STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2018-192
March 2018

INDIAN RIVER COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2017

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Dr. Mark J. Rendell served as Superintendent of the Indian River County Schools and the following individuals served as School Board Members:

	District No.
Shawn Frost, Vice Chair	1
Dale Simchick, Chair through 11-21-16	2
Laura Zorc from 11-22-16	3
Matthew McCain through 11-21-16	3
Charles Searcy, Chair from 11-22-16	4
Tiffany M. Justice from 11-22-16	5
Claudia Jimenez through 11-21-16	5

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

The team leader was Bevohn Dougall, CPA, and the audit was supervised by Tim L. Tucker, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding AM 2017-001: For the 2013-14 through 2016-17 fiscal years, the District did not appropriately allocate and disburse additional property tax levy collections to the five District-sponsored charter schools in accordance with State law. As a result, the District must repay the five charter schools a total of $2.6 million over a 4-year period with monthly payments starting in February 2018 and ending in calendar year 2022.

SUMMARY OF REPORT ON FEDERAL AWARDS

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended

June 30, 2017. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 11 percent of the assets and 21 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note II. to the financial statements, the District early implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2016-17 fiscal year with amounts reported for the 2015-16 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- In total, net position increased $2 million during the 2016-17 fiscal year.
- The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources at June 30, 2017, by $184.1 million. Of this amount, $208.9 million represents investments in capital assets (net of related debt), and negative $24.8 million represents restricted and unrestricted net position of $30.9 million and negative $55.7 million, respectively.
- Program revenues account for $13.7 million, or 7.3 percent, of total revenues, and general revenues and special item account for $174.2 million, or 92.7 percent.
- The governmental funds report combined fund balances of $51.2 million, a decrease of $13.6 million in comparison to the prior fiscal year.
- At the end of the fiscal year, assigned fund balance for the General Fund was $15.8 million, or 11 percent of General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – The District charges fees to cover the cost of certain services it provides. These activities are for its Extended Day Program.
- Component units – The District presents five separate legal entities that operate as charter schools as discussed in the notes to the basic financial statements. Although these are legally separate organizations, the component units' activities are included in the financial statements since they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

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

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

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its Extended Day Program.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for the health self-insurance program activities. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's nonmajor enterprise fund is the business-type activities. Conversely, the internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

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

The District uses private-purpose trust funds to account for scholarship funds established by private donors.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Required Supplemental Information

The District adopts an annual budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. Additional required supplementary information is presented related to the funding progress for other postemployment benefits and net pension liabilities and contributions.

Notes to Required Supplementary Information

The notes provide additional information that is essential for a full understanding of the data provided in the required supplementary information.

Government-Wide Financial Analysis

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

Net Position, End of Year
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
Current and Other Assets	$ 69,271	$ 80,331	$ 910	$ 821	$ 70,181	$ 81,152
Capital Assets	342,635	336,163	-	-	342,635	336,163
Total Assets	411,906	416,494	910	821	412,816	417,315
Deferred Outflows of Resources	35,944	17,487	190	50	36,134	17,537
Other Liabilities	17,600	18,521	38	34	17,638	18,555
Long Term Liabilities	242,009	225,448	553	386	242,562	225,834
Total Liabilities	259,609	243,969	591	420	260,200	244,389
Deferred Inflows of Resources	4,644	8,291	20	50	4,664	8,341
Net Position:						
Net Investment in Capital Assets	208,911	220,360	-	-	208,911	220,360
Restricted	30,927	25,328	-	-	30,927	25,328
Unrestricted (Deficit)	(56,241)	(63,967)	489	401	(55,752)	(63,566)
Total Net Position	$ 183,597	$ 181,721	$ 489	$ 401	$ 184,086	$ 182,122

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing $10.2 million in compensated absences payable, $13.9 million in other postemployment benefit obligations, and $84.7 million in net pension liability.

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

Operating Results for the Fiscal Year Ended
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
Program Revenues:						
Charges for Services	$ 1,998	$ 2,023	$ 873	$ 809	$ 2,871	$ 2,832
Operating Grants and Contributions	6,658	6,858	-	-	6,658	6,858
Capital Grants and Contributions	4,153	3,975	-	-	4,153	3,975
General Revenues:						
Property Taxes, Levied for Operational Purposes	93,853	96,034	-	-	93,853	96,034
Property Taxes, Levied for Capital Projects	23,822	22,318	-	-	23,822	22,318
Grants and Contributions Not Restricted to Specific Programs	55,626	52,010	-	-	55,626	52,010
Unrestricted Investment Earnings	558	533	3	2	561	535
Miscellaneous	2,919	2,591	1	-	2,920	2,591
Total Revenues	189,587	186,342	877	811	190,464	187,153
Functions/Program Expenses:						
Instruction	104,888	100,953	-	-	104,888	100,953
Student Support Services	5,380	5,242	-	-	5,380	5,242
Instructional Media Services	2,068	2,108	-	-	2,068	2,108
Instruction and Curriculum Development Services	6,202	6,210	-	-	6,202	6,210
Instructional Staff Training Services	2,469	2,476	-	-	2,469	2,476
Instruction-Related Technology	5,691	4,728	-	-	5,691	4,728
Board	1,276	1,040	-	-	1,276	1,040
General Administration	1,406	1,084	-	-	1,406	1,084
School Administration	9,710	9,526	-	-	9,710	9,526
Facilities Acquisition and Construction	6,725	11,406	-	-	6,725	11,406
Fiscal Services	1,308	1,204	-	-	1,308	1,204
Food Services	8,661	8,320	-	-	8,661	8,320
Central Services	2,380	3,706	-	-	2,380	3,706
Student Transportation Services	6,408	6,049	-	-	6,408	6,049
Operation of Plant	12,706	12,917	-	-	12,706	12,917
Maintenance of Plant	3,860	3,544	-	-	3,860	3,544
Administrative Technology Services	3,922	4,014	-	-	3,922	4,014
Community Services	396	205	-	-	396	205
Unallocated Interest on Long-Term Debt	4,935	5,718	-	-	4,935	5,718
Extended Day Program	-	-	788	832	788	832
Total Functions/Program Expenses	190,391	190,450	788	832	191,179	191,282
Excess (deficiency) Before Special Item	(804)	(4,108)	89	(21)	(715)	(4,129)
Special Item	(2,573)	-	-	-	(2,573)	-
Change in Net Position	(3,377)	(4,108)	89	(21)	(3,288)	(4,129)
Net Position - Beginning	181,721	185,829	400	422	182,121	186,251
Adjustment to Beginning Net Position (1)	5,253	-	-	-	5,253	-
Net Position - Beginning, as Restated	186,974	185,829	400	422	187,374	186,251
Net Position - Ending	$ 183,597	$ 181,721	$ 489	$ 401	$ 184,086	$ 182,122

Note (1) - The District early implemented Governmental Accounting Standards Board Statement No. 75 which was a change in accounting principle that requires employers to report the Other Postemployment Benefits liability and related deferred outflows/inflows of resources in government-wide financial statements.

