

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**SANTA ROSA COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2019



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2018-19 fiscal year, Timothy S. Wyrosdick served as Superintendent of the Santa Rosa County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Linda K. Sanborn from 11-20-18	1
Diane L. Scott, Ph.D., Chair through 11-19-18	1
Clifton Hinote, Vice Chair from 11-20-18	2
Carol N. Boston, Chair from 11-20-18, Vice Chair through 11-19-18	3
Jennifer G. Granse	4
Wei L. Ueberschaer from 11-20-18	5
Scott T. Peden through 11-19-18	5

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

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

Please address inquiries regarding this report to Gregory L. Centers, CPA, Deputy Auditor General, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2888.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

SANTA ROSA COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Net Position – Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	24
Statement of Cash Flows – Proprietary Fund	25
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	26
Notes to Financial Statements	27
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	58
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	60
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	60
Schedule of District Contributions – Florida Retirement System Pension Plan	60
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	61
Schedule of District Contributions – Health Insurance Subsidy Pension Plan	61
Notes to Required Supplementary Information	61
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	64

SANTA ROSA COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	66
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
PRIOR AUDIT FOLLOW-UP	72
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	72

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 17 percent and 37 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is 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.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 10, 2020

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, 2019. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-19 fiscal year are as follows:

- As of June 30, 2019, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$190,667,617.70.
- In total, net position increased \$1,764,300.70, which represents a 0.9 percent increase over the 2017-18 fiscal year.
- General revenues total \$260,306,609.83, 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 \$17,365,551.63, or 6.3 percent of all revenues.
- Expenses total \$275,907,860.76. Only \$17,365,551.63 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$28,728,916.32, which is \$1,547,941.76 less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances total \$18,551,274.18, or 8.5 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other nonfinancial 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 such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component units** – The District presents three separate legal entities in this report. The Learning Academy, Inc. and Capstone Academy, LLC, charter schools, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

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

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

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's self-insurance program. Since these services predominantly benefit governmental rather than business-type functions, the Internal Service Fund has been included within governmental activities in the government-wide financial statements.

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's other postemployment benefits and net pension liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2019, compared to net position as of June 30, 2018:

Net Position, End of Fiscal Year

	Governmental Activities	
	6-30-19	6-30-18
Current and Other Assets	\$ 76,594,710.49	\$ 76,963,705.57
Capital Assets	275,527,266.48	272,009,015.99
Total Assets	352,121,976.97	348,972,721.56
Deferred Outflows of Resources	55,108,589.47	52,352,641.60
Long-Term Liabilities	188,407,905.82	190,427,563.32
Other Liabilities	10,933,500.92	8,976,329.84
Total Liabilities	199,341,406.74	199,403,893.16
Deferred Inflows of Resources	17,221,542.00	13,018,153.00
Net Position:		
Net Investment in Capital Assets	251,972,732.82	240,672,776.41
Restricted	32,915,681.63	36,207,955.60
Unrestricted (Deficit)	(94,220,796.75)	(87,977,415.01)
Total Net Position	\$ 190,667,617.70	\$ 188,903,317.00

The largest portion of the District's net position is 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 was the result, in part, of accruing long-term liabilities (e.g., debt, compensated absences payable, net pension liability, and other postemployment benefit obligations). The unrestricted net position deficit increased by \$6,243,381.74 from the prior fiscal year primarily as a result of the following:

- Cash and cash equivalents decreased \$1,082,222.73.
- Accounts payable increased \$1,539,169.94.
- Deferred inflows of resources related to pensions increased \$3,901,892 and net pension liability increased \$4,831,681.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2019, and June 30, 2018, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-19	6-30-18
Program Revenues:		
Charges for Services	\$ 7,718,763.61	\$ 7,315,569.96
Operating Grants and Contributions	8,136,573.40	7,873,706.67
Capital Grants and Contributions	1,510,214.62	1,547,971.81
General Revenues:		
Property Taxes, Levied for Operational Purposes	50,388,335.18	49,339,301.75
Property Taxes, Levied for Capital Projects	14,397,297.99	13,325,620.24
Local Sales Taxes	9,835,817.48	9,060,745.40
Grants and Contributions Not Restricted to Specific Programs	179,305,786.91	170,866,704.39
Unrestricted Investment Earnings	1,646,226.75	923,792.30
Miscellaneous	4,733,145.52	5,216,418.83
Total Revenues	277,672,161.46	265,469,831.35
Functions/Program Expenses:		
Instruction	158,128,664.76	150,776,518.39
Student Support Services	12,385,952.01	9,514,268.02
Instructional Media Services	2,512,780.16	2,111,904.39
Instruction and Curriculum Development Services	7,336,680.65	6,806,436.83
Instructional Staff Training Services	4,293,908.51	3,312,849.06
Instruction-Related Technology	5,710,951.70	6,479,400.81
Board	654,600.12	593,264.25
General Administration	1,399,753.32	1,298,280.57
School Administration	16,171,412.10	15,322,022.67
Facilities Acquisition and Construction	1,341,972.40	170,991.40
Fiscal Services	1,313,286.98	1,305,260.98
Food Services	12,280,187.82	11,518,457.42
Central Services	2,798,671.29	2,731,890.32
Student Transportation Services	14,259,715.95	12,396,292.80
Operation of Plant	12,851,311.11	13,501,421.32
Maintenance of Plant	6,641,703.95	7,038,002.13
Administrative Technology Services	2,495,517.38	2,517,164.66
Community Services	2,737,574.10	2,559,269.14
Unallocated Interest on Long-Term Debt	1,096,919.04	1,233,436.00
Unallocated Depreciation Expense	9,496,297.41	9,080,681.68
Total Functions/Program Expenses	275,907,860.76	260,267,812.84
Change in Net Position	1,764,300.70	5,202,018.51
Net Position - Beginning	188,903,317.00	183,701,298.49
Net Position - Ending	\$ 190,667,617.70	\$ 188,903,317.00

Grants and contributions not restricted to specific programs represent 64.6 percent of total governmental revenues in the 2018-19 fiscal year and increased by \$8,439,082.52, or 4.9 percent, from the 2017-18 fiscal year, primarily due to an increase in Florida Education Finance Program (FEFP) and Class Size Reduction funding. This funding increase is primarily due to additional full-time equivalent students. 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 57.3 percent of total governmental expenditures for the 2018-19 fiscal year. Instruction expenses increased by \$7,352,146.37, or 4.9 percent, from the 2017-18 fiscal year, primarily due to an increase in purchased services, an increase in salary and benefits expense, and adjustments from other postemployment benefits and net pension expense.

