

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The School Board of Sarasota County, Florida, (the "District") has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Sarasota County School District is considered part of the Florida system of public education. The governing body of the school district is the Sarasota County District School Board (Board) that is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Sarasota 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 rationale for including charter schools in the District's financial statements is pursuant to Article VII, Section 9 of the Florida Constitution and Section 1002.33(9)(l), Florida Statutes, which provides that charter schools do not have the constitutional authority to levy taxes, making charter schools fiscally dependent on school districts. Because it may be misleading to exclude charter schools, GASB Sections 2100 and 2600 provide the option to consider charter schools as component units of school districts.

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

- **Blended Component Unit** The Financing Corporation for the School Board of Sarasota County (Corporation), was founded to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 8. Due to the substantive economic relationship between the Board and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the 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. For financial reporting purposes, eleven charter schools are included in the financial statements of the District as discretely presented component units. These schools operate under a charter approved by their sponsor, the Board. The component units are as follows:

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Island Village Montessori Charter School, Inc., Sarasota Suncoast Academy, Inc., Student Leadership Academy of Venice, Inc., Imagine School at North Port, Inc., Sarasota Military Academy, Inc. operating as two separate charters - Sarasota Military Academy and Sarasota Military Academy Prep, Sarasota School of Arts and Sciences, Inc., Sarasota Academy of the Arts, Inc., and Suncoast School for Innovative Studies, Inc., (charter schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, and Section 1002.33, Florida Statutes. Imagine School at Sarasota, LLC, doing business as Imagine School at Palmer Ranch (charter school) is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, and Section 1002.33, Florida Statutes. The Board is responsible for the prudent use of the public funds received for providing an appropriate educational program for its targeted enrollment. The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2016. Audits of the charter schools for the fiscal year ended June 30, 2016, were conducted by independent certified public accountants and are filed at the District's administrative office at 1960 Landings Boulevard, Sarasota, FL 34231.

The District considered the two SKY Academy charter schools located in Venice and Englewood for inclusion as component units of the District. However, they are organized under an existing not-for-profit organization and are not legally separate entities but a division of the South County Family YMCA, Inc., and therefore, are excluded from the District's reporting entity.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's 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 expenses are allocated to functions/programs of the primary government. 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

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions.

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.

The effects of interfund activities have been eliminated from the government-wide financial statements. Interfund transactions, consisting of transactions involving the internal service funds, were eliminated by allocating the change in net position of internal service funds in direct proportion as they were charged as expenses to the various functions.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements. The District reports the following major governmental funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs on the long-term certificates of participation and capital leases.
- Capital Projects – Local Capital Improvement Tax Fund - to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources such as sales tax proceeds, impact fees, and certificates of participation, which are used for capital outlay needs.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied.

Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers revenues to be available if they are collected within 60 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.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, early retirement incentive payments, pensions, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary funds distinguish 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 funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for workers' compensation and employee dental insurance. Operating expenses include insurance claims, excess coverage premiums, employee compensation and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

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

➤ **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

➤ **Deposits and Investments**

Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts, and therefore all balances representing participants' equity in the investment pools are classified as cash equivalents for purposes of these statements. For investments which are held separately from the pools, those which are highly liquid (including restricted assets) with an original maturity of 90 days or less are considered to be cash equivalents, except for investments held with paying agents. The amounts reported as cash and cash equivalents consist of cash in demand deposits; amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool; and amounts

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

placed in the Wells Fargo Advantage Heritage Money Market Fund and the Florida Education Investment Trust Fund.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by the Federal Depository Insurance Corporation and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash and cash equivalents as those accounts used as demand deposit accounts and all highly liquid investments with an original maturity of 90 days or less.

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

Agencies and Instrumentalities and The District's investments in Florida PRIME and the Florida Education Investment Trust Fund (FEITF), which the SBA and the FEITF indicate are Securities and Exchange Commission Rule 2a7-like external investment pools, as of June 30, 2016, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These amounts are reported at fair value, which is amortized cost.

Investments held locally consist of money market mutual funds, commercial paper, corporate notes, United States Treasury notes and strips, and obligations of United States are reported at fair value. Types and amounts of investments held by the District at June 30, 2016 are further described in Note 3.

➤ **Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a weighted average basis, except that 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 at the time individual inventory items are requisitioned for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The purchase method is used to account for prepaid items.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

➤ **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 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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are recorded at fair value at the date of donation. Capital assets shall be depreciated over their estimated useful lives unless they are inexhaustible (i.e. land and land improvements) or construction in progress. Land improvements consist of betterments, site preparation and site improvements that ready land for its intended use. Land improvements are characterized as having an unlimited life and are therefore not depreciated.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extends the assets lives are not capitalized. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	5-40 years
Buildings and Fixed Equipment	10-50 years
Furniture, Fixtures and Equipment and Audio Visual Materials	3-15 years
Motor Vehicles	5-10 years
Equipment Under Capital Leases	4-6 years
Computer Software	5-10 years

Changes in capital assets for the current year are further described in Note 5.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
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**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate section, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has two types of items that meet this criterion- those related to the loss on refunding which is the difference between reacquisition price and net carrying amount of old debt and those related to pension plans which are further discussed in Note 17, State Retirement Programs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate section *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that meet this criterion-those related to Capital Outlay and Debt Service (CO&DS) from the Florida Department of Education (Department) and those related to pension plans which are further discussed in Note 17, State Retirement Programs.

➤ **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method.

The liability is based on the sick leave accumulated at June 30<sup>th</sup> by those employees who are currently eligible to receive termination payments and those employees for whom it is probable that they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and State law.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, only the amount payable to employees who terminated their employment as of the end of the fiscal year is reported. The liability at year-end includes salary related payments such as Social Security, Medicare and FRS contributions.

