cash flows from operating activities	
Cash receipts from customers and users	$ 18,753,448
Cash payments to suppliers	(1,677,260)
Cash payments for insurance claims and fees	(14,842,408)
Net cash provided by operating activities	2,233,780
Cash flows from noncapital financing activities	
Transfers to other funds	(826,739)
Other receipts	714,877
Net cash provided/(used) by noncapital financing activities	(111,862)
Cash flows from investing activities	
Interest and dividends received	1,502
Net cash provided by investing activities	1,502
Net decrease in cash and cash equivalents	2,123,420
Cash and cash equivalents, beginning of year	11,688,395
Cash and cash equivalents, end of year	$ 13,811,815
Reconciliation of operating income to net cash used by operating activities	
Operating income (loss)	$ 2,031,668
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) decrease in:	
Due from other agencies	(124,121)
Increase (decrease) in:	
Estimated health insurance claims payable	450,998
Unearned revenue	(124,765)
Net cash provided by operating activities	$ 2,233,780

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,		**2018**
		Agency Funds
Assets		
Cash and cash equivalents	$	4,168,362
Total assets	$	4,168,362
Liabilities		
Payroll deductions and withholdings	$	189,832
Accounts payable		289,619
Due to other funds		4,500
Internal accounts payable		3,684,411
Total liabilities	$	4,168,362

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:

Blended Component Unit – A blended component unit is, in substance, part of the primary District operations even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as a fund of the District. The Santa Rosa School Board Leasing Corporation ("Leasing Corporation") was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 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, 2018. 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.

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 three 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 other deferred amounts are related to pensions and other postemployment benefits which are discussed in subsequent notes.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category. The deferred inflows of resources related to pensions and other postemployment benefits are discussed in subsequent notes.

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 2017, 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 2017 tax levy on September 7, 2017. 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: ACCOUNTING CHANGES

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended. This Statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The beginning net position of the District was decreased by $12,066,302 due to the implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, increased by $12,777,081 to $19,263,370 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred inflows of resources increased by $710,779.

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

NOTE 4: INVESTMENTS

As of June 30, 2018, the District had the following investments and maturities:

Investment	Maturities		Fair Value
State Board of Administration:			
Florida PRIME (1)	30 day average	$	45,488,881
Debt Service Accounts	6 Months		35,396
Total investments, primary government		$	45,524,277

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

NOTE 4: INVESTMENTS (Continued)

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 $35,396, 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.

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, 2018, 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.

NOTE 4: INVESTMENTS (Continued)

Credit Risk

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

The District’s investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing 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, 2018, the District’s investment in Florida PRIME is rated AAAm by Standard & Poor’s.

NOTE 5: CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018 are shown below:

	Balance 7/1/2017	Additions	Deletions/ Transfers	Balance 6/30/2018
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 8,048,918	$ 71,544	$ -	$ 8,120,462
Land improvements	5,458,577	563,704	54,000	6,076,281
Construction in progress	875,511	2,662,058	(2,650,577)	886,992
Total capital assets not being depreciated	14,383,006	3,297,306	(2,596,577)	15,083,735
Capital assets being depreciated:				
Improvements other than buildings	26,763,417	1,192,017	8,000	27,963,434
Buildings and fixed equipment	370,425,774	11,689,660	2,548,236	384,663,670
Furniture, fixtures and equipment	16,582,786	1,099,957	(1,443,914)	16,238,829
Motor vehicles	3,527,470	533,794	(297,412)	3,763,852
Audio-visual materials and computer software	4,398,403	35,345	(462,884)	3,970,864
Total capital assets being depreciated	421,697,850	14,550,773	352,026	436,600,649
Less accumulated depreciation for:				
Improvements other than buildings	17,109,291	989,815	-	18,099,106
Buildings and fixed equipment	135,262,036	8,690,383	(40,341)	143,912,078
Furniture, fixtures and equipment	11,152,540	1,213,457	(1,338,249)	11,027,748
Motor vehicles	2,993,770	130,163	(278,372)	2,845,561
Audio-visual materials and computer software	4,121,947	131,045	(462,119)	3,790,873
Total accumulated depreciation	170,639,584	11,154,863	(2,119,081)	179,675,366
Total capital assets being depreciated, net	251,058,266	3,395,910	2,471,107	256,925,283
Governmental activities - capital assets, net	$ 265,441,272	$ 6,693,216	$ (125,470)	$ 272,009,018