Governmental activities revenues increased by $3.2 million primarily as a result of the following factors: Grants and contributions increased $3.6 million primarily due to an increase in Florida Education Finance Program (FEFP) funds. Property taxes for capital projects increased $1.5 million primarily due to an increase in the taxable assessed value of 6.59 percent. Property taxes for operational purposes decreased by $2.2 million primarily due to a decrease of 0.545 mills in the millage rate.

Governmental activities expenses decreased from the prior fiscal year by $59,000. Instruction and other functional costs increased as a result of increases in health care and pension costs, offset by a decrease in facilities acquisition and construction (noncapitalized) costs.

Business-Type Activities

Extended Day Program business-type activities increased the District's net position by $89,000 for the fiscal year ended June 30, 2017. Charges for services and other income totaled $877,000, while Extended Day Program expenses totaled $788,000.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The District's governmental funds reported a combined fund balance of $51.2 million, which is a decrease of $13.6 million from last year's total of $64.8 million. The following schedule indicates the fund balance and the total change in fund balance by major fund versus other governmental funds as reported in the basic financial statements for the fiscal years ended June 30, 2017, and June 30, 2016.

Fund Balance (in thousands)	2017	2016	Increase (Decrease)	Percentage Change
General Fund	$ 25,253	$ 26,054	$ (801)	-3.1%
Debt Service Funds:				
Other	74	404	(330)	-81.7%
ARRA Economic Stimulus	8,541	7,236	1,305	18.0%
Capital Projects Funds:				
Local Capital Improvement	8,560	6,949	1,611	23.2%
Other	3,837	19,901	(16,064)	-80.7%
Other Governmental Funds	4,928	4,244	684	16.1%
Total	$ 51,193	$ 64,788	$ (13,595)	-21.0%

Major Governmental Funds

The General Fund is the District's chief operating fund. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned fund balance is 11 percent of the total General Fund revenues, while total fund balance represents 18 percent of total General Fund revenues.

The District's General Fund balance decreased by $801,000. The table that follows illustrates the changes in revenues and net other financing sources and uses of the General Fund for the fiscal years ended June 30, 2017, and June 30, 2016.

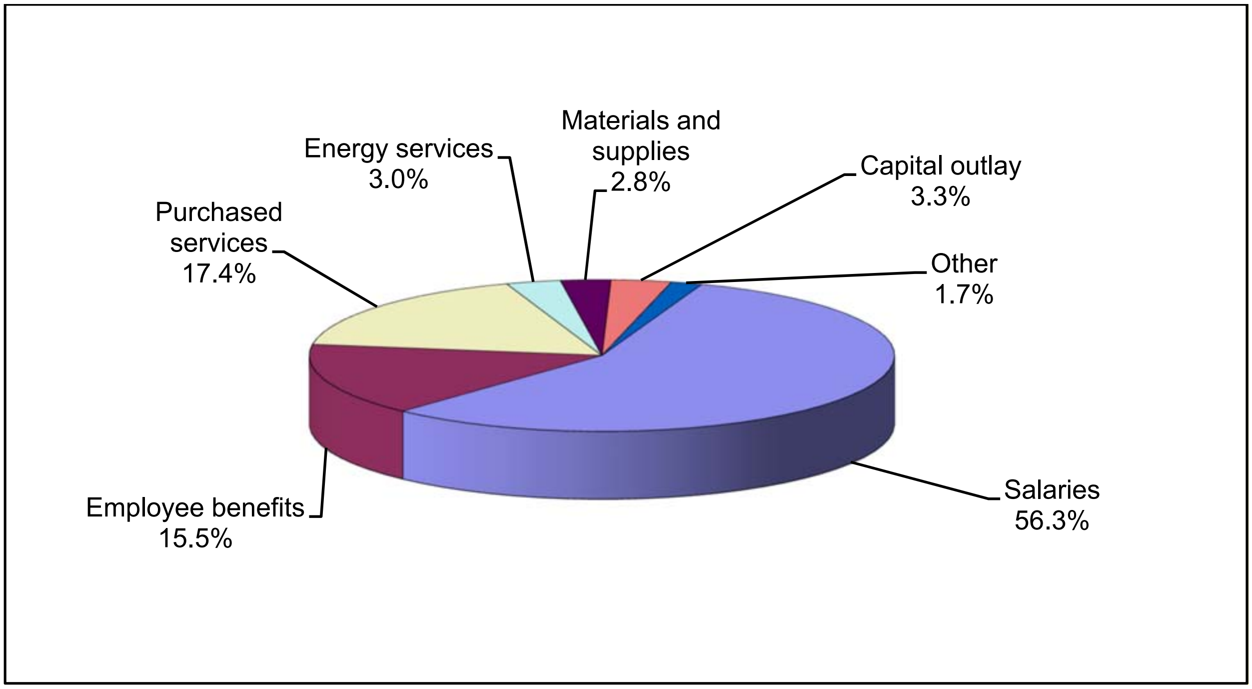
Revenues and Net Other Financing Sources and Uses (in thousands)	**2017**	**2016**	**Increase (Decrease)**	**Percentage Change**
Taxes	$ 93,853	$ 96,034	$ (2,181)	-2.3%
Investment Earnings	239	263	(24)	-9.1%
State Revenues	45,163	41,523	3,640	8.8%
Other Revenues	4,697	3,624	1,073	29.6%
Net Other Financing Sources and Uses	1,064	4,625	(3,561)	-77.0%
Total	$ 145,016	$ 146,069	$ (1,053)	-0.7%

- Property tax revenue decreased by $2.2 million. The taxable assessed value of property increased 6.6 percent over the previous year, partially offset by the decrease in the millage rates of approximately 0.5 percent as set by the Florida Legislature.
- State revenues increased by $3.6 million primarily due to an increase in funding from the FEFP funding formula and an increase in School Recognition Funds.
- Other revenues increased by $1.1 million primarily due to the increase in the restricted indirect cost rate for Federal programs, refunds of prior year expenditures, additional grant revenues, and miscellaneous revenue collections as compared to the fiscal year ended June 30, 2016.
- Other financing sources and uses decreased by $3.6 million, primarily due to a transfer to Internal Service Fund to fund expenses.