Changes in compensated absences liability for the current year are further described in Note 11.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

➤ **Long-Term Debt**

Long-term debt 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. Bond and certificates of participation premiums are deferred and amortized over the life of the bonds and certificates of participation using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable premium.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond and certificates of participation premiums, as well as bond and certificates of participation issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Changes in long-term debt obligations for the current year are further described in Note 11.

➤ **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 FRS defined benefit plan and the HIS defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The District's retirement plans and related amounts are further described in Note 17.

➤ **State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education (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 year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental funds financial statements for the unspent 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 Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is further described in Note 15.

➤ **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 Sarasota County Property Appraiser, and property taxes are collected by the Sarasota County Tax Collector.

The Board adopted the 2015 tax levy on September 15, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 Sarasota County Tax Collector at fiscal year-end but not yet remitted to the District.

Millage rates and taxes levied for the current year are further described in Note 16.

➤ **School Capital Outlay Surtax (Local Sales Tax)**

The citizens of Sarasota County on November 4, 1997, approved a one-cent sales tax authorized under Section 212.055(6), Florida Statutes. The Board receives one-fourth of the one-cent sales tax. The surtax levy commenced on September 1, 1999, and remained in effect for a period of 10 years through 2009. The voters of Sarasota County approved the continuation of this tax effective September 1, 2009, which remains in effect for a period of 15 years through 2024.

➤ **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.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

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

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**3. INVESTMENTS**

- The District's investment policy authorizes the following investments:
- Savings accounts
  - Certificates of deposits
  - Intergovernmental investment pools
  - Money market mutual funds
  - State and/or local government taxable and/or tax-exempt debt
  - Securities of the United States Government including obligations of the United States Treasury
  - United States Government agencies
  - Federal Instrumentalities
  - Mortgage-Backed Securities
  - Repurchase agreements
  - Commercial paper
  - Corporate notes
  - Bankers' acceptances

Investments at June 30, 2016, are shown below:

	Maturities	6/30/2016	Fair Value Measurement Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level					
Obligations of US Agencies and Instrumentalities	Nov 2016-June 2019 <sup>(3)</sup>	\$ 13,822,173	\$ -	\$ 13,822,173	\$ -
United States Treasury Strip	5/15/2027 <sup>(4)</sup>	14,532,995	-	14,532,995	-
United States Treasury Notes	Aug 2017-May 2019	16,249,843	-	16,249,843	-
Municipal Bonds	5/4/2018	441,008	-	441,008	-
Commerical Paper	July 2016-Oct 2016	43,190,393	-	-	43,190,393
Corporate Notes	May 2017-July 2018	11,476,850	-	11,476,850	-
Total investments by fair value level		<u>99,713,262</u>	<u>-</u>	<u>56,522,869</u>	<u>43,190,393</u>
Instruments measured at the net asset value (NAV)					
State Board of Administration:					
Florida PRIME	39 Day Average <sup>(1)</sup>	90,732,217	-	-	-
Debt Service Accounts	6 Months	162,011	-	-	-
Wells Fargo Heritage Money Market	16 Day Average <sup>(1)(2)</sup>	8,109,490	-	-	-
FL Education Investment Trust Fund	41 Day Average <sup>(1)</sup>	15,503,027	-	-	-
Total Investments measured at NAV		<u>114,506,745</u>	<u>-</u>	<u>-</u>	<u>-</u>
value		<u>\$ 214,220,007</u>	<u>\$ -</u>	<u>\$ 56,522,869</u>	<u>\$ 43,190,393</u>

<sup>(1)</sup>Investments are reported as cash equivalents.

<sup>(2)</sup> Includes cash totaling \$2,126,677 held under a paying agent agreement for investment purposes for the 2010 A Qualified School Construction Bonds (See Note 8).

<sup>(3)</sup> Includes FHLB Discount Note totaling \$1,081,419 held under a paying agent agreement for the Qualified

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
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**3. INVESTMENTS (continued)**

➤ **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415, Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. See table under concentration of credit risk for further detail on investment maturities.

Florida PRIME had weighted average days to maturity (WAM) of 39 days and FEITF had a WAM of 41 days at June 30, 2016. A *portfolio's* WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; Florida PRIME or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

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 SBA for managing interest rate risk and credit risk on this account.

As of June 30, 2016, the District's investments in the Florida PRIME, the Wells Fargo Advantage Heritage Money Market Fund, and the Florida Education Investment Trust Fund were rated AAAm by Standard & Poor's.

Obligations of United States Agencies and Instrumentalities totaling \$16,249,843 were rated AA+ by Standard & Poor's.

Commercial paper was rated A-1 to A-1+ short term by Standard & Poor's.

Corporate notes ratings ranged from AA+ to A- by Standard & Poor's.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
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**3. INVESTMENTS (continued)**

The District's investment in Obligations of United States Agencies and Instrumentalities – FNMA Discount Note totaling \$1,081,419 is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds paying agent. The forward delivery agreement authorizes the investment of the sinking fund amounts in certain eligible securities, including, without limitation, the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation and Federal Farm Credit Banks. The eligible securities must have a maturity date that is on or before November 16, 2021. The District's investment in the Federal National Mortgage Association discount note is not rated.

The District's investment in United States Treasury Strips authorized under the supplemental trust agreement for the 2010A Qualified School Construction Bonds. The agreement authorizes the investment of the sinking fund amounts in certain eligible securities, including, without limitation, U.S. Treasury Strips and Notes and the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation and Farm Credit Banks. The eligible securities must have a maturity date that is on or before June 15, 2027. Disclosure of credit risk is not required for the District's investment in a United States Treasury Strip.