NOTE 5: CHANGES IN CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Function		Amount
Instruction	$	270,825
Pupil personnel services		11,886
Instructional media services		5,690
Instruction and curriculum development		5,089
Instructional staff training		10,660
Instruction related technology		512,772
General administration		425
School administration		4,196
Fiscal services		1,670
Food services		68,725
Central services		25,047
Pupil transportation services		10,315
Operation of plant		7,841
Maintenance of plant		1,073,718
Administrative technology services		47,769
Community services		17,554
Unallocated		9,080,681
	$	11,154,863

NOTE 6: CERTIFICATES OF PARTICIPATION

The District has entered into financing arrangements with the Leasing Corporation, pursuant to which the District has authorized several certificates of participation debt issues, characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2018:

Series	Original Amount	Principal Paid to Date	Refunded	Refunded by Series	Balance
2006-2	$ 18,870,000	$ -	$ 16,150,000	2014	$ 2,720,000
2009	12,585,000	5,770,000	-		6,815,000
2014	20,520,000	1,500,000	-		19,020,000
					$ 28,555,000

NOTE 6: CERTIFICATES OF PARTICIPATION (Continued)

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

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

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

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

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

Series 2006 (as amended) and 2014:

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

NOTE 6: CERTIFICATES OF PARTICIPATION (Continued)

Series 2009:

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	2,585,000	844,302	3,429,302
2024-2028	10,730,000	2,507,352	13,237,352
2029-2031	6,215,000	368,731	6,583,731
Total mimimum lease payments	28,555,000	8,158,962	36,713,962
Plus: unamortized premium	1,974,227	-	1,974,227
Total certificates of participation	$ 30,529,227	$ 8,158,962	$ 38,688,189

NOTE 7: BONDS PAYABLE

Bonds payable at June 30, 2018, are as follows:

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2009A, Refunding	5.0	2019	$ 50,000
Series 2010A	3.5 - 5.0	2030	870,000
Series 2011A, Refunding	3.0 - 5.0	2023	220,000
Series 2014A, Refunding	3.0 - 5.0	2025	230,000
Series 2014B, Refunding	2.0 - 5.0	2020	25,000
Series 2017A, Refunding	5.0	2026	150,000
Bonds payable			1,545,000
Plus: unamortized premium			186,098
Total bonds payable			$ 1,731,098

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.

During the 2017-2018 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250. The debt of the pledged pari-mutuel tax revenues matured in a previous year.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
State School Bonds:			
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	172,000	36,495	208,495
2024-2028	533,000	97,840	630,840
2029-2030	195,000	11,800	206,800
Total	$ 1,545,000	$ 365,935	$ 1,910,935

NOTE 8: CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2017	Additions	Deductions	Balance 6/30/2018	Due in One Year
Certificates of participation payable	$ 30,590,000	$ -	$ (2,035,000)	$ 28,555,000	$ 2,120,000
Unamortized premium	2,252,053	-	(277,826)	1,974,227	-
Total certificates of participation payable	32,842,053	-	(2,312,826)	30,529,227	2,120,000
Bonds payable	1,815,000	-	(270,000)	1,545,000	184,000
Unamortized premium	217,661	-	(31,563)	186,098	-
Total bonds payable	2,032,661	-	(301,563)	1,731,098	184,000
Estimated insurance claims payable	-	1,524,000	(1,524,000)	-	-
Compensated absences payable	19,324,124	6,450,449	(5,814,240)	19,960,333	5,704,268
Net pension liability	118,066,527	58,539,800	(57,729,899)	118,876,428	-
Other post employment benefits payable	19,263,370	2,003,934	(1,936,826)	19,330,478	-
Total	$ 191,528,735	$ 68,518,183	$ (69,619,354)	$ 190,427,564	$ 8,008,268

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

NOTE 9: 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 2017-2018 fiscal year:

Sources		Amount
Florida education finance program	$	116,888,574
Class size reduction categorical		29,351,423
Florida Best and Brightest Scholarship Program		3,378,800
Workforce development		2,133,274
School recognition		1,385,047
Motor vehicles license tax (capital outlay and debt service)		1,047,876
Voluntary prekindergarten program		547,106
Gross Receipts Tax (public education capital outlay)		500,095
Food service supplement		109,450
Discretionary lottery funds		47,654
Charter school capital outlay		38,685
Mobile home license tax		29,665
Miscellaneous		492,258
Total	$	155,949,907

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 2017 tax roll for the 2017-2018 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required local effort	4.435	$ 43,691,234
Basic discretionary local effort	0.748	7,368,894
Capital Projects Funds		
Nonvoted Tax:		
Local capital improvements	1.400	13,792,047
Total	6.583	$ 64,852,175

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	$ 5,782,472	$ 288,255
Capital projects:		
Local capital improvement tax	-	7,932,883
Other capital projects	-	383,415
Nonmajor governmental funds	3,648,820	-
Internal Service	-	826,739
TOTAL	$ 9,431,292	$ 9,431,292

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, and to pay for network infrastructure. 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.

