1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ <u>Reporting Entity</u>

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:

- <u>Blended Component Unit</u> 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.

- <u>Discretely Presented Component Units</u> 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, ten 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:

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, 2017. Audits of the charter schools for the fiscal year ended June 30, 2017, 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.

- **<u>Basis of Presentation</u>**

<u>Government-wide Financial Statements</u> - 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

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.

<u>Fund Financial Statements</u> - 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:

- <u>General Fund</u> - 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.

- <u>Debt Service – Other Debt Service Fund</u> – 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.

- <u>Capital Projects – Local Capital Improvement Tax Fund</u> - 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.

- <u>Capital Projects – Other Capital Projects Fund</u> – to account for the financial resources such as sales tax proceeds, impact fees, and certificates of participation, which are used for capital outlay needs.

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.

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.

➢ Change in Accounting Principle

On March 2, 2015, GASB released Statement No. 72, *Fair Value Measurement and Application,* which would generally require entities to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on an entity's financial position. The District implemented GASB No. 72 in the fiscal year ending June 30, 2017 (see Note 3).

➢ 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

➢ 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 placed in the Wells Fargo 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 218.415, 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, 2017, are similar to money market funds in which shares are owned in the fund rather than the underlying investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The District categorizes its fair value measurements within the fair value hierarchy established in accordance with generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are significant unobservable inputs. Types and amounts of investments held by the District at June 30, 2017 are further described in Note 3.

- **<u>Inventories and Prepaid Items</u>**

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 acquisition 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.

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 $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are recorded at acquisition value at the date of donation. Capital assets 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:

Description	Estimated Lives
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.

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 30th 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.

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.

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.

- **<u>District Property Taxes</u>**

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 2016 tax levy on September 14, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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.

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.

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 are reported at fair value other than those using the Net Asset Value ("NAV") or amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value determinations, other than those measured using the "NAV" as a practical expedient, are made based upon a hierarchy that prioritizes the inputs to valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

  - Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

  - Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

  - Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability, and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

3. INVESTMENTS (continued)

- "NAV" - Investments in State Board of Education and Florida Education Investment Trust Fund represent $15,300,870 in pooled investment programs. No specific investments are assigned to the District, rather the value of the District's investment is equal to the total fund net asset value times the District's units as a percentage of total units outstanding.

  Any dividends or interest of the programs are reinvested. In addition the District may withdraw either a portion of or its entire investment at any time in the Program with the exception of State Board of Education. The District investment in The Wells Fargo Money Heritage Money Market Fund may not be withdrawn. There were no unfunded commitments related to the Program as of June 30, 2017.

- Amortized Cost - Florida PRIME is a 2a7-like pool, which is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, governing money market funds. Thus, this pool operates essentially as a money market fund. Florida PRIME has a Standard & Poor's rating of AAAm at June 30, 2017 and is recorded at amortized cost.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

3. INVESTMENTS (continued)

At June 30, 2017, the District had the following investments:

	Maturities	6/30/2017	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 2017-Sept 2019(3)	$ 25,514,125	$ -	$ 25,514,125	$ -
United States Treasury Strip	5/15/2027(4)	17,823,117	-	17,823,117	-
United States Treasury Notes	Aug 2017-April 2020	23,902,093	-	23,902,093	-
Municipal Bonds	May 2018-Aug 2018	1,270,948	-	1,270,948	-
Commerical Paper	Aug 2017-Oct 2017	39,904,613	-	-	39,904,613
Corporate Notes	Aug 2017-June 2020	9,026,411	-	9,026,411	-
Total investments by fair value level		117,441,307	$ -	$ 77,536,694	$ 39,904,613
Instruments measured at the net asset value (NAV)					
State Board of Administration:					
Florida PRIME	39 Day Average(1)	108,097,544			
Debt Service Accounts	6 Months	128,701			
Cash with Fiscal Agent	Less than 1 year	866,736			
Wells Fargo Government Money Market	32 Day Average(1)(2)	2,053,419			
FL Education Investment Trust Fund	37 Day Average(1)	15,172,169			
Cash held in investment(5)		773,559			
Total Investments measured at NAV		127,092,128			
Total Investments		$ 244,533,435			