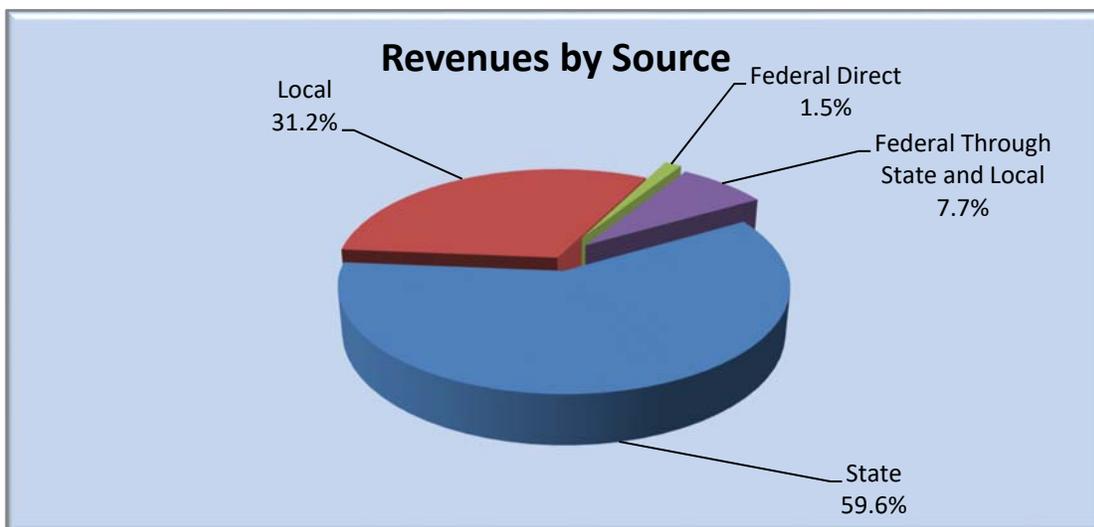
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 decreased by \$2,951,196.21 during the fiscal year to \$56,957,851.57 at June 30, 2019. Of this amount, \$17,203,606.16, or 30.2 percent, is unassigned fund balance, 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 (1) \$188,133.54 is not in spendable form, (2) \$32,826,160.84 is restricted for particular purposes, (3) \$5,392,283.01 is committed for particular purposes, and (4) \$1,347,668.02 is assigned for particular purposes.

In the governmental funds, revenues by source for the 2018-19 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, Florida Best and Brightest Scholarship Program, and Workforce Development Program. State revenues increased by \$7,841,650.03, or 5 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 \$17,203,606.16, while the total fund balance is \$28,728,916.32. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 8.5 percent of the total General Fund revenues, while total fund balance represents 13.1 percent of total General Fund revenues. Total fund balance decreased by \$1,547,941.76. The key factors impacting the change in fund balance were an increase in salary and benefits costs offset by an increase in State revenues.

The Special Revenue – Food Service Fund has a total fund balance of \$5,860,029.40, of which substantially all is restricted for allowable purposes of food service. The fund balance increased by \$519,265.99, or 9.7 percent, as food service revenues continued to outpace expenditures. Of the total fund balance, \$728,416.61 has been encumbered for food service activities.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$4,280,480.68, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$2,321,564.05, or 35.2 percent, during the 2018-19 fiscal year, primarily due to energy upgrades, adding additional security cameras, adding classrooms, paying additional debt service, and ongoing security upgrade expenditures. Of the total fund balance, \$196,295.81 has been encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of \$14,364,624.79, of which substantially all is restricted for allowable purposes of various capital funding sources. The fund balance decreased by \$128,823.91, or 0.9 percent. Of the total fund balance, \$4,411,794.32 has been encumbered for specific projects.

Proprietary Fund

The net position of the Internal Service Fund totaled \$8,703,358 at June 30, 2019. The net position increased by \$625,030.45, or 7.7 percent, during the 2018-19 fiscal year primarily due to a decrease in claims expense.

GENERAL FUND BUDGETARY HIGHLIGHTS
--

During the 2018-19 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$6,540,959.56, or 3.1 percent. At the same time, final budgeted expenditures are more than the original budgeted amounts by \$15,535,925.81, or 7 percent. Significant budget revisions occurred primarily from changes in estimated State funding levels and salary and benefits increases.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$9,337,577.35, or 3.9 percent, less than final budgeted amounts primarily due to restricted/categorical projects and school-based budgets having balances left in appropriations at fiscal year end. Restricted/categorical projects had a balance of \$5,116,065.24, and school-based budgets had a balance of \$1,962,964.15 at fiscal year end. Community School, transfers in/out, encumbrances, fiscal 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 \$9,734,810.34, 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 fiscal 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, 2019, is \$275,527,266.48 (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 building replacements and renovations; heating, ventilating, and air conditioning renovations; building energy upgrades; and track replacement.
- At June 30, 2019, construction in progress includes multiple projects including classroom additions and parking lot renovations; heating, ventilating, and air conditioning renovations; fieldhouse construction; and the construction of a new school.

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

Long-Term Debt

At June 30, 2019, the District had total long-term debt outstanding of \$24,414,343.76, composed of \$1,511,689.72 of bonds payable and \$22,902,654.04 of certificates of participation payable. During the current fiscal year, retirement of debt was \$7,845,981.38.

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

OTHER MATTERS OF SIGNIFICANCE

The District is building a new K-8 school in the south end of Santa Rosa County. A Series 2019 Certificate of Participation in the amount of \$30,275,000 was secured in July 2019 to finance the building of this school.

In May 2019, the District entered into an agreement with Focus School Software to provide Enterprise Resource Planning with a go live date of January 2020.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Santa Rosa County District School Board Statement of Net Position June 30, 2019

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 72,572,100.29	\$ 140,809.00
Investments	29,638.28	-
Accounts Receivable	4,500.00	19,765.00
Due from Other Agencies	3,800,338.38	41,660.00
Inventories	188,133.54	-
Capital Assets:		
Nondepreciable Capital Assets	17,136,621.19	185,000.00
Depreciable Capital Assets, Net	<u>258,390,645.29</u>	<u>1,335,469.00</u>
TOTAL ASSETS	<u>352,121,976.97</u>	<u>1,722,703.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	830,375.00	-
Pensions	53,452,109.00	-
Deferred Charges on Debt Refunding	<u>826,105.47</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>55,108,589.47</u>	<u>-</u>
LIABILITIES		
Accrued Salaries and Benefits	373,590.59	3,369.00
Payroll Deductions and Withholdings	540,285.44	-
Accounts Payable	2,876,272.15	68,910.00
Construction Contracts Payable - Retained Percentage	221,174.88	-
Due to Other Agencies	137,857.34	-
Deposits Payable	197,886.69	-
Unearned Revenue	4,128,115.67	-
Estimated Insurance Claims Payable	2,458,318.16	-
Long-Term Liabilities:		
Portion Due Within 1 Year	10,282,094.65	103,694.00
Portion Due After 1 Year	<u>178,125,811.17</u>	<u>892,611.00</u>
TOTAL LIABILITIES	<u>199,341,406.74</u>	<u>1,068,584.00</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	1,400,205.00	-
Pensions	<u>15,821,337.00</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,221,542.00</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	251,972,732.82	480,540.00
Restricted for:		
State Required Carryover Programs	5,116,065.24	-
Debt Service	2,308,781.55	-
Capital Projects	19,630,805.44	5,615.00
Food Service	5,860,029.40	-
Unrestricted	<u>(94,220,796.75)</u>	<u>167,964.00</u>
TOTAL NET POSITION	<u>\$ 190,667,617.70</u>	<u>\$ 654,119.00</u>