➤ **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State of Florida (State), or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investment policy addresses custodial credit risk in that all securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
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**3. INVESTMENTS (continued)**

The District's \$1,081,419 investment in a FHLB discount note and the District's \$14,532,995 investment in the U.S. Treasury Strip were held in a custody account by the paying agent.

➤ **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District has a formal policy that limits the amount the District may invest in any one issuer.

The below table reflects the District's investment policy minimum rating requirements, maturity limits, maximum investment allocation limits and maximum single issuer limits by investment security type:

Security Type	Minimum Rating Requirement	Maturity Limits	Maximum Allocation Limit	Maximum Issuer Limit
United States Government Securities	N/A	5 Years	100%	N/A
United States Government Agencies (full faith and credit of the United States Government)	N/A	5 Years	50%	25%
Federal Instrumentalities (United States Government Sponsored Enterprises ("GSE") which are non-full faith and credit).*	N/A	5 Years	80%	40%
Mortgage-Backed Securities (MBS) *	N/A	5 Years	20%	15%
Non-Negotiable Interest Bearing Time Certificates of Deposit	N/A	1 Years	50%	25%
Repurchase Agreements	N/A	60 Days	50%	25%
Commercial Paper	P-1/A-1	270 Days	25%	15%
Corporate Notes	Single "A" category by two NRSROs	5 Years	25%	5%
Bankers' Acceptances	P-1/A-1	180 Days	35%	20%
State and/or Local Government Taxable and/or Tax-Exempt Debt	Single "A" category by two NRSROs	5 Years	20%	10%
Registered Investment Companies (Money Market Mutual Funds)	AAAm	N/A	50%	25%
Intergovernmental Investment Pool	AAA	N/A	25%	N/A
Florida PRIME	AAAm	N/A	75%	N/A

\*The combined total of available funds invested in Federal Instrumentalities and Mortgage- Backed Securities cannot be more than 80%.

NRSRO - Nationally Recognized Statistical Rating Organization

The District's investments in BNP Paribas Finance, Inc. commercial paper (\$8,997,072), represent 4.2% of total investments.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**4. RECEIVABLES**

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible amounts is accrued.

Due from other agencies at June 30, 2016, are shown below:

Florida Department of Education	\$ 3,613,504
US Government	1,011,232
Agency For Health Care Administration	521,622
Sarasota County Tax Collector	276,948
Miscellaneous Governmental Agencies	245,168
US Department of Agriculture	222,357
State of Florida	200,002
Sarasota County Government	101,128
Florida Retirement System	51,786
Sarasota Area Transit	38,772
SWFWMD Grant	37,919
Sarasota County Sheriff	25,053
University of Florida	23,910
Florida Department of Health	12,045
Sarasota County Fire Department	2,600
Nokomis Fire Department	975
	<u>\$ 6,385,021</u>

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 31,919,253	\$ 1,220,672	\$ -	\$ 33,139,925
Land Improvements	76,100,656	484,659	-	76,585,315
Construction in Progress	32,926,846	24,371,252	7,311,649	49,986,449
Total Capital Assets Not Being Depreciated	<u>140,946,755</u>	<u>26,076,583</u>	<u>7,311,649</u>	<u>159,711,689</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	63,508,044	3,061,134	-	66,569,178
Buildings and Fixed Equipment	979,620,856	7,860,789	671,403	986,810,242
Furniture, Fixtures, and Equipment and Audio Visual Materials	55,526,101	7,549,669	6,206,998	56,868,772
Motor Vehicles	34,506,372	2,018,094	2,525,568	33,998,898
Equipment Under Capital Leases	36,014,826	9,804,168	-	45,818,994
Computer Software	12,687,795	400,054	54,400	13,033,449
Total Capital Assets Being Depreciated	<u>1,181,863,994</u>	<u>30,693,908</u>	<u>9,458,369</u>	<u>1,203,099,533</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(32,698,557)	(2,724,984)	-	(35,423,541)
Buildings and Fixed Equipment	(253,213,369)	(22,466,407)	635,141	(275,044,635)
Furniture, Fixtures, and Equipment and Audio Visual Materials	(38,786,246)	(4,454,903)	5,898,924	(37,342,225)
Motor Vehicles	(21,654,487)	(2,477,823)	2,525,568	(21,606,742)
Equipment Under Capital Leases	(13,554,990)	(8,200,813)	-	(21,755,803)
Computer Software	(3,547,081)	(1,261,177)	54,400	(4,753,858)
Total Accumulated Depreciation	<u>(363,454,730)</u>	<u>(41,586,107)</u>	<u>9,114,033</u>	<u>(395,926,804)</u>
Total Capital Assets Being Depreciated, Net	<u>818,409,264</u>	<u>(10,892,199)</u>	<u>344,336</u>	<u>807,172,729</u>
Governmental Activities Capital Assets, Net	<u>\$ 959,356,019</u>	<u>\$ 15,184,384</u>	<u>\$ 7,655,985</u>	<u>\$ 966,884,418</u>

The class of property under capital leases is presented in Note 7.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**5. CHANGES IN CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 35,797,620
Student Support Services	5,209
Instructional Media Services	2,364
Instruction and Curriculum Development Services	3,188
Instructional Staff Training Services	36,021
Instructional Related Technology	766
Board	-
General Administration	180,971
School Administration	40,477
Facility Services - non capitalized	2,159,621
Fiscal Services	-
Food Services	120,689
Central Services	391,064
Student Transportation Services	2,621,085
Operation of Plant	70,955
Maintenance of Plant	127,972
Administrative Technology Services	28,105
Community Services	-
Total Depreciation Expense - Governmental Activities	\$ 41,586,107