(1) Investments are reported as cash equivalents.
(2) Includes cash totaling $451 held under a paying agent agreement for investment purposes for the 2010 A Qualified School Construction Bonds (Note 8).
(3) Includes FHLB Discount Note totaling $1,118,463 held under a paying agent agreement for the Qualified Zone Academy Bonds (Note 9).
(4) Investment held under a paying agent agreement for the 2010 A Qualified School Construction Bonds (Note 8).
(5) Cash helod in investment portfolio.

➢ 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 37 days at June 30, 2017. 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.

3. INVESTMENTS (continued)

- **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments 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, 2017, the District's investments in the Florida PRIME, the Wells Fargo Government 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 $25,514,125 and United States Treasury Notes totaling $23,902,093 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 AAA to A- by Standard & Poor's.

The District's investment in Obligations of United States Agencies and Instrumentalities – FHLB Discount Note totaling $1,118,463 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.

3. INVESTMENTS (continued)

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.

The District's $1,118,463 investment in a FHLB discount note and the District's $17,823,117 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.

3. INVESTMENTS (continued)

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 ($8,967,402), represent 3.7% of total investments.

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.

All receivable balances are expected to be received within the subsequent year.

Due from other agencies at June 30, 2017, are shown below:

Sarasota County Government	$	1,059,223
Agency For Health Care Administration		927,259
Florida Department of Education		732,259
Sarasota County Public Works		623,669
State of Florida		279,199
US Department of Agriculture		226,276
City of North Port		150,368
City of Sarasota		74,962
Sarasota County Tax Collector		63,615
Florida Retirement System		56,792
City of Venice		40,640
SWFWMD Grant		40,203
Sarasota County Sheriff		21,440
Sarasota Area Transit		8,871
Sarasota County Fire Department		6,970
Florida Department of Health		5,695
US Government		1,938
Nokomis Fire Department		1,672
	$	4,321,050

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 33,139,925	$ 3,802,121	$ -	$ 36,942,046
Land Improvements	76,585,315	831,492	-	77,416,807
Construction in Progress	49,986,449	24,102,051	41,346,261	32,742,239
Total Capital Assets Not Being Depreciated	159,711,689	28,735,664	41,346,261	147,101,092
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	66,569,178	4,395,388	-	70,964,566
Buildings and Fixed Equipment	986,810,242	43,163,263	95,316	1,029,878,189
Furniture, Fixtures, and Equipment and Audio Visual Materials	56,868,772	6,683,146	5,685,695	57,866,223
Motor Vehicles	33,998,898	3,117,276	2,702,142	34,414,032
Equipment Under Capital Leases	45,818,994	10,535,376	10,361,603	45,992,767
Computer Software	13,033,449	59,428	-	13,092,877
Total Capital Assets Being Depreciated	1,203,099,533	67,953,877	18,844,756	1,252,208,654
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(35,423,541)	(2,824,645)	-	(38,248,186)
Buildings and Fixed Equipment	(275,044,635)	(22,644,067)	92,190	(297,596,512)
Furniture, Fixtures, and Equipment and Audio Visual Materials	(37,342,225)	(4,922,020)	5,438,522	(36,825,723)
Motor Vehicles	(21,606,742)	(2,446,575)	2,702,142	(21,351,175)
Equipment Under Capital Leases	(21,755,803)	(9,533,157)	10,361,603	(20,927,357)
Computer Software	(4,753,858)	(1,247,959)	-	(6,001,817)
Total Accumulated Depreciation	(395,926,804)	(43,618,423)	18,594,457	(420,950,770)
Total Capital Assets Being Depreciated, Net	807,172,729	24,335,454	250,299	831,257,884
Governmental Activities Capital Assets, Net	$ 966,884,418	$ 53,071,118	$ 41,596,560	$ 978,358,976