As the table below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The District is a service entity, and as such, is labor intensive.

Expenditures by Object (in thousands)	**2017**	**2016**	**Increase (Decrease)**	**Percentage Change**
Salaries	$ 82,133	$ 82,408	$ (275)	-0.3%
Employee Benefits	22,530	20,840	1,690	8.1%
Purchased Services	25,349	24,536	813	3.3%
Energy Services	4,390	4,634	(244)	-5.3%
Materials & Supplies	4,036	3,867	169	4.4%
Capital Outlay	4,860	5,203	(343)	-6.6%
Other	2,519	2,453	66	2.7%
Total	$145,817	$143,941	$ 1,876	1.3%

Expenditures by Object
For the Fiscal Year Ended June 30, 2017



Expenditures increased $1.9 million, or 1.3 percent from the prior fiscal year, primarily for the reasons discussed below:

Salary expenditures decreased by $275,000, or 0.3 percent, primarily due to a reduction of retirement payouts.

Employee benefits expenditures increased by $1.7 million, or 8.1 percent, due to an increase in the Board's contribution for health insurance.

Purchased Services expenditures increased by $813,000, or 3.3 percent, primarily due to the increase in expenditures attributed to the Career and Professional Education funds, the repairs and cleanup costs for Hurricane Matthew, the reclass of the object code for Charter School 0.6 millage funds from object 5100 to object 3900 per the Department of Education, the addition of charter school allocations in the Reading Allocation, and various other cost increases in expenditures in the 2016-17 fiscal year, such as School Security, Custodial Substitutes, and Safe School costs.

Energy services expenditures decreased from the prior year by $244,000, or 5.3 percent, primarily due to Performance Contracting contract which was designed to lower electricity costs.

Capital Outlay decreased by $343,000, or 6.6 percent, largely due to a reduction of technology purchases from the voter approved 0.6 millage.

The Debt Service – Other Fund maintains a small fund balance, all of which is restricted for payment of debt service expenditures. The fund balance decreased $331,000, primarily due to the spend down of the 2014A Certificate of Participation fund balance.

The Debt Service – ARRA Economic Stimulus Fund maintains an $8.5 million fund balance, restricted to future payment of the 2010 Qualified School Construction Borrowing. Each year the sinking fund balance increases in preparation of the future lump sum payment.

The fund balance of the Capital Projects – Local Capital Improvement Fund increased by $1.6 million, or 23.2 percent, during the fiscal year. This was due to capital projects in process that were not complete at the end of the fiscal year. Fund balance totaled $8.6 million and, of this amount, $3.2 million has been encumbered for specific projects.

The fund balance of the Capital Projects – Other Fund decreased by $16.1 million, or 80.7 percent, during the fiscal year. This was due to completion of the majority of the projects associated with the Certificates of Participation Series 2016B and the other lease-purchase agreements. Fund balance totaled $3.8 million and, of this amount, $2.5 million has been encumbered for specific projects.

Proprietary Funds

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Business Type Activities Enterprise Fund increased by $89,000 during the 2016-17 fiscal year to $489,000 at June 30, 2017. This increase occurred primarily because the charges for services were greater than expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with Florida Statutes and is based on the modified accrual basis of accounting, which is the same basis as used to account for actual transactions. The most significant budgeted fund is the General Fund. Final budgeted revenues and expenditures were in line with original budgeted amounts.

The District collected $1.8 million more in revenue as compared to the final budget. This was largely due to taxes collected for operational purposes exceeding the budgeted amounts and refunds of prior year expenditures.

The District amended its final budget for expenditures to reflect increases in salaries and other employee related costs as well as non-labor costs. Expenditures were originally budgeted at $154.6 million, and actual expenditures were lower than the final budget by $10 million due to the District's conservative spending.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017, is $342.6 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events included the following:

- Construction in progress for the School District of Indian River County include Technical Center for Career & Adult Education relocation, Beachland Elementary classroom and cafeteria addition, Dodgertown roofing, Glendale concretable classrooms relocation, Gifford Middle PE drainage improvement, Osceola Magnet single point of entry and paving, Oslo heating, ventilation and air conditioning (HVAC) renovations, Pelican Island concretable classrooms relocation and café settlement repairs, Rosewood Magnet roofing, Sebastian River High HVAC band room renovation, Storm Grove Middle walkway covers, Vero Beach High School Freshman Learning Center bathroom renovations, Vero Beach High School Citrus Bowl Phase II renovations, and Wabasso Americans with Disabilities Act compliance renovations.
- Projects completed and included in buildings and improvements include School District Administration Complex, Beachland drainage improvements, Citrus classroom and café addition, Gifford Middle Chiller, Oslo Middle Chiller, and Vero Beach High School Chiller Plant.

The total increase in the District's investment in capital assets (net of accumulated depreciation) was approximately 1.9 percent. Detailed information regarding capital asset activity is included in Notes I.F.4. and IV.D. to the financial statements.

Long-Term Debt

At June 30, 2017, the District has total long-term debt outstanding of $133.8 million, composed of $4.8 million of bonds payable, $114.6 million of certificates of participation, $11.8 million of other lease-purchase agreements payable, and $2.6 million of judgement payable. During the current fiscal year, retirement of debt was $9.2 million.