**6. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

Accounts payable and other current liabilities at June 30, 2016, are shown below:

Salary and Wages Payable	\$ 24,323,550
Payroll Deductions and Withholdings Payable	142,173
Accounts Payable	7,642,207
Construction Contracts Payable	4,483,267
Deposits Payable	13,450
	\$ 36,604,647

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**7. OBLIGATIONS UNDER CAPITAL LEASES**

The class and amount of property being acquired under capital leases are as follows:

<u>Asset Description</u>	<u>Asset Balance</u>
Equipment:	
Copier Equipment	\$ 960,570
Computer Equipment	44,858,424
	\$ 45,818,994

Future minimum capital lease obligations and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2017	\$ 10,255,230
2018	8,589,083
2019	4,873,482
2020	2,399,062
Total minimum lease payments	26,116,857
Less interest	(1,221,496)
Present value of minimum payments	\$ 24,895,361

The imputed interest rates range from 1.450 to 11.75 percent.

**8. CERTIFICATES OF PARTICIPATION PAYABLE**

The District entered into a financing arrangement on March 25, 2009. This arrangement was characterized as a lease-purchase agreement, with the Corporation whereby the District secured financing of various educational facilities in the amount of \$75,625,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2009, to be repaid from the proceeds of rents paid by the District.

The District also entered into a financing arrangement on September 1, 2010. This arrangement was characterized as a lease-purchase agreement in the form of Qualified School Construction Bonds, with the Corporation whereby the District secured financing of various education facilities and equipment in the amount of \$43,026,000. The Qualified School Construction Bond financing was accomplished through the issuance of Certificates of Participation, Series 2010A, to be repaid from the proceeds of rents paid by the District.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**8. CERTIFICATES OF PARTICIPATION PAYABLE (continued)**

Qualified School Construction Bonds provide for a refundable credit from the United States Department of Treasury in accordance with Section 6431(f) of the Internal Revenue Code of 1986, as amended, equal to the lesser of the amount of interest payable with respect to the Certificates on such date or the amount of interest which would have been payable with respect to the Certificates on such date if such interest were determined at the tax credit rate otherwise applicable to such Certificates in accordance with the Code. The tax credit rate set by the Department on August 30, 2010 was 4.85 percent. This interest rate credit will be paid to the District with respect to the Certificates (the "Subsidy Payment").

Lease principal payments in the amount of \$2,126,395 are required to be deposited by the District into a sinking fund on an annual basis, and interest at the rate of 4.94 percent is paid semiannually. Sinking fund proceeds are invested and accumulate over the life of the issue, ending in a lump sum repayment to the leaseholders at maturity. The annual principal lease payment is adjusted as required based upon final investment earnings.

The District also entered into a financing arrangement on September 16, 2010. This arrangement was characterized as a lease-purchase agreement, with the Corporation whereby the District secured financing of various education facilities in the amount of \$70,070,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2010B, to be repaid from the proceeds of rents paid by the District.

On April 28, 2016 the District entered into a financing arrangement (School Board of Sarasota County, Florida - Certificates of Participation, Series 2016), whereby the District advanced refunded the callable portions of the Series 2009 and Series 2010-B Certificates of Participation in the amount of \$68,365,000. The proceeds from the Series 2016 issue have been placed in escrow to pay the lease payments on the refunded certificates until the call dates of July 1, 2019 for the Series 2009 and July 1, 2020 for the Series 2010-B. The District was able to achieve \$3,857,154 of net present value debt service savings or 6.46% of the refunded par amount. This equates to approximately \$450,000 of annual savings through July 1, 2024 and \$183,000 on July 1, 2025. The lease payments for the Series 2016 issue are payable by the District semiannually on June 15 and December 15 at a fixed interest rate of 1.74%.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**8. CERTIFICATES OF PARTICIPATION PAYABLE (continued)**

As a condition of the above financing arrangements, the District has given a ground lease on District property to the Corporation with a rental fee of \$10 per year. The 2009, 2010A and 2010B leases have an original term extending to the date that the Certificates of Participation are paid, or prior to July 1, 2024 for the 2009 certificates, prior to July 1, 2025 for the 2010B certificates, and prior to July 1, 2027 for the 2010A certificates. If the District fails to provide for the rent payment through to term, the District may be required to surrender the sites and financed improvements to the Corporation.

The District properties included in the ground lease under this arrangement include:

**Series 2009 Certificates of Participation**

Atwater Elementary School  
Sarasota County Technical Institute

**Series 2010A Certificate of Participation (Qualified School Construction Bonds)**

Booker High School

**Series 2010B Certificates of Participation**

Booker High School  
Venice High School

The lease payments are payable by the District semiannually, on July 1 and January 1, with interest rates ranging from 1.74 to 5 percent. The following is a schedule by years of future minimum lease payments as of June 30:

Fiscal Year Ending June 30:	Series 2009 Lease	Series 2010A Lease	Series 2010B Lease	Series 2016 Refunding	Total
2017	\$ 5,642,888	\$ 2,125,484	\$ 5,160,900	\$ 2,564,551	\$ 15,493,823
2018	5,645,888	2,125,484	5,161,100	2,565,626	15,498,098
2019	5,642,663	2,125,484	5,158,850	2,566,266	15,493,263
2020	-	2,125,484	5,160,750	8,206,471	15,492,705
2021	-	2,125,484	-	13,368,105	15,493,589
2022-2026	-	10,627,422	-	46,480,890	57,108,312
2027	-	45,151,487	-	-	45,151,487
Total Minimum Lease Payments	16,931,438	66,406,329	20,641,600	75,751,909	179,731,275
Add: Unamortized Premium on Debt	18,697	-	1,332,775	-	1,351,472
Less: Interest	(1,491,438)	(23,380,329)	(2,041,600)	(7,386,909)	(34,300,276)
Total Certificates of Participation	<u>\$ 15,458,697</u>	<u>\$ 43,026,000</u>	<u>\$ 19,932,775</u>	<u>\$ 68,365,000</u>	<u>\$ 146,782,472</u>