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

5. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 37,703,379
Student Support Services	5,242
Instructional Media Services	6,082
Instruction and Curriculum Development Services	1,517
Instructional Staff Training Services	26,587
Instructional Related Technology	1,203
General Administration	171,297
School Administration	48,042
Facility Services - non capitalized	2,319,733
Food Services	131,182
Central Services	380,492
Student Transportation Services	2,595,759
Operation of Plant	88,509
Maintenance of Plant	117,057
Administrative Technology Services	22,122
Community Services	220
Total Depreciation Expense - Governmental Activities	$ 43,618,423

6. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities at June 30, 2017, are shown below:

Salary and Wages Payable	$ 19,348,783
Payroll Deductions and Withholdings Payable	864,537
Accounts Payable	9,291,481
Construction Contracts Payable	6,233,137
Deposits Payable	12,700
	$ 35,750,638

7. OBLIGATIONS UNDER CAPITAL LEASES

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

Asset Description	Asset Balance
Equipment:	
Copier Equipment	$ 960,570
Computer Equipment	45,032,197
	$ 45,992,767

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

Fiscal Year Ending June 30	Total
2018	$ 11,413,407
2019	7,697,806
2020	5,223,386
2021	2,588,964
Total minimum lease payments	26,923,563
Less interest	(1,300,466)
Present value of minimum payments	$ 25,623,097

The imputed interest rates range from 1.45 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.

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 $2,033,655 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%.

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:

<u>Series 2009 Certificates of Participation</u>

Atwater Elementary School
Sarasota County Technical Institute

<u>Series 2010A Certificate of Participation (Qualified School Construction Bonds)</u>

Booker High School

<u>Series 2010B Certificates of Participation</u>

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 5.00 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
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		2,125,484		13,372,780	15,498,264
2023-2027	-	53,653,424	-	33,108,109	86,761,533
Total Minimum Lease Payments	11,288,551	64,280,844	15,480,700	73,187,357	164,237,452
Add: Unamortized Premium on Debt	12,465	-	999,581	-	1,012,046
Less: Interest	(753,550)	(21,254,844)	(1,250,700)	(6,197,358)	(29,456,452)
Total Certificates of Participation	$ 10,547,466	$ 43,026,000	$ 15,229,581	$ 66,989,999	$ 135,793,046

9. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2008-A	45,000	5.00	2018
Series 2009-A	440,000	5.00	2019
Series 2010	1,360,000	3.50-5.00	2030
Series 2011-A	380,000	3.00-5.00	2023
Series 2014-A	505,000	5.00	2024
Series 2014-B	1,134,000	2.00-5.00	2020
Series 2017-A	1,519,000	3.00-5.00	2028
District Revenue Bonds:			
Qualified Zone Academy Bonds	1,299,696		2021
Subtotal	6,682,696		
Add: Unamortized Premium on Debt	783,436		
Total Bonds Payable	$ 7,466,132		

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.

9. BONDS PAYABLE (continued)

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

Fiscal Year Ending June 30: State School Bonds	Total	Principal	Interest
2018	$ 1,659,917	$ 1,407,000	$ 252,917
2019	820,580	641,000	179,580
2020	596,330	448,000	148,330
2021	491,290	362,000	129,290
2022	502,190	391,000	111,190
2023-2027	1,935,350	1,641,000	294,350
2028-2030	527,690	493,000	34,690
Total	$ 6,533,347	$ 5,383,000	$ 1,150,347

➢ **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 $1,118,463 in this sinking fund at June 30, 2017.