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

**Santa Rosa County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 158,128,664.76	\$ 841,456.26	\$ -	\$ -
Student Support Services	12,385,952.01	-	-	-
Instructional Media Services	2,512,780.16	-	-	-
Instruction and Curriculum Development Services	7,336,680.65	-	-	-
Instructional Staff Training Services	4,293,908.51	-	-	-
Instruction-Related Technology	5,710,951.70	-	-	-
Board	654,600.12	-	-	-
General Administration	1,399,753.32	-	-	-
School Administration	16,171,412.10	-	-	-
Facilities Acquisition and Construction	1,341,972.40	20,892.98	-	1,510,214.62
Fiscal Services	1,313,286.98	-	-	-
Food Services	12,280,187.82	4,670,413.01	8,136,573.40	-
Central Services	2,798,671.29	-	-	-
Student Transportation Services	14,259,715.95	199,507.56	-	-
Operation of Plant	12,851,311.11	-	-	-
Maintenance of Plant	6,641,703.95	-	-	-
Administrative Technology Services	2,495,517.38	-	-	-
Community Services	2,737,574.10	1,986,493.80	-	-
Unallocated Interest on Long-Term Debt	1,096,919.04	-	-	-
Unallocated Depreciation Expense*	9,496,297.41	-	-	-
Total Primary Government	\$ 275,907,860.76	\$ 7,718,763.61	\$ 8,136,573.40	\$ 1,510,214.62
Component Units				
Charter Schools	\$ 1,835,850.00	\$ 0.00	\$ 61,507.00	\$ 110,263.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government	
Governmental Activities	Component Units
\$ (157,287,208.50)	\$ -
(12,385,952.01)	-
(2,512,780.16)	-
(7,336,680.65)	-
(4,293,908.51)	-
(5,710,951.70)	-
(654,600.12)	-
(1,399,753.32)	-
(16,171,412.10)	-
189,135.20	-
(1,313,286.98)	-
526,798.59	-
(2,798,671.29)	-
(14,060,208.39)	-
(12,851,311.11)	-
(6,641,703.95)	-
(2,495,517.38)	-
(751,080.30)	-
(1,096,919.04)	-
(9,496,297.41)	-
<u>(258,542,309.13)</u>	<u>-</u>
-	(1,664,080.00)
50,388,335.18	-
14,397,297.99	-
9,835,817.48	-
179,305,786.91	1,656,532.00
1,646,226.75	5.00
4,733,145.52	13,743.00
<u>260,306,609.83</u>	<u>1,670,280.00</u>
1,764,300.70	6,200.00
<u>188,903,317.00</u>	<u>647,919.00</u>
<u>\$ 190,667,617.70</u>	<u>\$ 654,119.00</u>

**Santa Rosa County District School Board
Balance Sheet – Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 31,106,502.46	\$ 6,186,812.36	\$ 4,297,837.23
Investments	-	-	-
Accounts Receivable	4,500.00	-	-
Due from Other Agencies	558,918.85	98,764.79	5,632.37
Inventories	98,612.75	89,520.79	-
TOTAL ASSETS	\$ 31,768,534.06	\$ 6,375,097.94	\$ 4,303,469.60
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 363,126.64	\$ 448.72	\$ -
Payroll Deductions and Withholdings	507,058.96	2,140.82	-
Accounts Payable	1,994,312.57	314,592.31	-
Construction Contracts Payable - Retained Percentage	-	-	22,988.92
Due to Other Agencies	1,260.00	-	-
Deposits Payable	-	197,886.69	-
Estimated Insurance Claims Payable	173,859.57	-	-
Total Liabilities	3,039,617.74	515,068.54	22,988.92
Fund Balances:			
Nonspendable:			
Inventories	98,612.75	89,520.79	-
Restricted for:			
State Required Carryover Programs	5,116,065.24	-	-
Debt Service	-	-	-
Capital Projects	-	-	4,280,480.68
Food Service	-	5,770,508.61	-
Total Restricted Fund Balance	5,116,065.24	5,770,508.61	4,280,480.68
Committed for:			
Board Approved Carryover	4,962,964.15	-	-
Capital Projects	-	-	-
Total Committed Fund Balance	4,962,964.15	-	-
Assigned for:			
Office and Fee Based Budgets	1,347,668.02	-	-
Unassigned Fund Balance	17,203,606.16	-	-
Total Fund Balances	28,728,916.32	5,860,029.40	4,280,480.68
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,768,534.06	\$ 6,375,097.94	\$ 4,303,469.60

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,173,039.18	\$ 1,929,988.47	\$ 57,694,179.70
-	29,638.28	29,638.28
-	-	4,500.00
847,616.40	2,051,394.30	3,562,326.71
-	-	188,133.54
\$ 15,020,655.58	\$ 4,011,021.05	\$ 61,478,778.23
\$ -	\$ 10,015.23	\$ 373,590.59
-	31,085.66	540,285.44
457,844.83	109,522.44	2,876,272.15
198,185.96	-	221,174.88
-	136,597.34	137,857.34
-	-	197,886.69
-	-	173,859.57
656,030.79	287,220.67	4,520,926.66
-	-	188,133.54
-	-	5,116,065.24
-	2,308,781.55	2,308,781.55
13,935,305.93	1,415,018.83	19,630,805.44
-	-	5,770,508.61
13,935,305.93	3,723,800.38	32,826,160.84
-	-	4,962,964.15
429,318.86	-	429,318.86
429,318.86	-	5,392,283.01
-	-	1,347,668.02
-	-	17,203,606.16
14,364,624.79	3,723,800.38	56,957,851.57
\$ 15,020,655.58	\$ 4,011,021.05	\$ 61,478,778.23

**Santa Rosa County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

Total Fund Balances - Governmental Funds \$ 56,957,851.57

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 275,527,266.48

Deferred charges on debt refunding are not expensed in the government-wide statements, but are reported as deferred outflows of resources and amortized over the life of the debt. 826,105.47

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. 8,703,358.00

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year end consist of:

Certificates of Participation Payable	\$ (22,902,654.04)	
Bonds Payable	(1,511,689.72)	
Compensated Absences Payable	(20,174,918.06)	
Net Pension Liability	(123,708,109.00)	
Other Postemployment Benefits Payable	<u>(20,110,535.00)</u>	(188,407,905.82)

The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to OPEB	\$ 830,375.00	
Deferred Outflows Related to Pensions	53,452,109.00	
Deferred Inflows Related to OPEB	(1,400,205.00)	
Deferred Inflows Related to Pensions	<u>(15,821,337.00)</u>	<u>37,060,942.00</u>