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 $15,276,538 for the fiscal year ended June 30, 2018.

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 2017-2018 fiscal year were as follows:

	Percent of Gross Salary	
Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Elected County Officers	3.00	45.50
Deferred Retirement Option Program - Applicable to Members From All of the Above Classes	-	13.26
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 $7,769,406 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $78,389,399 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2017-2018 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.26501 percent, which was a decrease of 0.01894 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized Plan pension expense of $12,271,581 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	$ 7,194,260	$ 434,237
Change of assumptions	26,344,372	
Net difference between projected and actual earnings on FRS pension plan investments		1,942,685
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	186,199	4,032,544
District FRS contributions subsequent to the measurement date	7,769,406	
Total	$ 41,494,237	$ 6,409,466

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $7,769,406, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. 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
2019	$ 3,565,354
2020	9,476,457
2021	6,625,949
2022	1,353,838
2023	4,578,964
Thereafter	1,714,803
Total	$ 27,315,365

NOTE 13: RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2017 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	7.10 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, 2017, 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%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	9.70%
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 7.10 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. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

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 7.10 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 (6.10 percent) or 1 percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 141,880,076	$ 78,389,399	$ 25,677,589

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, 2018, 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, 2018, 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 $2,131,170 for the fiscal year June 30, 2018.

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

At June 30, 2018, the District reported a net pension liability of $40,487,029 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-2017 fiscal year contributions relative to the total 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.37865 percent, which was a decrease of 0.01919 percent from its proportionate share measured as of June 30,2016.

For the fiscal year ended June 30, 2018, the District recognized the HIS pension expense of $4,004,957.

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	$ -	$ 84,301
Change of assumptions	5,691,084	3,500,956
Net difference between projected and actual earnings on HIS pension plan investments	22,453	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	1,356,653	1,924,722
District contributions subsequent to the measurement date	2,131,170	-
Total	$ 9,201,360	$ 5,509,979

The deferred outflows of resources related to pensions, resulting from District contributions to the HIS Plan subsequent to measurement date, totaling $2,131,170, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. 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
2019	$ 486,381
2020	483,266
2021	481,771
2022	361,190
2023	142,437
Thereafter	(394,834)
Total	$ 1,560,211

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	3.58 percent

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

While an experience study had not been completed for the HIS plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate

The discount rate used to measure the total pension liability was 3.58 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. The discount rate changed from 2.85 percent to 3.58 percent.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of the net pension liability	$ 46,201,062	$ 40,487,029	$ 35,727,556

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 2017-2018 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, 2018, 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 $2,191,607 for the fiscal year ended June 30, 2018.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE

The District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* for reporting the employers' OPEB plan liability.

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

All employees of the District who retiree qualifying and eligible for retirement under the Florida Retirement System are also eligible to continue their participation in the medical health insurance plans and dental plans offered by the District. Additionally, employees must be covered under the medical plan or dental plan as an active employee immediately prior to retirement. The post-employment benefits provided are the same health insurance plans and dental plans as those provided for active employees. Vision is not available to retirees. Spouses and dependents of eligible retirees are also

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

eligible for medical coverage and dental coverage. Retirees may elect life insurance coverage of $10,000 at a flat monthly fee of $23.00.

Retirees participating in the group medical and dental insurance plans offered by the District are required to contribute 100% of the active premiums. An employer-provided implicit subsidy for the group medical plan may exist for these retirees and their covered dependents. The projected premiums for the dental and life insurance benefits are assumed to cover the entire cost of the program.