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 27, 2017, the bond proceeds received for the issuance of the State Board of Education (SBE) Capital Outlay Bonds, Series 2017-A, $1,519,000, refunded certain callable portions of the SBE Capital Outlay Bonds, Series 2006-A, and Series 2008-A. Accordingly, Series 2006-A, $890,000, and Series 2008-A, $820,000 is considered defeased. As a result of this refunding, the District will see a decrease in Debt Service payments of $237,911.

On June 30, 2017, debt considered defeased in substance are as follows:

Debt Issue	Amount Outstanding
State School Bonds, Series 2006A	$ 890,000
State School Bonds, Series 2008A	820,000
Total Defeased Debt	$ 1,710,000

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 8,927,439	$ 1,750,044	$ 3,211,351	$ 7,466,132	$ 1,407,000
Obligations Under Capital Leases	24,895,361	10,535,376	9,807,640	25,623,097	10,727,445
Certificates of Participation Payable	146,782,472	-	10,989,426	135,793,046	11,095,000
Liability for Compensated Absences	35,439,301	10,126,635	10,124,887	35,441,049	10,097,874
Estimated Insurance Claims Payable	12,277,077	46,884,577	46,590,482	12,571,172	6,377,948
Early Retirement Incentive Payable	247,263	-	93,885	153,378	79,668
Other Postemployment Healthcare Benefits Payable	11,131,158	2,189,134	2,397,742	10,922,550	-
Net Pension Liability	160,212,102	64,599,677	11,718,572	213,093,207	2,375,496
Total Governmental Activities	$ 399,912,173	$ 136,085,443	$ 94,933,985	$ 441,063,631	$ 42,160,431

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.

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 $1,184,207 and prepaid items totaling $9,195,796 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 C*ommitted* 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.

- <u>Restricted</u>: 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 $98,795,492 and represents $10,327,641 for categorical programs; $235,355 for grants; $3,722,816 for food service; $19,911,657 for debt service; and $64,598,023 for capital projects.

- <u>Committed</u>: 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.

- <u>Assigned</u>: 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

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 $6,023,599 and represents $4,359,735 in district projects and $1,663,864 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 $47,480,009.

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 11.2 percent.

The following is a schedule of fund balances by category at June 30, 2017:

	Major Funds					
	General	Debt Service - Other Debt Service	Capital Projects - Local Capital Improvement Tax	Capital Projects - Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Inventories	$ 892,896	$ -	$ -	$ -	$ 291,311	$ 1,184,207
Prepaid items	8,694,763	-	15,061	521	485,451	9,195,796
Spendable:						-
Restricted:						-
Categorical Programs	10,327,641	-	-	-	-	10,327,641
Grants	15,936	-	-	-	219,419	235,355
Special Revenue -						-
Food Service	-	-	-	-	3,722,816	3,722,816
Debt Service	-	1,119,262	-	-	18,792,395	19,911,657
Capital Projects	-	-	36,193,199	28,388,226	16,598	64,598,023
Assigned:						-
School Operations:						-
District Projects	4,359,735	-	-	-	-	4,359,735
School Carryforwards	1,663,864	-	-	-	-	1,663,864
Capital Projects	-	-	-	-	-	-
Unassigned	47,480,009	-	-	-	-	47,480,009
Total Fund Balances	$ 73,434,844	$ 1,119,262	$ 36,208,260	$ 28,388,747	$ 23,527,990	$ 162,679,103

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

Major Funds				
General	Capital Projects - Local Capital Improvement Fund	Capital Funds - Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 2,251,118	$ 16,868,335	$ 23,820,341	$ 1,803,678	$ 44,743,472