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**9. BONDS PAYABLE**

Bonds payable at June 30, 2016, 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 2006-A	\$ 955,000	4.125-4.625	2026
Series 2008-A	910,000	4.25-5.00	2028
Series 2009-A	645,000	5.00	2019
Series 2010	1,430,000	3.50-5.00	2030
Series 2011-A	430,000	3.00-5.00	2023
Series 2014-A	556,000	3.00-5.00	2024
Series 2014-B	2,000,000	2.00-5.00	2020
District Revenue Bonds:			
Qualified Zone Academy Bonds	1,299,696		2021
Subtotal	<u>8,225,696</u>		
Add: Unamortized Premium on Debt	701,743		
	<u><u>\$ 8,927,439</u></u>		

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 were 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. Additionally, 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.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**9. BONDS PAYABLE (continued)**

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

<b>Fiscal Year Ending June 30: State School Bonds</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 1,674,655	\$ 1,352,000	\$ 322,655
2018	1,675,053	1,419,000	256,053
2019	842,628	657,000	185,628
2020	617,046	463,000	154,046
2021	515,756	381,000	134,756
2022-2026	2,323,775	1,924,000	399,775
2027-2030	797,000	730,000	67,000
<b>Total</b>	<b>\$ 8,445,913</b>	<b>\$ 6,926,000</b>	<b>\$ 1,519,913</b>

➤ **Qualified Zone Academy Bonds**

The District entered into a purchase contract dated November 1, 2005, under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). The District received financing of \$1,299,696 from a local bank on November 16, 2005. Interest on the debt is paid by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of the sale.

Repayment of the original \$1,299,696 financing proceeds is due in full on November 16, 2021. In connection with the financing, the District entered into a forward delivery agreement dated November 16, 2005, requiring a single deposit of \$726,519 into a sinking fund. The forward delivery agreement provides for a guaranteed investment return of 3.67 percent per annum whereby the required deposit, along with accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. There is \$1,081,419 in this sinking fund at June 30, 2016.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**10. DEFEASED DEBT**

In prior years, the Board defeased in substance certain outstanding bonds by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements.

On April 28, 2016 the District entered into a financing arrangement (School Board of Sarasota County, Florida - Certificates of Participation, Series 2016), whereby the District advanced refunded the callable portions of the Series 2009 and Series 2010-B Certificates of Participation in the amount of \$68,365,000 of which the debt issue below is considered defeased. As a result of this advance refunding the District was able to achieve \$3,857,154 of net present value savings.

On June 30, 2016, debt considered defeased in substance are as follows:

Debt Issue	Amount Outstanding
Certificates of Participation, Series 2009	\$ 31,235,000
Certificates of Participation, Series 2010B	28,460,000
Total Defeased Debt	\$ 59,695,000

**11. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable	\$ 10,265,870	\$ -	\$ 1,338,431	\$ 8,927,439	\$ 1,352,000
Obligations Under Capital Leases	23,351,213	9,804,169	8,260,021	24,895,361	9,602,692
Certificates of Participation Payable	149,467,074	68,365,000	71,049,602	146,782,472	10,650,000
Liability for Compensated Absences	32,447,416	12,405,679	9,413,794	35,439,301	10,443,855
Estimated Insurance Claims Payable	8,689,404	29,809,596	26,221,923	12,277,077	6,107,350
Early Retirement Incentive Payable	394,954	-	147,691	247,263	148,496
Other Postemployment Healthcare Benefits Payable	10,240,567	2,507,142	1,616,551	11,131,158	-
Net Pension Liability	113,240,702	55,879,227	8,907,827	160,212,102	2,962,468
Total Governmental Activities	\$ 348,097,200	\$ 178,770,813	\$ 126,955,840	\$ 399,912,173	\$ 41,266,861

For the governmental activities, compensated absences, early retirement incentive, pensions, and other postemployment healthcare benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with resources of the internal service funds as discussed in Note 20.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**12. FUND BALANCE REPORTING**

There are two major types of fund balances, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District does not have any nonspendable funds related to endowments. The District has inventories totaling \$1,315,806 and prepaid items totaling \$5,011,955 that are considered nonspendable.

Spendable fund balances are classified based on a hierarchy of spending constraints. The District has classified the spendable fund balances as *Restricted, Assigned, and Unassigned* and considered each to have been spent when expenditures are incurred. The District does not report any *Committed* fund balance. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

- Restricted: 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. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked education funding that are legally or otherwise restricted. The District's restricted fund balance total is \$93,189,199 and represents \$10,671,246 for categorical programs; \$84,808 for grants; \$4,881,907 for food service; \$17,914,768 for debt service; and \$59,636,470 for capital projects.
- Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., resolution that is approved by a majority vote of the Board at a public meeting).

These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District does not report any committed fund balance.

- Assigned: The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**12. FUND BALANCE REPORTING (continued)**

an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for a specific purpose based on actions of the Superintendent and the Chief Financial Officer as authorized by Board Policy 7.101 and not included in other categories. The District's assigned fund balance total is \$6,302,763 and represents \$4,152,991 in district projects and \$2,149,772 school operating budget carryforwards.