Employees Covered by Benefits Terms

As of June 30, 2017, the following employees were covered by the benefit terms:

Inactive members currently receiving benefits	323
Active members	2,617
Total	2,940

Total OPEB Liability

The District's total OPEB liability of $19,263,370 was measured as of June 30, 2017. The measurement period for the OPEB expense was July 1, 2016 to June 30, 2017. The reporting period is July 1, 2017 through June 30, 2018. The District's total OPEB liability for the ledger adjustment was measured as of June 30, 2016 using a discount rate of 2.85 percent. The total OPEB liability was "rolled-back" from June 30, 2017 at 2.85 percent, thus producing no experience gain or loss for the period from July 1, 2016 to June 30, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

Inflation rate	2.50%
Salary increase rate(s)	4.00%
Discount rate	3.58%
Initial trend rate	8.50%
Ultimate trend rate	4.00%
Years to ultimate	55

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

For general employees, mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 50% white collar table, 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disables mortality tables with female lives set forward two (2) years, male lives set back four (4) years. Disabled mortality has not been adjusted for mortality improvements. For post-employment mortality, the RP-2000 Annuitant mortality tables were used with the modifications above. For mortality during employment, the RP-2000 Combined Healthy mortality tables were used with the modifications above. Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.58 percent. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's AA.

Changes in Total OPEB Liability

The following table illustrates the total OPEB liability under GASB 75:

	Increase (Decrease) Net OPEB Liability
Balance as of June 30, 2017, as restated	$ 19,263,370
Changes for the year:	
Service cost	1,424,253
Interest	579,681
Changes in assumptions	(1,236,047)
Benefit payments	(700,779)
Net Change in OPEB	67,108
Balance as of September 30, 2018	$ 19,330,478

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

Transition to GASB 75

The following table illustrates the transition from GASB 45 to GASB 75 from the beginning balance –total OPEB liability:

Net OPEB Obligation at 6/30/2017	$	6,486,289
Amount for Transition to GASB 75		12,777,081
	$	19,263,370

Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Total OPEB Liability for the fiscal year ended June 30, 2018:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	$ 21,043,571	$ 19,330,478	$ 17,761,898

Healthcare Cost Trend Sensitivity

	1% Decrease (3.0%-7.5%)	Discount Rate (4.0%-8.5%)	1% Increase (5.0%-9.5%)
Net OPEB liability	$ 17,204,968	$ 19,330,478	$ 21,829,107

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the District recognized OPEB expense of $1,876,595. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions and other inputs	$ -	$ 1,098,708
Estimated benefits paid after the measurement date	762,097	-
Total	$ 762,097	$ 1,098,708

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

The $762,097 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2019	$ (137,339)
2020	(137,339)
2021	(137,339)
2022	(137,339)
2023	(137,339)
Thereafter	(412,013)

NOTE 15: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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, 2018:

	Major Funds			
General	Capital Projects - Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 647,636	$ 3,943,844	$ 2,207,805	$ 284,113	$ 7,083,398

NOTE 15: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Contracts

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

Project	Contract Amount	Completed to Date	Balance Committed
Douglas A. Dillion Adminsitrative Center - Renovation	$ 4,839,397	$ 4,283,671	$ 555,726
King Middle - HVAC Renovation	2,589,039	846,908	1,742,131
Milton High -Energy Upgrades, HVAC Renovation & Track Replacem	2,513,271	1,304,952	1,208,319
Navarre High - North Concession Building	465,028	89,502	375,526
New South End K-8 School	1,738,451	820,566	917,885
Total	$ 12,145,186	$ 7,345,599	$ 4,799,587

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 $1,975,488 was actuarially determined to cover the estimated incurred but not reported insurance claims payable at June 30, 2018.

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

NOTE 16: RISK MANAGEMENT PROGRAMS (Continued)

Prior to July 1, 1997, the District was self-insured for worker's compensation exposures up to specified limits. At June 30, 2018, a liability in the amount of $201,686 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:				
2016-17	$ 239,765	$ 22,577	$ (22,898)	$ 239,444
2017-18	239,444	(37,758)	-	201,686
Employee Health				
2016-17	1,899,690	(14,008,526)	14,209,089	2,100,253
2017-18	2,100,253	(13,815,064)	13,690,298	1,975,487