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

Project Name	Contract Amount	Completed To Date	Balance Committed
Ashton	$ 218,465	$ 71,137	$ 147,328
Booker Middle	310,509	207,488	103,021
Brentwood	844,836	153,680	691,156
Emma E Booker	786,771	396,758	390,013
Englewood	406,293	62,605	343,688
Lamarque	565,468	141,004	424,464
Laurel Nokomis	412,018	154,705	257,312
North Port High	266,965	183,776	83,189
Oak Park	116,468	-	116,468
Phillippi Shores	432,566	268,710	163,856
Pineview	17,450,296	10,641,170	6,809,126
Suncoast Technical College -NP	17,204,401	12,252,160	4,952,240
Sarasota High	29,959,401	28,079,568	1,879,833
Sarasota Middle	177,545		177,545
Taylor Ranch	140,365	46,926	93,440
Toledo Blade	268,562	-	268,562
Venice Middle	10,952,986	1,564,168	9,388,818
District Wide	1,842,392	493,980	1,348,412
Total	$ 82,356,306	$ 54,717,837	$ 27,638,469

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	Interfund Payables
Major Funds:		
General	$ 467,003	$ 12,563
Capital Projects:		
Local Capital Improvement Tax	-	371,840
Other Capital Projects	-	256
Debt Service:		
Other Debt Service	249,963	
Nonmajor Governmental Funds	9,518	344,870
Internal Service Funds	3,045	
Total	$ 729,529	$ 729,529

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 2017-18 fiscal year.

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	Interfund Transfers Out
Major Funds:		
General	$ 20,264,027	$ 577,910
Debt Service:		
Other Debt Service	23,856,707	-
Capital Projects:		
Local Capital Improvement Tax	-	42,992,025
Other Capital Projects	-	2,239,858
Nonmajor Governmental Funds	2,268,166	1,157,017
Internal Service Funds	577,910	-
Total	$ 46,966,810	$ 46,966,810

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 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.

15. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2016-17 fiscal year:

Source:	Amount
Categorical educational program - Class size reduction	$ 47,826,971
Florida education finance program	21,506,285
Workforce development program	7,137,982
School recognition	1,998,048
Motor vehicle license tax (capital outlay & debt service)	1,868,331
Charter school capital outlay	1,782,380
Best and Brightest Teacher Scholarship	1,486,086
Public education capital outlay	4,156,515
Discretionary Lottery Funds	745,832
Sales Tax Distribution	446,500
Mobile home license tax	247,658
Food service supplement	160,987
Performance based incentives	79,678
Miscellaneous	343,167
Total	$ 89,786,420

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 2016 tax roll for the 2016-17 fiscal year:

Funds	Millage Rates	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.185	$ 222,628,769
Basic Discretionary Local Effort	0.748	39,791,235
Voted Tax:		
Operating	1.000	53,196,839
Capital Projects Funds		
Nonvoted Tax:		
Local Capital Improvements	1.500	79,833,647
Total	7.433	$ 395,450,490

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).

The District's pension expense totaled $4,198,505 for the fiscal year ended June 30, 2017.

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.

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.

17. STATE RETIREMENT PROGRAMS (continued)

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

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

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

17. STATE RETIREMENT PROGRAMS (continued)

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

	Percent of Gross Salary	
Membership Class	Employee	Employer (A)
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
FRS, Senior Management Service	3.00	21.77
FRS, DROP	0.00	12.99
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 0.06 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 $14,712,679 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of $130,695,542 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.517604497 percent, which was a decrease of 0.097873565 percent from its proportionate share measured as of June 30, 2015.

17. STATE RETIREMENT PROGRAMS (continued)

For the fiscal year ended June 30, 2017, the District recognized pension expense of $17,673,034 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 10,007,056	$ 1,216,864
Change of assumptions	7,906,689	-
Net difference between projected and actual earnings on FRS pension plan investments	33,783,204	-
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	896,384	13,235,170
District FRS contributions subsequent to the measurement date	14,712,679	-
Total	$ 67,306,012	$ 14,452,034

The deferred outflows of resources related to pensions, totaling $14,712,679, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ 4,698,125
2018	4,698,125
2019	17,868,915
2020	11,327,428
2021	(240,158)
Thereafter	(211,136)
Total	$ 38,141,299

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

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

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

17. STATE RETIREMENT PROGRAMS (continued)

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

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
Total	100.00%			
Assumed inflation - Mean		2.6%		1.9%

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension (asset) liability	$ 240,619,341	$ 130,695,542	$ 39,198,496

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, 2017, the District reported a payable of $2,340,239 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

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, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statues. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $4,423,994 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of $82,397,665 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.706997805 percent, which was a decrease of 0.084446368 percent from its proportionate share measured as of June 30, 2015.