Additional information on the District's long-term debt can be found in Notes IV.J.1. through IV.J.6. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Local property taxes are the District's primary source of revenue. The required local effort for the 2017-18 fiscal year is 4.305 mills (a decrease of 0.0257 mills). The discretionary millage is 0.748 mills. Voted additional operation is 0.5 mills. Capital outlay millage is 1.5 mills. General Fund revenues and other financing sources are projected to be $149.2 million, and expenditures and other uses are expected to be $166.5 million.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general financial overview of the School Board of Indian River County, Florida for all those interested in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Board of Indian River County, Florida, Attention: Assistant Superintendent for Finance & Employee Services, 6500 57th Street, Vero Beach, Florida 32967.

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Indian River County District School Board
Statement of Net Position
June 30, 2017

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 36,513,195.76	$ 910,276.29	$ 37,423,472.05	$ 5,839,948.00
Cash with Fiscal Agent	1,340,685.83	-	1,340,685.83	-
Investments	19,736,517.12	-	19,736,517.12	-
Accounts Receivable	238,591.58	-	238,591.58	79,277.00
Interest Receivable	9,952.72	-	9,952.72	-
Due from Other Agencies	2,156,403.09	-	2,156,403.09	420,658.00
Due from Insurer	383,832.46	-	383,832.46	-
Prepaid Items	21,939.13	-	21,939.13	23,563.00
Inventories	373,499.81	-	373,499.81	-
Investments - Restricted	8,495,559.43	-	8,495,559.43	-
Long-Term Investments	-	-	-	98,912.00
Capital Assets:				
Nondepreciable Capital Assets	34,309,635.05	-	34,309,635.05	41,887.00
Depreciable Capital Assets, Net	308,325,588.11	-	308,325,588.11	14,363,080.00
TOTAL ASSETS	411,905,400.09	910,276.29	412,815,676.38	20,867,325.00
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	418,242.00	1,760.00	420,002.00	-
Pensions	33,368,720.18	187,837.83	33,556,558.01	-
Net Carrying Amount of Debt Refunding	2,156,680.69	-	2,156,680.69	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,943,642.87	189,597.83	36,133,240.70	-
LIABILITIES				
Accrued Salaries and Benefits	912,469.22	18,667.15	931,136.37	501,316.00
Payroll Deductions and Withholdings	604,171.55	2,679.14	606,850.69	-
Accounts Payable	993,843.06	14,638.32	1,008,481.38	229,785.00
Sales Tax Payable	740.22	-	740.22	-
Construction Contracts Payable	1,848,949.05	-	1,848,949.05	-
Construction Contracts Payable - Retained Percentage	594,905.53	-	594,905.53	-
Due to Other Agencies	801,246.73	2,017.11	803,263.84	-
Matured Debt Payable	6,250,000.00	-	6,250,000.00	-
Matured Interest Payable	2,020,995.00	-	2,020,995.00	-
Accrued Interest Payable	142,709.39	-	142,709.39	-
Unearned Revenues	47,179.56	-	47,179.56	205,378.00
Estimated Liability for Self-Insurance Program	3,382,196.74	-	3,382,196.74	-
Long-Term Liabilities:				
Portion Due Within One Year	12,733,812.74	23,798.96	12,757,611.70	2,406,890.00
Portion Due After One Year	229,275,569.85	529,079.30	229,804,649.15	3,398,127.00
TOTAL LIABILITIES	259,608,788.64	590,879.98	260,199,668.62	6,741,496.00
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	1,380,561.00	1,760.00	1,382,321.00	-
Pensions	2,890,946.36	17,827.64	2,908,774.00	-
Deferred Revenue	372,148.68	-	372,148.68	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,643,656.04	19,587.64	4,663,243.68	-
NET POSITION				
Net Investment in Capital Assets	208,910,790.38	-	208,910,790.38	8,599,950.00
Restricted for:				
Categorical Carryover Programs	9,176,088.05	-	9,176,088.05	-
Debt Service	9,373,062.81	-	9,373,062.81	-
Capital Projects	8,546,062.74	-	8,546,062.74	2,000.00
Food Service	3,832,030.03	-	3,832,030.03	62,558.00
Other Purposes	-	-	-	100,000.00
Unrestricted (Deficit)	(56,241,435.73)	489,406.50	(55,752,029.23)	5,361,321.00
TOTAL NET POSITION	$ 183,596,598.28	$ 489,406.50	$ 184,086,004.78	$ 14,125,829.00

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

Indian River County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 104,888,102.55	$ 227,069.71	$ -	$ -
Student Support Services	5,380,328.51	-	-	-
Instructional Media Services	2,067,761.67	-	-	-
Instruction and Curriculum Development Services	6,201,754.70	-	-	-
Instructional Staff Training Services	2,469,479.41	-	-	-
Instruction-Related Technology	5,691,004.17	-	-	-
Board	1,276,051.99	-	-	-
General Administration	1,406,451.49	-	-	-
School Administration	9,709,772.77	-	-	-
Facilities Acquisition and Construction	6,724,960.74	-	-	2,182,645.84
Fiscal Services	1,307,913.28	-	-	-
Food Services	8,660,976.71	1,492,175.36	6,657,847.25	-
Central Services	2,380,131.31	-	-	-
Student Transportation Services	6,408,363.60	71,616.30	-	-
Operation of Plant	12,706,044.78	-	-	-
Maintenance of Plant	3,859,861.05	-	-	-
Administrative Technology Services	3,921,685.95	-	-	-
Community Services	396,021.09	207,471.38	-	-
Unallocated Interest on Long-Term Debt	4,934,796.67	-	-	1,970,057.16
Total Governmental Activities	190,391,462.44	1,998,332.75	6,657,847.25	4,152,703.00
Business-Type Activities:				
Extended Day Program	787,898.57	873,198.95	-	-
Total Primary Government	$ 191,179,361.01	$ 2,871,531.70	$ 6,657,847.25	$ 4,152,703.00
Component Units				
Charter Schools	$ 17,472,441.00	$ 353,752.00	$ 792,262.00	$ 468,913.00

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Local Sales Taxes
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Special Item