Net Position - Governmental Activities **\$ 190,667,617.70**

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

THIS PAGE INTENTIONALLY LEFT BLANK

**Santa Rosa County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 882,930.86	\$ -	\$ -
Federal Through State and Local	1,723,796.21	8,029,930.40	-
State	160,809,078.59	113,843.00	-
Local:			
Property Taxes	50,388,335.18	-	14,397,297.99
Local Sales Taxes	-	-	-
Charges for Services - Food Service	-	4,670,413.01	-
Miscellaneous	5,458,956.23	292,422.43	42,604.19
Total Local Revenues	<u>55,847,291.41</u>	<u>4,962,835.44</u>	<u>14,439,902.18</u>
Total Revenues	<u>219,263,097.07</u>	<u>13,106,608.84</u>	<u>14,439,902.18</u>
Expenditures			
Current - Education:			
Instruction	144,885,136.86	-	-
Student Support Services	10,744,089.89	-	-
Instructional Media Services	2,398,933.74	-	-
Instruction and Curriculum Development Services	4,821,874.80	-	-
Instructional Staff Training Services	2,563,717.66	-	-
Instruction-Related Technology	5,003,398.60	-	-
Board	625,466.42	-	-
General Administration	903,647.20	-	-
School Administration	15,377,484.29	-	-
Facilities Acquisition and Construction	16,472.48	-	488,611.14
Fiscal Services	1,266,682.69	-	-
Food Services	-	12,210,753.22	-
Central Services	2,638,017.11	-	-
Student Transportation Services	14,163,735.20	-	-
Operation of Plant	12,771,703.22	-	-
Maintenance of Plant	4,078,149.49	-	205,218.19
Administrative Technology Services	2,338,552.48	-	-
Community Services	1,967,447.35	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	37,963.00	-	4,667,296.41
Other Capital Outlay	1,238,469.04	379,564.08	86,002.76
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>227,840,941.52</u>	<u>12,590,317.30</u>	<u>5,447,128.50</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,577,844.45)</u>	<u>516,291.54</u>	<u>8,992,773.68</u>
Other Financing Sources (Uses)			
Transfers In	7,274,868.59	2,974.45	-
Loss Recoveries	9,340.64	-	-
Transfers Out	<u>(254,306.54)</u>	<u>-</u>	<u>(11,314,337.73)</u>
Total Other Financing Sources (Uses)	<u>7,029,902.69</u>	<u>2,974.45</u>	<u>(11,314,337.73)</u>
Net Change in Fund Balances	<u>(1,547,941.76)</u>	<u>519,265.99</u>	<u>(2,321,564.05)</u>
Fund Balances, Beginning	30,276,858.08	5,340,763.41	6,602,044.73
Fund Balances, Ending	<u>\$ 28,728,916.32</u>	<u>\$ 5,860,029.40</u>	<u>\$ 4,280,480.68</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,129,695.42	\$ 4,012,626.28
-	11,394,665.48	21,148,392.09
1,151,089.61	1,717,545.36	163,791,556.56
-	-	64,785,633.17
9,835,817.48	-	9,835,817.48
-	-	4,670,413.01
552,917.41	64,496.56	6,411,396.82
10,388,734.89	64,496.56	85,703,260.48
11,539,824.50	16,306,402.82	274,655,835.41
-	7,635,837.96	152,520,974.82
-	1,346,761.48	12,090,851.37
-	31,607.48	2,430,541.22
-	2,259,471.08	7,081,345.88
-	1,651,151.83	4,214,869.49
-	108,419.46	5,111,818.06
-	-	625,466.42
-	487,341.00	1,390,988.20
-	170,426.32	15,547,910.61
763,099.45	72,022.44	1,340,205.51
-	36.46	1,266,719.15
-	-	12,210,753.22
-	50,981.58	2,688,998.69
-	23,929.55	14,187,664.75
-	58,194.90	12,829,898.12
1,240,254.51	120,733.81	5,644,356.00
-	-	2,338,552.48
-	679,472.12	2,646,919.47
7,383,998.12	554,305.25	12,643,562.78
190,210.19	451,205.58	2,345,451.65
-	7,494,000.00	7,494,000.00
-	1,380,058.70	1,380,058.70
9,577,562.27	24,575,957.00	280,031,906.59
1,962,262.23	(8,269,554.18)	(5,376,071.18)
-	8,797,421.70	16,075,264.74
242,273.50	-	251,614.14
(2,333,359.64)	-	(13,902,003.91)
(2,091,086.14)	8,797,421.70	2,424,874.97
(128,823.91)	527,867.52	(2,951,196.21)
14,493,448.70	3,195,932.86	59,909,047.78
\$ 14,364,624.79	\$ 3,723,800.38	\$ 56,957,851.57

Santa Rosa County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Governmental Funds \$ (2,951,196.21)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 3,553,596.06

Contributions and certain other additions of capital assets are not reported as revenues in the governmental funds. 221,947.53

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (257,293.38)

Repayment of long-term debt is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net position. 7,494,000.00

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

	Amortized Charge on Debt Refunding	\$ (68,842.13)	
	Amortized Premiums	<u>351,981.38</u>	283,139.25

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (214,585.00)

Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.

	Increase in OPEB Liability	\$ (780,057.00)	
	Increase in Deferred Outflows of Resources	68,278.00	
	Increase in Deferred Inflows of Resources	<u>(301,497.00)</u>	(1,013,276.00)

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

	FRS Pension Contribution	\$ 8,542,600.00	
	HIS Pension Contribution	2,239,079.00	
	FRS Pension Expense	(13,536,683.00)	
	HIS Pension Expense	<u>(3,222,058.00)</u>	(5,977,062.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The change in net position of the internal service fund is reported with governmental activities. 625,030.45

Change in Net Position - Governmental Activities \$ 1,764,300.70

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

**Santa Rosa County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2019**

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 14,877,920.59
Due from Other Agencies	<u>238,011.67</u>
TOTAL ASSETS	<u>15,115,932.26</u>
LIABILITIES	
Current Liabilities:	
Unearned Revenue	4,128,115.67
Estimated Insurance Claims Payable	<u>2,284,458.59</u>
TOTAL LIABILITIES	<u>6,412,574.26</u>
NET POSITION	
Restricted for Safe Harbor	2,000,000.00
Unrestricted	<u>6,703,358.00</u>
TOTAL NET POSITION	<u><u>\$ 8,703,358.00</u></u>

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

**Santa Rosa County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premiums	\$ 19,469,583.14
Other	100,000.00
Total Operating Revenues	19,569,583.14
OPERATING EXPENSES	
Insurance Claims	14,355,159.62
Purchased Services	3,082,757.50
Materials and Supplies	388.00
Capital Outlay	306.19
Total Operating Expenses	17,438,611.31
Operating Income	2,130,971.83
NONOPERATING REVENUES	
Investment Income	71,376.73
Other	595,942.72
Total Nonoperating Revenues	667,319.45
Income Before Transfers	2,798,291.28
Transfers Out	(2,173,260.83)
Change in Net Position	625,030.45
Total Net Position - Beginning	8,078,327.55
Total Net Position - Ending	\$ 8,703,358.00

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

**Santa Rosa County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 19,601,687.53
Cash Received from Other Operating Revenues	100,000.00
Cash Payments for Insurance Claims	(14,046,188.03)
Cash Payments to Vendors for Goods and Services	<u>(3,083,452.18)</u>
Net Cash Provided by Operating Activities	<u>2,572,047.32</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Other Nonoperating Revenues	595,942.72
Transfer to Other Funds	<u>(2,173,260.83)</u>
Net Cash Used by Noncapital Financing Activities	<u>(1,577,318.11)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>71,376.73</u>
Net Increase in Cash and Cash Equivalents	1,066,105.94
Cash and Cash Equivalents, Beginning	<u>13,811,814.65</u>
Cash and Cash Equivalents, Ending	<u>\$ 14,877,920.59</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 2,130,971.83
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Due from Other Agencies	(36,198.10)
Unearned Revenue	168,302.49
Estimated Insurance Claims Payable	<u>308,971.10</u>
Total Adjustments	<u>441,075.49</u>
Net Cash Provided by Operating Activities	<u>\$ 2,572,047.32</u>

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

**Santa Rosa County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2019**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 4,386,207.68</u>
LIABILITIES	
Payroll Deductions and Withholdings	\$ 285,923.68
Accounts Payable	270,881.00
Internal Accounts Payable	<u>3,829,403.00</u>
TOTAL LIABILITIES	<u>\$ 4,386,207.68</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

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

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

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Unit. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as part of the District. The Santa Rosa School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in a subsequent note. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are

included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

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

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2019. The audit reports are filed in the District's administrative offices at 5086 Canal Street, Milton, Florida 32570.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

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

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, and debt service payments on certificates of participation.
- Capital Projects – Other Fund – to account for various financial resources (e.g., capital outlay sales tax and charter school capital outlay funding) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District’s individual self-insurance programs.
- Agency Funds – to account for resources of the District’s flexible benefits plan and the school internal funds, which are used to administer moneys collected at schools in connection with school, student athletic, class, and club activities.