- Unassigned: The portion of fund balance that is the residual classification for the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. The unassigned fund balance in the General Fund is \$36,118,713.

The District has adopted Board Policy 7.101 that the unassigned fund balance in the General Fund will be, at a minimum, 7.5 percent of the total budgeted appropriations and transfers out. The District currently exceeds this policy with an unassigned fund balance at 8.8 percent.

The following is a schedule of fund balances by category at June 30, 2016:

	<b>Major Funds</b>					
	General	Debt Service - Other Debt Service	Capital Projects - Local Capital Improvement Tax	Capital Projects - Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances</b>						
<b>Nonspendable:</b>						
Inventories	\$ 951,814	\$ -	\$ -	\$ -	\$ 363,992	\$ 1,315,806
Prepaid items	4,812,525	-	14,323	501	184,606	5,011,955
<b>Spendable:</b>						
<b>Restricted:</b>						
Categorical Programs	10,671,246	-	-	-	-	10,671,246
Grants	20,735	-	-	-	64,073	84,808
Special Revenue -						
Food Service	-	-	-	-	4,881,907	4,881,907
Debt Service	-	1,093,084	-	-	16,821,684	17,914,768
Capital Projects	-	-	33,283,503	26,352,967	-	59,636,470
<b>Assigned:</b>						
School Operations:						
District Projects	4,152,991	-	-	-	-	4,152,991
School Carryforwards	2,149,772	-	-	-	-	2,149,772
Capital Projects	-	-	-	-	-	-
<b>Unassigned</b>	36,118,713	-	-	-	-	36,118,713
<b>Total Fund Balances</b>	<b>\$ 58,877,796</b>	<b>\$ 1,093,084</b>	<b>\$ 33,297,826</b>	<b>\$ 26,353,468</b>	<b>\$ 22,316,262</b>	<b>\$ 141,938,436</b>

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

**Encumbrances:** Appropriations in governmental funds are encumbered upon issuance of purchase order for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered. The Special Revenue-Federal Economic Stimulus fund has a zero fund balance. This type of reimbursement grant has not been recognized in the financial statements yet to reflect the encumbrance amount in the fund balance category.

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

<u>Major Funds</u>				
Capital Projects - Local				
General	Capital Improvement Fund	Capital Funds - Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 2,877,971</u>	<u>\$ 21,151,238</u>	<u>\$ 9,500,090</u>	<u>\$ 1,564,064</u>	<u>\$ 35,093,363</u>

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

<u>Project Name</u>	<u>Contract Amount</u>	<u>Completed To Date</u>	<u>Balance Committed</u>
Alta Vista	\$ 1,100,078	\$ 897,489	\$ 202,589
Ashton	405,690	227,179	178,511
Brentwood	121,778	45,121	76,657
Emma E Booker	1,020,454	298,179	722,275
Englewood	1,235,815	312,923	922,892
Fruitville	6,288,693	5,182,399	1,106,294
Gocio	530,216	223,768	306,448
Lakeview	164,681	63,588	101,093
Landings	513,852	420,069	93,783
North Port High	334,464	132,482	201,982
Oak Park	486,927	455,339	31,588
Pineview	12,508,960	5,553,866	6,955,095
Sarasota Technical College -NP	5,489,773	1,221,451	4,268,322
Sarasota High	28,948,656	23,983,598	4,965,058
Toledo Blade	254,378	60,735	193,643
Venice High	36,619,343	36,267,225	352,118
Venice Middle	959,171	122,457	836,714
District Wide	807,269	429,923	377,346
<b>Total</b>	<u>\$ 97,790,199</u>	<u>\$ 75,897,791</u>	<u>\$ 21,892,408</u>

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The following is a summary of interfund receivables and payables reported in the fund financial statements:

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 438,625	\$ 375,379
Debt Service:		
Capital Projects:		
Local Capital Improvement Tax	972,431	400,960
Other Capital Projects	-	7,518
Nonmajor Governmental Funds	363,575	1,002,578
Internal Service Funds	11,804	-
Total	\$ 1,786,435	\$ 1,786,435

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the monies were received in the fund providing the advancement. All amounts will be repaid within the 2016-17 fiscal year.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**  
**(continued)**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 19,736,616	\$ 577,910
Debt Service:		
Other Debt Service	24,738,678	-
Capital Projects:		
Local Capital Improvement Tax	-	42,295,840
Other Capital Projects	-	8,215,234
Nonmajor Governmental Funds		777,187
Internal Service Funds	7,390,877	-
 Total	\$ 51,866,171	\$ 51,866,171

Interfund transfers of money represent permanent transfers of monies between funds. The transfer from the General Fund to the Internal Service Funds was to reimburse the general liability and automobile liability self-insurance funds. Transfers from the Local Capital Improvement Tax Fund were for the purpose of funding maintenance and equipment expenditures and payment of premiums for property and casualty insurance in the General Fund and for paying debt service expenditures in the Other Debt Service Fund and Nonmajor Governmental Funds. Transfers from Other Capital Projects Fund were to provide capital outlay funds to charter schools.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**15. SCHEDULE OF STATE REVENUE SOURCES**

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

<u>Source:</u>	<u>Amount</u>
Categorical educational program - Class size reduction	\$ 47,243,753
Florida education finance program	18,598,374
Workforce development program	7,226,377
School recognition	2,734,660
Motor vehicle license tax (capital outlay & debt service)	1,775,077
Charter school capital outlay	1,402,267
Best and Brightest Teacher Scholarship	1,361,733
Public education capital outlay	777,187
Racing commissions	446,500
Mobile home license tax	246,278
Food service supplement	166,526
Performance based incentives	136,809
Miscellaneous	324,135
<b>Total</b>	<b>\$ 82,439,676</b>