Total General Revenues and Special Item

Change in Net Position

Net Position - Beginning
Adjustment to Net Position
Net Position - Beginning, as Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (104,661,032.84)	$ -	$ (104,661,032.84)	$ -
(5,380,328.51)	-	(5,380,328.51)	-
(2,067,761.67)	-	(2,067,761.67)	-
(6,201,754.70)	-	(6,201,754.70)	-
(2,469,479.41)	-	(2,469,479.41)	-
(5,691,004.17)	-	(5,691,004.17)	-
(1,276,051.99)	-	(1,276,051.99)	-
(1,406,451.49)	-	(1,406,451.49)	-
(9,709,772.77)	-	(9,709,772.77)	-
(4,542,314.90)	-	(4,542,314.90)	-
(1,307,913.28)	-	(1,307,913.28)	-
(510,954.10)	-	(510,954.10)	-
(2,380,131.31)	-	(2,380,131.31)	-
(6,336,747.30)	-	(6,336,747.30)	-
(12,706,044.78)	-	(12,706,044.78)	-
(3,859,861.05)	-	(3,859,861.05)	-
(3,921,685.95)	-	(3,921,685.95)	-
(188,549.71)	-	(188,549.71)	-
(2,964,739.51)	-	(2,964,739.51)	-
(177,582,579.44)	-	(177,582,579.44)	-
-	85,300.38	85,300.38	-
(177,582,579.44)	85,300.38	(177,497,279.06)	-
-	-	-	(15,857,514.00)
93,853,038.57	-	93,853,038.57	-
23,821,636.89	-	23,821,636.89	-
-	-	-	-
55,626,480.00	-	55,626,480.00	16,875,357.00
557,879.40	3,108.12	560,987.52	13,835.00
2,919,222.41	473.07	2,919,695.48	539,847.00
(2,573,022.26)	-	(2,573,022.26)	-
174,205,235.01	3,581.19	174,208,816.20	17,429,039.00
(3,377,344.43)	88,881.57	(3,288,462.86)	1,571,525.00
181,720,994.71	400,524.93	182,121,519.64	12,335,806.00
5,252,948.00	-	5,252,948.00	218,498.00
186,973,942.71	400,524.93	187,374,467.64	12,554,304.00
$ 183,596,598.28	$ 489,406.50	$ 184,086,004.78	$ 14,125,829.00

Indian River County District School Board
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Debt Service - Other Fund	Debt Service - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 18,419,976.24	$ 73,765.92	$ 45,156.34
Cash with Fiscal Agent	-	115.95	-
Investments	7,844,918.50	8,271,356.95	-
Accounts Receivable	237,608.95	-	-
Interest Receivable	9,952.72	-	-
Due from Other Agencies	925,958.27	-	-
Due from Other Funds	-	-	-
Due from Insurer	383,832.46	-	-
Prepaid Items	-	3,708.64	-
Inventories	273,965.92	-	-
Investments - Restricted	-	-	8,495,559.43
TOTAL ASSETS	$ 28,096,213.06	$ 8,348,947.46	$ 8,540,715.77
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 795,225.27	$ -	$ -
Payroll Deductions and Withholdings	523,785.03	-	-
Accounts Payable	466,615.61	4,310.00	-
Sales Tax Payable	740.22	-	-
Construction Contracts Payable	4,082.95	-	-
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Agencies	674,267.48	-	-
Due to Other Funds	-	-	-
Matured Debt Payable	-	6,250,000.00	-
Matured Interest Payable	-	2,020,995.00	-
Accrued Interest Payable	-	-	-
Unearned Revenues	6,557.21	-	-
Total Liabilities	2,471,273.77	8,275,305.00	-
Deferred Inflows of Resources:			
Deferred Revenues	372,148.68	-	-
Fund Balances:			
Nonspendable:			
Prepaid Items	-	3,708.64	-
Inventories	273,965.92	-	-
Total Nonspendable Fund Balance	273,965.92	3,708.64	-
Restricted for:			
State Required Carryover Programs	7,300,826.28	-	-
Adult Education/Workforce Development	1,691,623.43	-	-
Other Donations	183,638.34	-	-
Debt Service	-	69,933.82	8,540,715.77
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	9,176,088.05	69,933.82	8,540,715.77
Assigned for:			
Subsequent Year's Budget: Appropriation of Fund Balances	15,230,626.48	-	-
Purchases on Order	572,110.16	-	-
Total Assigned Fund Balance	15,802,736.64	-	-
Total Fund Balances	25,252,790.61	73,642.46	8,540,715.77
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 28,096,213.06	$ 8,348,947.46	$ 8,540,715.77

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 8,880,886.10	$ 1,531,986.87	$ 3,799,710.14	$ 32,751,481.61
-	520,273.02	820,296.86	1,340,685.83
-	3,526,354.09	93,887.58	19,736,517.12
-	-	982.63	238,591.58
-	-	-	9,952.72
2,024.46	221,658.94	911,324.50	2,060,966.17
310,204.97	-	-	310,204.97
-	-	-	383,832.46
-	-	-	3,708.64
-	-	99,533.89	373,499.81
-	-	-	8,495,559.43
$ 9,193,115.53	$ 5,800,272.92	$ 5,725,735.60	$ 65,705,000.34
$ -	$ -	$ 116,394.57	$ 911,619.84
-	-	80,386.52	604,171.55
114,245.95	48,311.30	115,168.50	748,651.36
-	-	-	740.22
457,666.41	1,387,199.69	-	1,848,949.05
60,678.99	527,410.84	6,815.70	594,905.53
-	-	126,979.25	801,246.73
-	-	310,204.97	310,204.97
-	-	-	6,250,000.00
-	-	-	2,020,995.00
-	-	12,770.47	12,770.47
-	-	28,757.04	35,314.25
632,591.35	1,962,921.83	797,477.02	14,139,568.97
-	-	-	372,148.68
-	-	-	3,708.64
-	-	99,533.89	373,499.81
-	-	99,533.89	377,208.45
-	-	-	7,300,826.28
-	-	-	1,691,623.43
-	-	-	183,638.34
-	-	901,413.97	9,512,063.56
8,560,524.18	3,837,351.09	194,814.58	12,592,689.85
-	-	3,732,496.14	3,732,496.14
8,560,524.18	3,837,351.09	4,828,724.69	35,013,337.60
-	-	-	15,230,626.48
-	-	-	572,110.16
-	-	-	15,802,736.64
8,560,524.18	3,837,351.09	4,928,258.58	51,193,282.69
$ 9,193,115.53	$ 5,800,272.92	$ 5,725,735.60	$ 65,705,000.34