Certain activity occurs during the fiscal year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of fiscal year end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported

as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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

2. Investments

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

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

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

3. Inventories

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

4. Capital Assets

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

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	15 years
Audio Visual Materials and Computer Software	5 - 7 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt. Bonds and certificates of participation payable are reported net of 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 fiscal year. The face amount of debt issued and the related debt premiums are reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. The first is a deferred charge 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 (OPEB) which are discussed in subsequent notes.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can approve a commitment of fund balance. Once adopted, the limitation imposed by the Board remains in place until a similar action is taken to remove or revise the limitation. In July 2018, the Board gave its approval to commit certain project balances during the budget process.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified times periods following the date of the original reporting. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and

related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

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

3. District Property Taxes

The Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Santa Rosa County Property Appraiser, and property taxes are collected by the Santa Rosa County Tax Collector.

The Board adopted the 2018 tax levy on September 10, 2018. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Capital Outlay Surtax

In March 2007, the voters of Santa Rosa County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective October 1, 2008, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes. In March 2017, Santa Rosa County voters opted to continue the one-half cent school capital outlay surtax on sales through December 31, 2028.

5. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. The FDOE may require adjustments to subsequent fiscal year expenditures and related revenues based upon an audit of the District's compliance with applicable Federal awards requirements. Normally, such adjustments are treated as reductions of expenditures and related revenues in the fiscal year when the adjustments are made.

6. Compensated Absences

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

7. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. 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.

B. Investments

The District's investments at June 30, 2019, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	28 Day Average	\$ 38,497,164.87
Debt Service Accounts	6 Months	29,638.28
Total Investments		\$ 38,526,803.15

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

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investments in SBA debt service accounts, totaling \$29,638.28, are valued using Level 1 inputs.

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, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment 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, 2019, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Fund [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; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District’s investment policy limits investments to funds placed in qualified public depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, securities of the United States Government (including obligations of the United States Treasury), and investment pools managed and directed by an approved agency of the State.

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

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

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 8,120,461.92	\$ 89,377.43	\$ -	\$ 8,209,839.35
Land Improvements	6,076,280.68	219,874.92	9,971.02	6,286,184.58
Construction in Progress	886,991.55	2,195,717.25	442,111.54	2,640,597.26
Total Capital Assets Not Being Depreciated	<u>15,083,734.15</u>	<u>2,504,969.60</u>	<u>452,082.56</u>	<u>17,136,621.19</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	27,963,433.52	2,511,817.36	422,761.41	30,052,489.47
Buildings and Fixed Equipment	384,663,671.28	8,209,367.82	1,421,069.16	391,451,969.94
Furniture, Fixtures, and Equipment	16,238,829.00	1,732,951.00	720,242.00	17,251,538.00
Motor Vehicles	3,763,852.00	682,018.00	732,257.00	3,713,613.00
Audio Visual Materials and Computer Software	3,970,864.00	11,948.00	431,513.00	3,551,299.00
Total Capital Assets Being Depreciated	<u>436,600,649.80</u>	<u>13,148,102.18</u>	<u>3,727,842.57</u>	<u>446,020,909.41</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	18,099,105.96	1,013,013.76	364,694.80	18,747,424.92
Buildings and Fixed Equipment	143,912,077.81	8,975,473.00	1,287,014.46	151,600,536.35
Furniture, Fixtures, and Equipment	11,027,748.39	1,247,898.28	694,165.87	11,581,480.80
Motor Vehicles	2,845,561.26	158,321.18	703,132.08	2,300,750.36
Audio Visual Materials and Computer Software	3,790,872.54	40,712.15	431,513.00	3,400,071.69
Total Accumulated Depreciation	<u>179,675,365.96</u>	<u>11,435,418.37</u>	<u>3,480,520.21</u>	<u>187,630,264.12</u>
Total Capital Assets Being Depreciated, Net	<u>256,925,283.84</u>	<u>1,712,683.81</u>	<u>247,322.36</u>	<u>258,390,645.29</u>
Governmental Activities Capital Assets, Net	<u>\$ 272,009,017.99</u>	<u>\$ 4,217,653.41</u>	<u>\$ 699,404.92</u>	<u>\$ 275,527,266.48</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 289,861.26
Student Support Services	11,692.07
Instructional Media Services	4,289.13
Instruction and Curriculum Development Services	6,282.58
Instructional Staff Training	12,095.18
Instruction-Related Technology	501,098.74
General Administration	409.44
School Administration	5,039.83
Fiscal Services	2,051.91
Food Services	71,707.32
Central Services	26,424.91
Student Transportation Services	9,498.55
Operation of Plant	8,313.33
Maintenance of Plant	893,366.35
Administrative Technology Services	79,380.22
Community Services	17,610.14
Unallocated	<u>9,496,297.41</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 11,435,418.37</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$16,758,741 for the fiscal year ended June 30, 2019.

FRS Pension Plan

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

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

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

retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular 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 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 was initially enrolled in the Plan 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 was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Elected County Officers	3.00	48.70
DROP – Applicable to Members from All of the Above Classes	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$8,542,600 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$82,114,081 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.272618418 percent, which was an increase of 0.0076043 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the Plan pension expense of \$13,536,683 related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 6,956,297	\$ 252,481
Change of Assumptions	26,830,888	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	6,344,314
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	1,249,301	3,166,919
District FRS Contributions Subsequent to the Measurement Date	8,542,600	-
Total	\$ 43,579,086	\$ 9,763,714

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$8,542,600, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 9,961,895
2021	6,560,020
2022	498,176
2023	4,463,066
2024	3,229,412
Thereafter	560,203
Total	\$ 25,272,772

Actuarial Assumptions. The total pension liability in the July 1, 2018, 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	7.00 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, 2018, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed Inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7 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 2018 valuation was updated from 7.1 percent to 7 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7 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 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District's Proportionate Share of the Net Pension Liability	\$ 149,861,641	\$ 82,114,081	\$ 25,845,726

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2019, 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, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,239,079 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a net pension liability of \$41,594,028 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.392985516 percent, which was an increase of 0.014335287 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the HIS Plan pension expense of \$3,222,058. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 636,786	\$ 70,667
Change of Assumptions	4,625,770	4,397,668
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	25,107	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	2,346,281	1,589,288
District HIS Contributions Subsequent to the Measurement Date	<u>2,239,079</u>	<u>-</u>
Total	<u>\$ 9,873,023</u>	<u>\$ 6,057,623</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,239,079, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 699,391
2021	697,275
2022	533,749
2023	277,058
2024	(565,408)
Thereafter	(65,744)
Total	<u>\$ 1,576,321</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, 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	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projection 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 3.87 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 3.58 percent to 3.87 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 47,373,161	\$ 41,594,028	\$ 36,776,786

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

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's 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, 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 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information

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

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which 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 \$3,057,542 for the fiscal year ended June 30, 2019.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's healthcare plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. 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 retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	323
Active Employees	<u>2,617</u>
Total	<u>2,940</u>

Total OPEB Liability. The District's total OPEB liability of \$20,110,535 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to determine the total OPEB liability as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.5 percent
Salary Increase Rate	4 percent
Discount Rate	3.87 percent
Initial Trend Rate	8.5 percent
Ultimate Trend Rate	4 percent
Years to Ultimate	55 years

All mortality rates were based on the RP-2000 mortality tables.