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

**16. PROPERTY TAXES**

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

<u>Funds</u>	<u>Millage Rates</u>	<u>Taxes Levied</u>
<b>General Fund</b>		
Nonvoted School Tax:		
Required Local Effort	4.515	\$ 227,113,066
Basic Discretionary Local Effort	0.748	37,625,819
Voted Tax:		
Operating	1.000	50,301,897
<b>Capital Projects Funds</b>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>75,452,846</u>
<b>Total</b>	<b><u>7.763</u></b>	<b><u>\$ 390,493,628</u></b>

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS**

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

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

The District's pension expense totaled \$11,513.068 for the fiscal year ended June 30, 2016.

**FRS Pension Plan.**

The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. Most employees working for the District are covered by this Plan. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

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, which may include up to 4 years of credit for military service. Members who enrolled in the Plan on or after July 1, 2011 and become vested are eligible for normal retirement benefits at age 65 or at any age after 33 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision but there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments to eligible participants.

The DROP Program, 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b><i>Regular Class members initially enrolled before July 1, 2011</i></b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b><i>Regular Class members initially enrolled on or after July 1, 2011</i></b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b><i>Elected County Officers</i></b>	<b>3.00</b>
<b><i>Senior Management Service Class</i></b>	<b>2.00</b>

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

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

Membership Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
FRS, DROP	0.00	12.88
FRS, Reemployed Retiree	(B)	(B)

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

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

The District's contributions to the Plan totaled \$12,072,827 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of \$79,497,246 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.615478062 percent, which was a decrease of 0.015052854 percent from its proportionate share measured as of June 30, 2014.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$5,582,473 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>
Difference between expected and actual experience	\$ 8,392,555	\$ 1,885,433
Change of assumptions	5,276,499	
Net difference between projected and actual earnings on FRS pension plan investments		18,982,612
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	1,168,016	1,975,589
District FRS contributions subsequent to the measurement date	12,072,827	
<b>Total</b>	<b>\$ 26,909,897</b>	<b>\$ 22,843,634</b>

The deferred outflows of resources related to pensions, totaling \$12,072,827, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (6,389,965)
2018	(6,389,965)
2019	(6,389,965)
2020	9,271,283
2021	1,528,824
Thereafter	363,255
<b>Total</b>	<b>\$ (8,006,533)</b>

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

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

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

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

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

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

<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	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic investments	<u>12.0%</u>	6.7%	6.1%	11.4%
<b>Total</b>	<u><u>100.00%</u></u>			
Assumed inflation - Mean		2.60%		1.90%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 205,995,345	\$ 79,497,246	\$(25,769,949)

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.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$1,186,404 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

**HIS Pension Plan**

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

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$3,623,498 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$80,714,856 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 one year, net of the District's proportionate share of the pensions plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015.

The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.791444173 percent, which was an increase of 0.008203875 percent from its proportionate share measured as of June 30, 2014.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$5,930,595 related to the HIS Plan. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 6,350,152
Net difference between projected and actual earnings on HIS pension plan investments	43,693
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	104,233
District contributions subsequent to the measurement date	3,623,498
	<hr/>
<b>Total</b>	<b>\$ 10,121,576</b>

The deferred outflows of resources related to pensions, totaling \$3,623,498, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,125,910
2018	1,125,910
2019	1,125,910
2020	1,117,030
2021	1,112,767
Thereafter	890,551
	<hr/>
<b>Total</b>	<b>\$ 6,498,078</b>

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.80 percent

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

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

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

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

Sensitivity of the District's Proportionate Share of the Net 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 3.80 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current rate:

	<b>1% Decrease (2.80%)</b>	<b>Current Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
District's proportionate share of the net pension liability	\$ 91,970,821	\$ 80,714,856	\$ 71,329,071

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.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$350,393 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

**FRS-Defined Contribution Plan.** Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a defined contribution program called the Florida Retirement System Investment Plan (Investment Plan), which is administered by the SBA. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Employees may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Employees in the Investment Plan vest in their own contributions immediately and, after one year of service, in employer contributions and investment earnings. District employees participating in DROP are not eligible to participate in the program. This program is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the FRS. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on the same salary and membership class (Regular Class, Elected County Officers, etc.) as the FRS defined benefit plan. Contributions are directed to the individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

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

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**17. STATE RETIREMENT PROGRAMS (continued)**

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

There were 836 District participants in the Investment Plan during the 2015-16 fiscal year. The District's Investment Plan pension expense totaled \$1,595,534.

**18. SPECIAL TERMINATION BENEFITS**

On May 18, 1993, the Board approved the establishment of a one-time early retirement incentive program for members of the instructional and classified collective bargaining units and its administrative personnel who signed an agreement to participate in the program and agreed to retire from employment under the provisions of the FRS as explained in Note 17. The Early Out Program was offered only until August 15, 1993. Participating employees were required to select an option under the existing provisions of the FRS which pays over the life of the employee the maximum retirement benefit payable, forfeiting an option which would pay decreased retirement benefits for the lifetime of both the employee and a joint annuitant (Survivor). To compensate for the loss of these extended survivor benefits, the District, as part of the Early Out Program, purchased on behalf of participating employees a flexible premium universal life insurance policy to be paid for over the life of the retiree, providing death benefits upon the qualified employee's death equaling the amount the survivor would have received, including a 3 percent annual cost of living adjustment (COLA), had the qualified employee selected the FRS option which paid survivor benefits. Premiums are to be paid for over the life of the participating employee.