Indian River County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Fund Balances - Governmental Funds		$ 51,193,282.69
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		342,635,223.16
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		235,278.43
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(129,938.92)
Deferred outflows of resources represents a consumption of net position that applies to a future period. This is the net difference between the carrying value of the refunded debt and its reacquisition price.		2,156,680.69
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Certificates of Participation Payable	$ (114,644,311.37)	
Bonds Payable	(4,775,346.69)	
Other Lease-Purchase Agreements Payable	(11,814,228.33)	
Judgement Payable	(2,573,022.26)	
Compensated Absences Payable	(10,140,159.45)	
Other Postemployment Benefits Payable	(13,884,165.00)	
Net Pension Liability	(84,178,149.49)	(242,009,382.59)
The deferred outflows of resources and deferred inflows of resources related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to OPEB	$ 418,242.00	
Deferred Inflows Related to OPEB	(1,380,561.00)	(962,319.00)
The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	$ 33,368,720.18	
Deferred Inflows Related to Pensions	(2,890,946.36)	30,477,773.82
Net Position - Governmental Activities		$ 183,596,598.28

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

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Indian River County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Debt Service - Other Fund	Debt Service - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 129,780.58	$ -	$ 1,418,041.48
Federal Through State and Local	647,490.21	-	-
State	45,162,634.20	-	-
Local:			
Property Taxes	93,853,038.57	-	-
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	4,159,043.70	72,530.80	137,316.78
Total Local Revenues	98,012,082.27	72,530.80	137,316.78
Total Revenues	143,951,987.26	72,530.80	1,555,358.26
Expenditures			
Current - Education:			
Instruction	91,045,603.74	-	-
Student Support Services	3,890,873.14	-	-
Instructional Media Services	1,876,319.31	-	-
Instruction and Curriculum Development Services	3,574,911.37	-	-
Instructional Staff Training Services	1,429,608.37	-	-
Instruction-Related Technology	5,233,569.16	-	-
Board	1,149,759.35	-	-
General Administration	740,087.61	-	-
School Administration	8,703,252.66	-	-
Facilities Acquisition and Construction	604,467.90	-	-
Fiscal Services	1,171,833.84	-	-
Food Services	24,984.19	-	-
Central Services	2,124,551.15	-	-
Student Transportation Services	4,903,709.29	-	-
Operation of Plant	11,644,381.63	-	-
Maintenance of Plant	3,426,183.23	-	-
Administrative Technology Services	3,521,320.89	-	-
Community Services	735.41	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	460,731.14	-	-
Other Capital Outlay	237,357.36	-	-
Debt Service:			
Principal	-	7,291,295.67	-
Interest and Fiscal Charges	52,832.22	4,266,078.97	1,555,151.61
Total Expenditures	145,817,072.96	11,557,374.64	1,555,151.61
Excess (Deficiency) of Revenues Over Expenditures	(1,865,085.70)	(11,484,843.84)	206.65
Other Financing Sources (Uses)			
Transfers In	4,173,675.00	11,153,998.36	1,304,480.51
Issuance of Refunding Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Sale of Capital Assets	141,709.54	-	-
Loss Recoveries	124,826.45	-	-
Transfers Out	(3,376,295.67)	-	-
Total Other Financing Sources (Uses)	1,063,915.32	11,153,998.36	1,304,480.51
Net Change in Fund Balances	(801,170.38)	(330,845.48)	1,304,687.16
Fund Balances, Beginning	26,053,960.99	404,487.94	7,236,028.61
Fund Balances, Ending	$ 25,252,790.61	$ 73,642.46	$ 8,540,715.77

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 1,131.63	$ -	$ 1,548,953.69
-	-	15,564,146.24	16,211,636.45
-	691,444.96	1,236,526.69	47,090,605.85
23,821,636.89	-	-	117,674,675.46
-	1,585,214.00	-	1,585,214.00
-	-	1,492,175.36	1,492,175.36
92,327.01	141,106.55	28,656.78	4,630,981.62
23,913,963.90	1,726,320.55	1,520,832.14	125,383,046.44
23,913,963.90	2,418,897.14	18,321,505.07	190,234,242.43
-	-	4,228,297.40	95,273,901.14
-	-	967,712.71	4,858,585.85
-	-	-	1,876,319.31
-	-	1,994,881.44	5,569,792.81
-	-	822,450.89	2,252,059.26
-	-	-	5,233,569.16
-	-	-	1,149,759.35
-	-	535,138.51	1,275,226.12
-	-	-	8,703,252.66
3,520,204.80	1,500,478.64	566,453.34	6,191,604.68
-	-	-	1,171,833.84
-	-	7,926,919.52	7,951,903.71
-	-	-	2,124,551.15
-	-	85,987.33	4,989,696.62
-	-	-	11,644,381.63
-	-	-	3,426,183.23
-	-	-	3,521,320.89
-	-	360,451.97	361,187.38
2,694,177.70	16,090,140.93	23,608.00	19,268,657.77
1,173,347.74	239,065.00	352,864.03	2,002,634.13
-	-	356,000.00	7,647,295.67
-	-	206,619.21	6,080,682.01
7,387,730.24	17,829,684.57	18,427,384.35	202,574,398.37
16,526,233.66	(15,410,787.43)	(105,879.28)	(12,340,155.94)
-	-	-	16,632,153.87
-	-	704,000.00	704,000.00
-	-	107,346.69	107,346.69
-	-	-	141,709.54
-	-	-	124,826.45
(14,915,183.20)	(652,675.00)	(21,000.00)	(18,965,153.87)
(14,915,183.20)	(652,675.00)	790,346.69	(1,255,117.32)
1,611,050.46	(16,063,462.43)	684,467.41	(13,595,273.26)
6,949,473.72	19,900,813.52	4,243,791.17	64,788,555.95
$ 8,560,524.18	$ 3,837,351.09	$ 4,928,258.58	$ 51,193,282.69