Mortality – Healthy Lives: For female lives, 100 percent of the annuitant white-collar table was used. For male (non-special risk) lives, a 50 percent annuitant white-collar table, 50 percent annuitant blue-collar table blend was used. For male special risk lives, a 10 percent annuitant white-collar table, 90 percent annuitant blue-collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality – Disabled Lives: For female (non-special risk) lives, 100 percent of the disabled female table was used, set forward 2 years. For female special risk lives, a 60 percent disabled female table, 40 percent annuitant white-collar table with no setback blend was used. For male (non-special risk) lives, 100 percent of the disabled male table was used, set back 4 years. For male special risk lives, a 60 percent disabled male table, 40 percent annuitant white-collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate: Given the District’s decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.87 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 rating.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2018	\$ 19,330,478
Changes for the fiscal year:	
Service Cost	1,310,422
Interest	725,422
Changes of Assumptions	(493,690)
Benefit Payments	<u>(762,097)</u>
Net Changes	<u>780,057</u>
Balance at June 30, 2019	<u>\$ 20,110,535</u>

Changes of assumptions reflect a change in the discount rate from 3.58 percent for the reporting period ended June 30, 2018, to 3.87 percent for the reporting period ended June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 21,866,555	\$ 20,110,535	\$ 18,503,219

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.5 percent decreasing to 3 percent) or 1 percentage point higher (9.5 percent decreasing to 5 percent) than the current healthcare cost trend rates:

	1% Decrease (7.5% decreasing to 3%)	Healthcare Cost Trend Rates (8.5% decreasing to 4%)	1% Increase (9.5% decreasing to 5%)
Total OPEB Liability	\$ 17,802,075	\$ 20,110,535	\$ 22,830,528

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$1,843,651. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ -	\$ 1,400,205
Employer Contributions Subsequent to the Measurement Date	830,375	-
Total	<u>\$ 830,375</u>	<u>\$ 1,400,205</u>

The amount reported as deferred outflows of resources related to OPEB, totaling \$830,375, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2020. The

reported deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (192,193)
2021	(192,193)
2022	(192,193)
2023	(192,193)
2024	(192,193)
Thereafter	(439,240)
Total	\$ (1,400,205)

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at June 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Jay Elementary - Classroom Additions & Parking Lot Renovation	\$ 2,460,398.40	\$ 1,371,050.28	\$ 1,089,348.12
King Middle School - HVAC Renovation	1,904,087.89	1,189,450.99	714,636.90
Pace High School - Softball Fieldhouse	786,768.39	260,474.46	526,293.93
New South End K-8 School	3,131,158.62	1,752,600.62	1,378,558.00
Total	\$ 8,282,413.30	\$ 4,573,576.35	\$ 3,708,836.95

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

The following is a schedule of encumbrances at June 30, 2019:

<u>Major Funds</u>					
<u>General</u>	<u>Special Revenue - Food Service</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Capital Projects - Other</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 629,247.29	\$ 728,416.61	\$ 196,295.81	\$ 4,411,794.32	\$ 130,633.92	\$ 6,096,387.95

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Florida School Board Insurance Trust (Trust). The Trust is a self-insurance fund of Florida school boards established under the authority set forth in Section 1001.42, Florida Statutes, and was established for the purpose of pooling certain exposures (e.g., property, casualty, and workers' compensation) of participating districts. If a participating district withdraws or terminates participation in the Trust, and its claims exceed loss fund

contributions from premiums paid, the Trust may request additional funds or return the open claims to that district. Through its participation in the Trust, the District has acquired various types of insurance coverage including property, general and automotive liability, workers' compensation, errors and omissions, employee benefits liability, boiler and machinery, crime, special events, pollution, legal liability, school crisis risk, and cyber liability coverage. Catastrophic student accident, flood and storage tank liability insurance are provided through purchased commercial insurance.

The District provides self-insured employee health and hospitalization coverage. The District entered into an agreement with 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 \$1 million. Aggregate excess coverage is paid out when total claims annually, minus specific excess coverage, exceed 100 percent of the overall variable claims cost. The District has contracted with an insurance administrator to administer the self-insurance program, including the processing, investigating, and payment of claims. A liability in the amount of \$2,284,458.59 was actuarially determined to cover the estimated incurred but not reported insurance claims payable at June 30, 2019.

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

Prior to July 1, 1997, the District was self-insured for workers' compensation exposures up to specified limits. At June 30, 2019, a liability in the amount of \$173,859.57 was recorded to cover future claims payments relating to this former self-insurance program.

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

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
Workers' Compensation:				
2017-18	\$ 239,444.00	\$ -	\$ (37,758.00)	\$ 201,686.00
2018-19	201,686.00	-	(27,826.43)	173,859.57
Employee Health:				
2017-18	\$ 2,100,253.00	\$ 13,690,298.00	\$ (13,815,064.00)	\$ 1,975,487.00
2018-19	1,975,487.00	14,355,159.62	(14,046,188.03)	2,284,458.59

H. Long-Term Liabilities

1. Certificates of Participation

The District entered into financing arrangements with the Santa Rosa School Board Leasing Corporation (Leasing Corporation) whereby 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, 2019:

<u>Series</u>	<u>Original Amount</u>	<u>Principal Paid to Date</u>	<u>Principal Refunded</u>	<u>Refunded by Series</u>	<u>Outstanding Balance</u>
2006-2	\$ 18,870,000	\$ 2,720,000	\$ 16,150,000	2014	\$ -
2009	12,585,000	9,100,000			3,485,000
2014	20,520,000	2,760,000			17,760,000
Total					<u>\$ 21,245,000</u>

As a condition of the financing arrangements, the District gave ground leases on District property to the Leasing Corporation. The ground lease on the properties associated with the Series 2006 Certificates ends on the earlier of (a) the date on which the 2006 Certificates and any series of certificates refunding the Series 2006 Certificates have been paid in full or provision for their payment has been made, or (b) 10 years from the final maturity of the Series 2006 Certificates and any series of certificates refunding the Series 2006 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 2006 Certificates will exceed February 1, 2031.

The ground lease on the properties associated with the Series 2009 Certificates ends on the earlier of (a) the date on which the Series 2009 Certificates have been paid in full or provision for their payment has been made, or (b) 10 years from the final maturity date of the Series 2009 Certificates and any series of certificates refunding the Series 2009 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 2009 Certificates will exceed February 1, 2023. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates of 4.11 percent.

The ground lease on the properties associated with the Series 2014 Certificates ends on the earlier of (a) the date on which the Series 2014 Certificates have been paid in full or provision for their payment has been made, or (b) 10 years from the final maturity date of the Series 2014 Certificates and any series of certificates refunding the Series 2014 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 2014 Certificates will exceed February 1, 2031. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates ranging from 3 percent to 5 percent for the Series 2014 Certificates. The Series 2014 Certificates were issued to refund the Refunded Certificates and thereby refinance a portion of the cost of acquisition, construction and installation of the Consolidated 2006 Project as well as to pay costs associated with the issuance of the Series 2014 Certificates.