The District reported a liability of \$247,263 in the Statement of Net Position representing the present value of the estimated future payments for life insurance premiums for the remaining 100 employees who elected to retire during the 1992-93 and 1993-94 fiscal years and participate in the program.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**19. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** – The Other Postemployment Benefits (OPEB) Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and their eligible dependents may continue to participate in one of four fully insured comprehensive plans for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not provide any explicit subsidies for retiree coverage. Retirees are not required to enroll in the Federal Medicare programs parts A and B for their primary coverage as soon as they are eligible. A retiree may also participate in the District's life insurance program that provides \$5,000 coverage reducing to \$2,500 at age 70. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity. A copy of the actuarial report provided by AON Hewitt dated August 17, 2016 is available in the District's Finance Department.

**Funding Policy** – Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation and the OPEB Plan is financed on a pay-as-you-go basis. As of the valuation date there were 348 retirees and 38 eligible dependents receiving postemployment health care benefits and 1,950 receiving life insurance coverage. For the 2015-16 fiscal year, the District provided required contributions of \$1,616,551 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses, retention costs, and net of retiree contributions totaling \$2,672,452 which is 1.10 percent of the covered payroll.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**19. OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

Description	Amount
Normal Cost (service cost for one year)	\$ 1,296,629
Amortization of Unfunded Actuarial Accrued Liability	1,071,890
Interest on Normal Cost and Amortization	94,741
Annual Required Contribution	2,463,260
Interest on Net OPEB Obligation	409,623
Adjustment to Annual Required Contribution	(365,741)
Annual OPEB Cost (expense)	2,507,142
Contribution Toward the OPEB Cost	(1,616,551)
Increase in Net OPEB Obligation	890,591
Net OPEB Obligation, Beginning of Year	10,240,567
Net OPEB Obligation, End of Year	\$ 11,131,158

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**19. OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-2014	\$ 2,999,243	\$ 1,961,589	65.4%	\$ 10,454,190
2014-2015	2,351,887	2,565,510	109.1%	10,240,567
2015-2016	2,507,142	1,616,551	64.5%	11,131,158

**Funded Status and Funding Progress** – As of June 30, 2016, the most recent valuation date actuarial accrued liability for benefits was \$22,599,448 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$22,599,448 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$243,889,092 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.3 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The required supplementary schedule of funding progress immediately following the notes to the financial statements present multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** –Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**19. OTHER POSTEMPLOYMENT BENEFITS (continued)**

The District's OPEB actuarial valuation for the 2015-16 fiscal year used the entry age normal cost actuarial method to estimate both the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4 percent rate of return on invested assets. The actuarial assumptions also include a payroll growth rate of 3.5 percent per year, general inflation is 2.5 percent, and an annual healthcare cost trend rate of 7.5 percent initially (8.5 percent for Medicare eligible) for the 2015-16 fiscal year, reduced to an ultimate rate of 5.0 percent for fiscal year ending June 30, 2024. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years. The remaining amortization period at June 30, 2016 was 20 years.

**20. RISK MANAGEMENT PROGRAMS**

The District has established a cafeteria plan under Section 125 of the Internal Revenue Code whereby the District will purchase various insurance products for the employee. In addition, an employee may purchase additional insurance, which qualifies for salary reduction under Internal Revenue Service guidelines. The cafeteria plan is accounted for as an Internal Service Fund.

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. Workers' compensation, automobile liability, and general liability coverage, certain dental benefits and effective January 1, 2016 medical benefits contained within the District's cafeteria plan, are being provided on a self-insured basis up to specified limits.

The District has contracted with an insurance administrator to administer the workers' compensation, medical benefit and dental benefit self-insurance programs, including the processing, investigation, and payment of claims. The District has entered into an insurance agreement for their medical benefit program to provide stop loss coverage on specific medical and prescription drug claims in excess of \$500,000 with unlimited specific annual or lifetime maximum eligible expenses per covered person including retirees. The District has entered into an insurance agreement for their workers' compensation plan to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis and aggregate excess coverage up to \$25 million. For automobile and general liability coverage the District depends on the Florida Sovereign Immunity Act, Section 768.28, Florida Statutes, to limit its potential tort liability to \$200,000 per person or \$300,000 per occurrence.

Property protection, employee blanket crime policy and fidelity bond, and other coverages deemed necessary by the Board are provided through purchased commercial insurance. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past two fiscal years.

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Notes to the Basic Financial Statements (continued)**  
**June 30, 2016**

**20. RISK MANAGEMENT PROGRAMS (continued)**

A liability in the amount of \$12,186,397 for the workers' compensation, the general liability, the automobile liability, the dental liability, and the health insurance funds was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2016, and is net of excess insurance recoverable on unpaid claims. A liability in the amount of \$90,680 relates to the District's cafeteria plan fund. Non-incremental claims expense has been included as part of the liabilities.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2014-2015	\$ 8,914,497	\$ 4,025,116	\$ (4,250,209)	\$ 8,689,404
2015-2016	8,689,404	29,809,596	(26,221,923)	12,277,077

**21. LITIGATION**

The District is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Management believes that any liability arising from such claims would be immaterial to the financial statements.

**22. CONTINGENCY**

The District receives grant funds from the Federal government. Certain expenditures of these funds are subject to audit by the grantor, and the reporting entity is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the District, no material refunds will be required as a result of expenditures disallowed by the grantors.

**23. SUBSEQUENT EVENTS**

The District has evaluated subsequent events from July 1, 2016 through August 31, 2016, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. No subsequent events occurred which would have a material impact on the District's financial statements.