Indian River County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Governmental Funds		$ (13,595,273.26)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays and donations in excess of depreciation expense and sale of capital assets in the current fiscal year.		
Capital Outlay - Facilities and Construction - Governmental Funds	$ 19,268,657.77	
Capital Outlay - Other Capital Outlay - Governmental Funds	2,002,634.13	
Donated Items	5,621.88	
Undepreciated Cost of Assets Sold	(77,339.63)	
Less: Depreciation Expense	(14,727,842.45)	6,471,731.70
Repayment of long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt principal in the current fiscal year.		
Bonds Payable	$ 356,000.00	
Certificates of Participation	6,250,000.00	
Other Lease-Purchase Agreements	1,041,295.67	7,647,295.67
Debt Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. These are the amounts attributable to debt issuances in the current fiscal year.		
Bonds Payable	$ (704,000.00)	
Bonds Payable - Premium	(107,346.69)	(811,346.69)
Premiums and deferred loss on debt refundings are reported in the governmental funds in the year the debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements. This is the net amount attributable to the amortization of premiums and deferred loss on refundings in the current fiscal year.		
Premium Amortization	$ 1,503,615.19	
Deferred Loss on Refunding:		
Deferred Outflow at June 30, 2017	2,156,680.69	
Deferred Outflow at June 30, 2016	(2,395,510.00)	1,264,785.88
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as it accrues in the statement of activities. This is the difference between prior year and current year accrual.		(118,900.54)
Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.		
Decrease in OPEB liability	$ 483,305.00	
Increase in Deferred Outflows of Resources - OPEB	418,242.00	
Increase in Deferred Inflows of Resources - OPEB	(1,380,561.00)	(479,014.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned ($2,461,374.85) in excess of the amount paid ($2,012,534) in the current fiscal year.		(448,840.85)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		
FRS Pension Contribution	$ 5,065,828.00	
HIS Pension Contribution	1,496,958.00	
FRS Pension Expense	(7,590,115.00)	
HIS Pension Expense	(2,909,806.93)	(3,937,135.93)
Notes receivable are accrued as revenue in the government-wide statements because they are earned, but are considered unavailable revenue in the governmental funds because the repayments do not provide current financial resources and are not available to liquidate liabilities in the government funds. This is the amount recognized in the current year in governmental funds, whereas the entire amount was recognized in the prior fiscal year in the government-wide statements.		(848,052.36)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.		4,050,428.21
Judgements payable are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until due and payable with current financial resources. This is the net increase in judgements payable.		(2,573,022.26)
Change in Net Position - Governmental Activities		$ (3,377,344.43)

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

Indian River County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2017

	Business-Type Activities - Nonmajor Enterprise Fund Extended Day Program	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 910,276.29	$ 3,761,714.15
Due from Other Agencies	-	95,436.92
Prepaid Items	-	18,230.49
TOTAL ASSETS	910,276.29	3,875,381.56
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	1,760.00	-
Pension	187,837.83	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	189,597.83	-
LIABILITIES		
Current Liabilities:		
Accrued Salaries and Benefits	18,667.15	849.38
Payroll Deductions and Withholdings	2,679.14	-
Accounts Payable	14,638.32	245,191.70
Due to Other Agencies	2,017.11	-
Unearned Revenues	-	11,865.31
Estimated Liability for Self-Insurance Program	-	3,382,196.74
Total Current Liabilities	38,001.72	3,640,103.13
Noncurrent Liabilities:		
Portion Due Within One Year:		
Compensated Absences Payable	17,974.33	-
Net Pension Liability	5,825.00	-
Portion Due In More Than One Year:		
Compensated Absences Payable	6,088.42	-
Other Postemployment Benefits Payable	25,433.00	-
Net Pension Liability	497,557.51	-
Total Noncurrent Liabilities	552,878.26	-
TOTAL LIABILITIES	590,879.98	3,640,103.13
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	1,760.00	-
Pension	17,827.64	-
TOTAL DEFERRED INFLOWS OF RESOURCES	19,587.64	-
NET POSITION		
Unrestricted	489,406.50	235,278.43
TOTAL NET POSITION	$ 489,406.50	$ 235,278.43

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

Indian River County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Nonmajor Enterprise Fund Extended Day Program	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for Services	$ 873,198.95	$ -
Premiums	-	20,927,682.72
Other	-	1,057,692.51
Total Operating Revenues	873,198.95	21,985,375.23
OPERATING EXPENSES		
Salaries	574,140.79	93,960.60
Employee Benefits	102,980.32	24,273.32
Insurance Premiums	-	3,451,609.44
Purchased Services	45,544.05	1,237,034.37
Energy Services	-	3,626.82
Materials and Supplies	64,658.42	-
Capital Outlay	270.99	-
Insurance Claims	-	15,463,574.44
Other	304.00	-
Total Operating Expenses	787,898.57	20,274,078.99
Operating Income	85,300.38	1,711,296.24
NONOPERATING REVENUES		
Interest Income and Miscellaneous	3,581.19	6,131.97
Income Before Transfers		
Transfers In	-	2,333,000.00
Change in Net Position	88,881.57	4,050,428.21
Total Net Position - Beginning	400,524.93	(3,815,149.78)
Total Net Position - Ending	$ 489,406.50	$ 235,278.43

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

Indian River County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Nonmajor Enterprise Fund Extended Day Program	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	$ 873,198.95	$ -
Cash Received from Premiums	-	20,398,090.02
Cash Received from Other Operating Revenues	-	1,155,277.90
Cash Payments for Insurance Premiums	-	(3,451,609.44)
Cash Payments to Employees for Services	(684,124.00)	(121,254.94)
Cash Payments for Insurance Claims	-	(15,206,020.63)
Cash Payments for Premiums and Other Fees	(103,630.29)	(995,469.49)
Net Cash Provided by Operating Activities	85,444.66	1,779,013.42
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds	-	2,333,000.00
Repayment of Loan from Other Funds	-	(697,783.00)
Net Cash Provided by Noncapital Financing Activities	-	1,635,217.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income and and Miscellaneous	3,581.19	6,131.97
Net Cash Provided by Investing Activities	3,581.19	6,131.97
Net Increase in Cash and Cash Equivalents	89,025.85	3,420,362.39
Cash and Cash Equivalents, Beginning	821,250.44	341,351.76
Cash and Cash Equivalents, Ending	$ 910,276.29	$ 3,761,714.15
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 85,300.38	$ 1,711,296.24
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Accounts Receivable	-	4,078.34
Due from Other Agencies	-	23,715.66
Due from Insurer	-	93,692.65
Deferred Outflows of Resources - Pensions	(137,837.83)	-
Deferred Outflows of Resources - Other Postemployment Benefits	1,760.00	-
Accrued Salaries and Benefits	(1,444.67)	(3,021.02)
Payroll Deductions and Withholdings	(2,679.14)	-
Accounts Payable	8,181.88	245,191.70
Due to Other Agencies	(1,034.71)	(185.60)
Unearned Revenues	-	(553,308.36)
Compensated Absences Payable	(273.15)	-
Estimated Liability for Self-Insurance Program	-	257,553.81
Other Postemployment Benefits Payable	(2,889.00)	-
Net Pension Liability	170,293.26	-
Deferred Inflows of Resources - Pensions	(32,172.36)	-
Deferred Inflows of Resources - Other Postemployment Benefits	(1,760.00)	-
Total Adjustments	144.28	67,717.18
Net Cash Provided by Operating Activities	$ 85,444.66	$ 1,779,013.42