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

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

Series 2006 (as amended) and 2014:

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

Series 2009:

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 3,141,783.50	\$ 2,205,000.00	\$ 936,783.50
2021	3,142,924.00	2,310,000.00	832,924.00
2022	3,114,570.50	2,390,000.00	724,570.50
2023	1,334,203.50	685,000.00	649,203.50
2024	2,137,175.00	1,555,000.00	582,175.00
2025-2029	10,648,625.00	9,015,000.00	1,633,625.00
2030-2031	3,161,275.00	3,085,000.00	76,275.00
Total Minimum Lease Payments	26,680,556.50	21,245,000.00	5,435,556.50
Plus: Unamortized Premium	1,657,654.04	1,657,654.04	-
Total Certificates of Participation	\$28,338,210.54	\$22,902,654.04	\$5,435,556.50

2. Bonds Payable

Bonds payable at June 30, 2019, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2010A	\$ 825,000.00	3.5 - 5	2030
Series 2011A, Refunding	185,000.00	3 - 5	2023
Series 2014A, Refunding	201,000.00	3 - 5	2025
Series 2014B, Refunding	13,000.00	2	2020
Series 2017A, Refunding	137,000.00	5	2026
Bonds Payable	1,361,000.00		
Plus: Unamortized Premium	150,689.72		
Total Bonds Payable	\$ 1,511,689.72		

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

State School Bonds

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

Annual requirements to amortize bonded debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2020	\$ 207,155	\$ 149,000	\$ 58,155
2021	200,095	149,000	51,095
2022	206,645	163,000	43,645
2023	208,495	172,000	36,495
2024	160,545	131,000	29,545
2025-2030	677,095	597,000	80,095
Total State School Bonds	\$ 1,660,030	\$ 1,361,000	\$ 299,030

3. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 28,555,000.00	\$ -	\$ 7,310,000.00	\$ 21,245,000.00	\$ 2,205,000.00
Unamortized Premium on Certificates	1,974,227.50	-	316,573.46	1,657,654.04	237,361.41
Total Certificates of Participation Payable	30,529,227.50	-	7,626,573.46	22,902,654.04	2,442,361.41
Bonds Payable	1,545,000.00	-	184,000.00	1,361,000.00	149,000.00
Unamortized Premium on Bonds	186,097.64	-	35,407.92	150,689.72	37,762.18
Total Bonds Payable	1,731,097.64	-	219,407.92	1,511,689.72	186,762.18
Compensated Absences Payable	19,960,333.06	7,508,478.52	7,293,893.52	20,174,918.06	5,804,502.06
Net Pension Liability	118,876,428.00	69,805,763.00	64,974,082.00	123,708,109.00	1,018,094.00
Other Postemployment Benefits Payable	19,330,478.00	2,035,844.00	1,255,787.00	20,110,535.00	830,375.00
Total Governmental Activities	\$ 190,427,564.20	\$ 79,350,085.52	\$ 81,369,743.90	\$ 188,407,905.82	\$ 10,282,094.65

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund.

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.10., fund balances may be classified as follows:

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

- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

J. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2018-19 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 122,719,169.00
Categorical Educational Program - Class Size Reduction	29,888,638.00
Florida Best and Brightest Scholarship Programs	4,312,783.00
Workforce Development Program	2,196,272.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,081,480.62
Educational Facilities Security Grant	973,412.00
School Recognition	882,682.00
Voluntary Prekindergarten Program	460,628.07
Gross Receipts Tax (Public Education Capital Outlay)	428,734.00
Food Service Supplement	113,843.00
Charter School Capital Outlay	106,179.00
Discretionary Lottery Funds	94,224.00
Mobile Home License Tax	32,219.29
Miscellaneous	501,292.58
Total	\$ 163,791,556.56

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2018 tax roll for the 2018-19 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.151	\$ 44,486,648.36
Basic Discretionary Local Effort	0.748	8,016,384.72
Capital Projects – Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.400	15,003,928.62
Total	6.299	\$ 67,506,961.70

K. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 7,274,868.59	\$ 254,306.54
Special Revenue: Food Service	2,974.45	-
Capital Projects:		
Local Capital Improvement	-	11,314,337.73
Other	-	2,333,359.64
Nonmajor Governmental	8,797,421.70	-
Internal Service	-	2,173,260.83
Total	\$ 16,075,264.74	\$ 16,075,264.74

The District made transfers to the General Fund to cover payments on the student transportation contract, pay for certain property and casualty insurance premiums, cover payments for computer upgrades, to facilitate the transfer of State funds to its charter schools, to pay for health insurance increases, and to pay for network infrastructure. The District made transfers to the Special Revenue – Food Service Fund to facilitate payments of school recognition funds to food service workers. 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.

III. SUBSEQUENT EVENTS

The District is building a new K-8 school in the south end of Santa Rosa County. A Series 2019 Certificate of Participation in the amount of \$30,275,000 was secured in July 2019 to finance the building of this new school.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 560,130.05	\$ 882,930.86	\$ 882,930.86	\$ -
Federal Through State and Local	1,052,504.32	1,438,352.38	1,723,796.21	285,443.83
State	157,259,301.88	160,810,508.88	160,809,078.59	(1,430.29)
Local:				
Property Taxes	50,111,563.86	50,380,901.20	50,388,335.18	7,433.98
Charges for Services - Food Service	-	-	-	-
Miscellaneous	3,341,404.41	5,353,170.76	5,458,956.23	105,785.47
Total Local Revenues	<u>53,452,968.27</u>	<u>55,734,071.96</u>	<u>55,847,291.41</u>	<u>113,219.45</u>
Total Revenues	<u>212,324,904.52</u>	<u>218,865,864.08</u>	<u>219,263,097.07</u>	<u>397,232.99</u>
Expenditures				
Current - Education:				
Instruction	138,778,326.02	150,833,894.05	144,885,136.86	5,948,757.19
Student Support Services	12,833,127.68	11,072,564.89	10,744,089.89	328,475.00
Instructional Media Services	2,220,702.53	2,611,583.63	2,398,933.74	212,649.89
Instruction and Curriculum Development Services	4,460,516.50	4,881,936.66	4,821,874.80	60,061.86
Instructional Staff Training Services	2,533,746.55	3,147,830.52	2,563,717.66	584,112.86
Instruction-Related Technology	5,693,659.93	5,819,479.24	5,003,398.60	816,080.64
Board	744,601.36	671,565.27	625,466.42	46,098.85
General Administration	873,418.70	910,198.04	903,647.20	6,550.84
School Administration	14,156,640.52	15,787,144.75	15,377,484.29	409,660.46
Facilities Acquisition and Construction	13,287.82	79,726.80	16,472.48	63,254.32
Fiscal Services	1,305,301.61	1,304,584.34	1,266,682.69	37,901.65
Food Services	-	-	-	-
Central Services	2,675,446.24	2,792,270.73	2,638,017.11	154,253.62
Student Transportation Services	14,007,205.04	14,268,940.53	14,163,735.20	105,205.33
Operation of Plant	13,721,689.64	12,979,887.59	12,771,703.22	208,184.37
Maintenance of Plant	4,127,372.31	4,105,370.22	4,078,149.49	27,220.73
Administrative Technology Services	2,465,987.35	2,627,995.97	2,338,552.48	289,443.49
Community Services	1,031,563.26	2,007,113.60	1,967,447.35	39,666.25
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	37,963.00	37,963.00	-
Other Capital Outlay	-	1,238,469.04	1,238,469.04	-
Total Expenditures	<u>221,642,593.06</u>	<u>237,178,518.87</u>	<u>227,840,941.52</u>	<u>9,337,577.35</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,317,688.54)</u>	<u>(18,312,654.79)</u>	<u>(8,577,844.45)</u>	<u>9,734,810.34</u>
Other Financing Sources (Uses)				
Transfers In	5,778,623.00	7,274,868.59	7,274,868.59	-
Loss Recoveries	20,000.00	9,340.64	9,340.64	-
Transfers Out	(276,901.00)	(254,306.54)	(254,306.54)	-
Total Other Financing Sources (Uses)	<u>5,521,722.00</u>	<u>7,029,902.69</u>	<u>7,029,902.69</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,795,966.54)</u>	<u>(11,282,752.10)</u>	<u>(1,547,941.76)</u>	<u>9,734,810.34</u>
Fund Balances, Beginning	<u>30,276,858.08</u>	<u>30,276,858.08</u>	<u>30,276,858.08</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 26,480,891.54</u>	<u>\$ 18,994,105.98</u>	<u>\$ 28,728,916.32</u>	<u>\$ 9,734,810.34</u>