NOTE 17: 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, **2018**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Intergovernmental:				
Federal direct	$ 500,000	$ 560,130	$ 560,130	$ -
Federal through state	1,000,000	1,052,793	1,249,744	196,951
State sources	151,196,283	153,950,219	153,974,743	24,524
Local sources	51,310,661	54,426,277	54,535,448	109,171
Total revenues	204,006,944	209,989,419	210,320,065	330,646
Expenditures				
Instruction	135,845,021	144,382,216	137,294,207	7,088,009
Student personnel services	10,911,044	8,552,275	8,019,670	532,605
Instructional media services	2,173,201	2,231,909	2,011,132	220,777
Instructional and curriculum development services	4,054,881	4,195,716	3,938,229	257,487
Instructional staff training services	2,812,505	2,530,293	1,801,202	729,091
Instruction related technology	5,545,847	6,598,820	5,473,568	1,125,252
Board of education	721,115	671,297	584,881	86,416
General administration	708,934	765,551	752,353	13,198
School administration	13,750,590	14,846,153	14,537,273	308,880
Facilities acquisition and construction	19,282	23,146	1,789	21,357
Fiscal services	1,250,738	1,313,814	1,259,857	53,957
Central services	2,623,287	2,751,359	2,557,770	193,589
Student transportation services	12,065,444	12,500,920	12,312,010	188,910
Operation of plant	13,443,468	13,651,562	13,424,560	227,002
Maintenance of plant	4,129,898	4,077,686	3,767,536	310,150
Administrative technology services	2,127,598	2,483,457	2,406,856	76,601
Community services	836,727	2,318,441	1,981,191	337,250
Fixed capital outlay:				
Facilities acquisition and construction	-	8,806	8,806	-
Other capital outlay	-	1,582,700	1,582,700	-
Total expenditures	213,019,580	225,486,121	213,715,590	11,770,531
Excess (deficiency) of revenues over expenditures	(9,012,636)	(15,496,702)	(3,395,525)	12,101,177
Other financing sources (uses)				
Loss recoveries	15,097	28,052	31,450	(3,398)
Transfers in	4,917,434	5,782,472	5,782,472	-
Transfers out	(315,401)	(288,255)	(288,255)	-
Total other financing sources	4,617,130	5,522,269	5,525,667	(3,398)
Net change in fund balances	(4,395,506)	(9,974,433)	2,130,142	12,104,575
Fund balances - beginning	28,146,716	28,146,716	28,146,716	-
Fund balances - ending	$ 23,751,210	$ 18,172,283	$ 30,276,858	$ 12,104,575

Santa Rosa County District School Board
Schedule of Changes in the Total OPEB Liability and Related Ratios

	2018
Service cost	1,424,253
Interest	579,681
Changes of assumptions or other inputs	(1,236,047)
Benefit payments	(700,779)
Net change in total OPEB liability	67,108
Total OPEB liability - beginning, as restated	19,263,370
Total OPEB liability - ending, as restated	19,330,478
Covered employee payroll	108,866,657
Total OPEB liability as a percentage of covered employee payroll	17.76%

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

	2017	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.26501%	0.28396%	0.29274%	0.30137%	0.29840%
District's proportionate share of the FRS net pension liability	$ 78,389,399	$ 71,699,838	$ 37,811,446	$ 18,387,792	$ 51,368,573
District's covered-employee payroll	$ 120,728,089	$ 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	64.93%	58.04%	32.98%	16.16%	44.75%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	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)

	2018	2017	2016	2015	2014
Contractually required FRS contribution	$ 7,769,406	$ 6,898,970	$ 6,924,790	$ 7,137,278	$ 6,601,206
FRS contributions in relation to the contractually required contribution	$ (7,769,406)	$ (6,898,970)	$ (6,924,790)	$ (7,137,278)	$ (6,601,206)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 128,388,264	$ 120,728,089	$ 123,528,778	$ 114,639,462	$ 113,783,755
FRS contributions as a percentage of covered-employee payroll	6.05%	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)

	2017	2016	2015	2014	2013
District's proportion of the HIS net pension liability	0.37865%	0.39784%	0.37784%	0.38295%	0.38369%
District's proportionate share of the HIS net pension liability	$ 40,487,029	$ 46,366,688	$ 38,533,451	$ 35,806,848	$ 33,405,580
District's covered-employee payroll	$ 120,728,089	$ 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	33.54%	37.54%	33.61%	31.47%	29.10%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	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)

	2018	2017	2016	2015	2014
Contractually required HIS contribution	$ 2,131,170	$ 2,003,926	$ 2,039,187	$ 1,444,329	$ 1,311,861
HIS contributions in relation to the contractually required contribution	$ (2,131,170)	$ (2,003,926)	$ (2,039,187)	$ (1,444,329)	$ (1,311,861)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 128,388,264	$ 120,728,089	$ 123,528,778	$ 114,639,462	$ 113,783,755
HIS contributions as a percentage of covered-employee payroll	1.66%	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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2018 total OPEB liability increased from the prior fiscal year as a result of changes to benefits and assumptions as discussed below:

- The census data reflects changes in status for the twelve (12) month period since July 1, 2016.
- The annual per capital claims costs have been updated to use the rates for fiscal year 2018. The annual capita claims costs utilize an update manual rate tool that includes more recent claims data from which to develop expected Pre-Medicare costs, and higher expected discounts from providers in-network as compared to rates used in prior valuations.
- The premium rates have been updated to use the rates effective for calendar year 2018.
- The mortality rates have been updated to use the rates used by the Florida Retirement System (FRS). The rates are those outlined in Milliman's July 1, 2016 FRS valuation report.
- The GASB 75 discount rate as of the measurement date is 3.58 percent. The prior GASB 45 valuation used was 4 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate published as of June 29, 2017.

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 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

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 2.85 percent to 3.58 percent.

Other Information

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 Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	300	$ 1,596,420	$ -
National School Lunch Program	10.555	321	5,273,147	-
Summer Food Service Program for Children	10.559	323	99,535	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	300	765,946	-
Total Child Nutrition Cluster			7,735,048	-
Florida Department of Financial Services				
Schools and Roads - Grants to States	10.665	none	289	-
Total United States Department of Agriculture			7,735,337	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	12.U01	N/A	38,885	-
Navy Junior Reserve Officers Training Corps	12.U02	N/A	234,411	-
Total United States Department of Defense			273,296	-
United States Department of Labor:				
Indirect:				
WIOA Cluster				
Workforce Escarosa, Inc.:				
WIA Youth Activities	17.259	none	270,319	-
Total WIOA Cluster			270,319	
Total United States Department of Labor			270,319	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703	-
Federal Pell Grant Program	84.063	N/A	399,112	-
Total Student Financial Assistance Cluster			404,815	-
Impact Aid	84.041	N/A	560,130	-
Total Direct			964,945	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	5,650,029	2,853
Special Education - Preschool Grants	84.173	267	138,288	-
Total Special Education Cluster			5,788,317	2,853

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	226,752	-
Title I Grants to Local Education Agencies	84.010	212, 226	4,344,706	78,926
Career and Technical Education - Basic Grants to States	84.048	161	266,048	-
Education for Homeless Children and Youth	84.196	127	109,029	-
English Language Acquisition Grants	84.365	102	18,763	-
Supporting Effective Instruction State Grants	84.367	224	591,336	-
Student Support & Academic Enrichment Grants	84.424	241	37,796	-
			5,594,430	78,926
Total Indirect			11,382,747	81,779
Total United States Department of Education			12,347,692	81,779
United States Department of Health and Human Services:				
Direct:				
Head Start (Note 3)	93.600	none	2,456,172	-
Total United States Department of Health and Human Services			2,456,172	-
Total Expenditures of Federal Awards			$ 23,082,816	$ 81,779

Notes:

(1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2017-2018 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) Head Start - Expenditures include $1,340,801 for grant number/program year 04CH4795/03 and $1,115,371 for grant number/program year 04CH4795/04.

(4) Indirect Cost Rate - The District's cognizant agency is Florida Department of Education ("FLDOE"). For the fiscal year 2017-2018, FLDOE approved a restricted indirect cost rate of 4.82%. 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.

(5) Loans - The District did not expend federal awards related to loans or loan guarantees during the year ended June 30, 2018.

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, 2018, 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 27, 2019. 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 27, 2019

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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, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 27, 2019

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, 2018.

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

- No significant deficiencies or material weaknesses 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 or material weaknesses relating to the audit of the major Federal programs are 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 auditors' 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: Impact Aid (CFDA 84.041), Special Education Cluster (CFDA 84.027 and 84.173)

- 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, 2018, and have issued our report thereon dated March 27, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditors' 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 Auditors' 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 Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 27, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires 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 did not have any recommendations.

Transparency

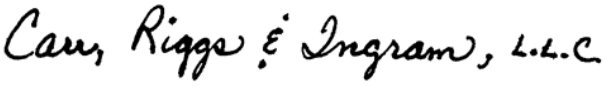
Section 10.804(1)(f)6., Rules of the Auditor General, requires that we report the results of our determination as to whether the Santa Rosa County District School Board maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined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

Miramar Beach, Florida
March 27, 2019

CRI CARR RIGGS & INGRAM
CPAs and Advisors

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INDEPENDENT ACCOUNTANTS' 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 (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2018. 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, 2018.

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 27, 2019