17. STATE RETIREMENT PROGRAMS (continued)

For the fiscal year ended June 30, 2017, the District recognized pension expense of $5,662,134 related to the HIS Plan. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 187,672
Change of assumptions	12,930,288	-
Net difference between projected and actual earnings on HIS pension plan investments	41,662	
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	84,189	7,362,621
District HIS contributions subsequent to the measurement date	4,423,994	-
Total	$ 17,480,133	$ 7,550,293

The deferred outflows of resources related to pensions, totaling $4,423,994, 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, 2017.

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

Fiscal Year Ending June 30	Amount
2017	$ 1,105,191
2018	1,105,191
2019	1,097,258
2020	1,093,450
2021	770,296
Thereafter	334,460
Total	$ 5,505,846

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.85 percent

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, 2016 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 2.85 percent, which is a reduction from .95 percent used at the preceding measurement date. 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 2.85 percent, as well as what the District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension (asset) liability	$ 94,528,842	$ 82,397,665	$ 72,329,451

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, 2017, the District reported a payable of $715,961 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2017.

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 2016-17 fiscal year were as follows:

Class	Percent of Gross Compensation
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, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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 912 District participants in the Investment Plan during the 2016-17 fiscal year. The District's Investment Plan pension expense totaled $2,253,166.

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 $153,378 in the Statement of Net Position representing the present value of the estimated future payments for life insurance premiums for the remaining 89 employees who elected to retire during the 1992-93 and 1993-94 fiscal years and participate in the program.

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 18, 2017 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 456 retirees and 44 eligible dependents receiving postemployment health care benefits and 2,211 receiving life insurance coverage. For the 2016-17 fiscal year, the District provided required contributions of $2,397,742 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses, retention costs, and net of retiree contributions totaling $3,319,128 which is 1.33 percent of the covered payroll.

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)	$ 887,380
Amortization of Unfunded Actuarial Accrued Liability	1,171,693
Interest on Normal Cost and Amortization	82,363
Annual Required Contribution	2,141,436
Interest on Net OPEB Obligation	445,246
Adjustment to Annual Required Contribution	(397,548)
Annual OPEB Cost (expense)	2,189,134
Contribution Toward the OPEB Cost	(2,397,742)
Increase in Net OPEB Obligation	(208,608)
Net OPEB Obligation, Beginning of Year	11,131,158
Net OPEB Obligation, End of Year	$ 10,922,550

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, 2017, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
2016-2017	2,189,134	2,397,742	109.5%	10,922,550

Funded Status and Funding Progress – As of June 30, 2017, the most recent valuation date actuarial accrued liability for benefits was $23,440,929 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $23,440,929 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $249,725,528 for the 2016-17 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.4 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.

19. OTHER POSTEMPLOYMENT BENEFITS (continued)

The District's OPEB actuarial valuation for the 2016-17 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 8.4 percent initially (8.7 percent for Medicare eligible) for the 2016-17 fiscal year, reduced to an ultimate rate of 4.5 percent for fiscal year ending June 30, 2026. 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, 2017 was 19 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, 2017 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.

20. RISK MANAGEMENT PROGRAMS (continued)

A liability in the amount of $12,402,817 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, 2017, and is net of excess insurance recoverable on unpaid claims. A liability in the amount of $168,355 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:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2015-2016	$ 8,689,404	$ 22,470,016	$ (18,882,343)	$ 12,277,077
2016-2017	12,277,077	46,884,577	(46,590,482)	12,571,172

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, 2017 through August 25, 2017, 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.