Special Revenue - Food Service Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -
7,328,090.00	7,328,090.00	8,029,930.40	701,840.40
109,451.00	109,451.00	113,843.00	4,392.00
-	-	-	-
4,229,594.00	4,229,594.00	4,670,413.01	440,819.01
-	-	292,422.43	292,422.43
<u>4,229,594.00</u>	<u>4,229,594.00</u>	<u>4,962,835.44</u>	<u>733,241.44</u>
<u>11,667,135.00</u>	<u>11,667,135.00</u>	<u>13,106,608.84</u>	<u>1,439,473.84</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
13,413,948.08	15,275,707.04	12,210,753.22	3,064,953.82
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,000.00	379,564.08	379,564.08	-
<u>13,414,948.08</u>	<u>15,655,271.12</u>	<u>12,590,317.30</u>	<u>3,064,953.82</u>
<u>(1,747,813.08)</u>	<u>(3,988,136.12)</u>	<u>516,291.54</u>	<u>4,504,427.66</u>
-	2,974.45	2,974.45	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>2,974.45</u>	<u>2,974.45</u>	<u>-</u>
(1,747,813.08)	(3,985,161.67)	519,265.99	4,504,427.66
5,340,763.41	5,340,763.41	5,340,763.41	-
<u>\$ 3,592,950.33</u>	<u>\$ 1,355,601.74</u>	<u>\$ 5,860,029.40</u>	<u>\$ 4,504,427.66</u>

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 1,310,422	\$ 1,424,253
Interest	725,422	579,681
Changes of Assumptions	(493,690)	(1,236,047)
Benefit Payments	<u>(762,097)</u>	<u>(700,779)</u>
Net Change in Total OPEB Liability	780,057	67,108
Total OPEB Liability - Beginning	<u>19,330,478</u>	<u>19,263,370</u>
Total OPEB Liability - Ending	<u>\$ 20,110,535</u>	<u>\$ 19,330,478</u>
Covered-Employee Payroll	\$ 117,750,176	\$ 108,866,657
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.08%	17.76%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.272618418%	0.265014118%	0.283958872%	0.292741153%	0.301366557%	0.298403787%
District's Proportionate Share of the FRS Net Pension Liability	\$ 82,114,081	\$ 78,389,399	\$ 71,699,838	\$ 37,811,446	\$ 18,387,792	\$ 51,368,573
District's Covered Payroll	\$ 128,388,264	\$ 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 Payroll	63.96%	64.93%	58.04%	32.98%	16.16%	44.75%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 8,542,600	\$ 7,769,406	\$ 6,898,970	\$ 6,924,790	\$ 7,137,278	\$ 6,601,206
FRS Contributions in Relation to the Contractually Required Contribution	<u>(8,542,600)</u>	<u>(7,769,406)</u>	<u>(6,898,970)</u>	<u>(6,924,790)</u>	<u>(7,137,278)</u>	<u>(6,601,206)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 134,938,347	\$ 128,388,264	\$ 120,728,089	\$ 123,528,778	\$ 114,639,462	\$ 113,783,755
FRS Contributions as a Percentage of Covered Payroll	6.33%	6.05%	5.71%	5.61%	6.23%	5.80%

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

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

	2018	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	0.392985516%	0.378650229%	0.397840722%	0.377837200%	0.382950949%	0.383693682%
District's Proportionate Share of the HIS Net Pension Liability	\$ 41,594,028	\$ 40,487,029	\$ 46,366,688	\$ 38,533,451	\$ 35,806,848	\$ 33,405,580
District's Covered Payroll	\$ 128,388,264	\$ 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 Payroll	32.40%	33.54%	37.54%	33.61%	31.47%	29.10%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	2019	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	\$ 2,239,079	\$ 2,131,170	\$ 2,003,926	\$ 2,039,187	\$ 1,444,329	\$ 1,311,861
HIS Contributions in Relation to the Contractually Required Contribution	(2,239,079)	(2,131,170)	(2,003,926)	(2,039,187)	(1,444,329)	(1,311,861)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 134,938,347	\$ 128,388,264	\$ 120,728,089	\$ 123,528,778	\$ 114,639,462	\$ 113,783,755
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.65%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State law 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 State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent fiscal year's appropriations.

2. Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. Covered employee payroll was projected two years forward from the valuation date for the fiscal year ended June 30, 2019.

Changes of Assumptions. The municipal bond rate used to determine the total OPEB liability was increased from 3.58 percent to 3.87 percent.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.1 percent to 7 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was increased from 3.58 percent to 3.87 percent.

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Santa Rosa County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	19002	\$ -	\$ 1,628,419.12
National School Lunch Program	10.555	19001, 19003	-	6,218,667.32
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	-	198,567.31
Total Child Nutrition Cluster			-	8,045,653.75
Forest Service Schools and Roads Cluster				
United States Department of Agriculture:				
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	-	47.99
WIOA Cluster				
United States Department of Labor:				
Workforce Escarosa, Inc.:				
WIOA Youth Activities	17.259	None	-	321,182.58
Student Financial Assistance Cluster				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	5,703.00
Federal Pell Grant Program	84.063	N/A	-	561,242.74
Total Student Financial Assistance Cluster			-	566,945.74
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	482.92	5,255,257.93
Special Education - Preschool Grants	84.173	267	-	174,448.42
Total Special Education Cluster			482.92	5,429,706.35
Not Clustered				
United States Department of Defense				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	42,639.46
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	190,588.32
Total United States Department of Defense			-	233,227.78
United States Department of Education				
Impact Aid	84.041	N/A	-	882,930.86
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	-	199,657.60
Title I Grants to Local Educational Agencies	84.010	212	63,809.98	4,320,552.17
Career and Technical Education - Basic Grants to States	84.048	161	-	283,263.17
Education for Homeless Children and Youth	84.196	127	-	87,442.51
English Language Acquisition State Grants	84.365	102	-	40,667.91
Supporting Effective Instruction State Grants	84.367	224	-	415,753.32
Student Support and Academic Enrichment Program	84.424	241	-	296,439.87
Total United States Department of Education			63,809.98	6,526,707.41
United States Department of Health and Human Services				
Head Start	93.600	N/A	-	2,385,365.59
Total Expenditures of Federal Awards			\$ 64,292.90	\$ 23,508,837.19

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Santa Rosa County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance for National School Lunch Program. Includes \$798,715 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid. Expenditures include \$607,528.58 for grant number/program year S041B191262, \$159,413.37 for grant number/program year S041B181262, and \$115,988.91 for grant number/program year S041B171262.
- (6) Head Start. Expenditures include \$1,306,749.93 for grant number/program year 04CH4795/04 and \$1,078,615.66 for grant number/program year 04CH4795/05.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

We have audited, in accordance with 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 the Santa Rosa County District School Board as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine 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 of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 10, 2020



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

Report on Compliance for Each Major Federal Program

We have audited the Santa Rosa County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2019. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 10, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement or Federal awards findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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