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

Indian River County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 60,349.33	$ 1,263,543.04
Accounts Receivable	-	842.90
Inventory	-	37,078.26
TOTAL ASSETS	$ 60,349.33	$ 1,301,464.20
LIABILITIES		
Accounts Payable	$ -	$ 13,620.25
Internal Accounts Payable	-	1,287,843.95
TOTAL LIABILITIES	-	$ 1,301,464.20
NET POSITION		
Held in Trust for Other Purposes	60,349.33	
TOTAL NET POSITION	$ 60,349.33	

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

Indian River County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Private-Purpose Trust Fund
ADDITIONS	
Investment Income:	
Net Decrease in Fair Value of Investments	$ (1,625.63)
Interest, Dividends, and Other	1,094.38
Total Investment Loss	(531.25)
DEDUCTIONS	
Other	3,500.00
Change in Net Position	(4,031.25)
Net Position - Beginning	64,380.58
Net Position - Ending	$ 60,349.33

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Indian River County School District's (District) governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation fleet is allocated to the appropriate functions of student transportation services, maintenance of plant, and food service operations while remaining depreciation expense is allocated proportionately to all functions based upon functional expenses as a percentage of total expenses.

B. Reporting Entity

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

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

Blended Component Unit. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Indian River County School Board Leasing

Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in a subsequent note to the financials. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District. Per Florida Statute, charter schools operate under charters approved by their sponsor. Charter schools listed below are sponsored by the Indian River County District School Board and are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for them and there is a potential for the charter schools to provide specific financial benefits to, or impose specific financial burdens on the District.

Except for Imagine Schools at South Vero, the charter schools listed below are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, The Florida Not For Profit Corporation Act, and Section 1002.33 Florida Statutes. Imagine Schools at South Indian River County, LLC, doing business as Imagine Schools at South Vero, is organized as a limited liability company pursuant to Chapter 605, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes.

- Indian River Charter High School, Inc. was established to provide educational services to secondary school students in grades 9 through 12 who want or need a nontraditional structure and learning environment to successfully complete their high school academic and vocational preparation and earn their high school diploma.
- North County Charter School, Inc. was established to provide educational services to students in grades K through 5, to learn at high levels, through an academically rigorous and innovative curriculum that incorporates the development of good character.
- Sebastian Charter Junior High, Inc. was established to educate students in grades 6 through 8 in a challenging and wholesome environment which provides an educational environment where students have learning opportunities that set high expectations for academic growth, individual achievement, and character development.
- St. Peter's Academy, Inc. was established to provide educational services to students in grades K through 6, to demonstrate that students can learn at high levels, through academically rigorous and innovative curriculum that incorporates the development of good character.
- Imagine Schools at South Vero, LLC was established to provide students in grades K through 8, with a quality learning opportunity by maintaining a caring learning environment, working with parents and local communities to develop the intellect and character of the students who choose to attend the school; utilizing innovative teaching techniques delivered by a highly qualified faculty; and offering a challenging curriculum that prepares children for lives of leadership in a rapidly changing world.

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 accounting firms and are on file at the District Administrative Office at 6500 57th Street, Vero Beach, Florida 32967.

C. Basis of Presentation: Government-Wide Financial Statements

Government-wide financial statements include the nonfiduciary financial activity of the primary government and its component units. The District does not have any major component units. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Fund – to account for financial resources generated for debt principal and interest for the Series 2007, 2014A, 2016A, and 2016B Certificates of Participation and other lease purchase agreements.
- Debt Service – ARRA Economic Stimulus Fund – to account for the financial resources generated for the principal sinking fund and interest for the Series 2010A Qualified School Construction Bonds-Certificate of Participation.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay

needs, including new construction, renovation and remodeling projects; motor vehicle purchases; equipment purchases; and costs of environmental compliance.

- Capital Projects – Other Fund – to account for various financial resources generated by the Series 2016B Certificates of Participation, other lease purchase agreements, and impact fees to be used for capital projects.

The District reports the following proprietary funds:

- Internal Service Fund – to account for the District's individual health self-insurance program.
- Enterprise Fund – Extended Day Program – to account for the financial resources of the District's Extended Day Program. This program provides before and after school care to students and is administered by the District.

The District reports the following fiduciary funds:

- Private-Purpose Trust Fund – to account for resources of the Estate of Waldo Schraubstader Scholarship Fund.
- Agency Funds – to account for and administer resources of the school internal funds, which are custodial in nature and used for student activities such as athletics, classes, and clubs.

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenues source (within 90 days of year end). Revenues susceptible to accrual include ad valorem taxes, impact fees, and interest on investments. 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, pensions and other postemployment benefits, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The District also invests in the FEITF Portfolio. This investment pool only invests in high quality money market instruments. Both of these investments are reported at fair value, which is amortized cost.

PFM Asset Management, LLC serves as investment advisors to the District to invest available funds. Investments made locally consist of United States Treasury Notes, Federal instrumentalities notes and bonds, commercial paper, corporate bonds, and mutual funds and are reported at fair value.

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

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are valued using a weighted average cost method, except that United

States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. 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. Interest costs associated with the construction of capital assets are not material and are not capitalized.

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

Description	Estimated Useful Lives
Improvements Other Than Buildings	7 - 35 years
Buildings and Fixed Equipment	8 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 - 7 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Premiums and discounts on debt issuance are deferred and amortized using a straight-line method over the life of the related debt. Bonds and other long-term debt payables such as certificates of participation are reported net of the applicable premium or discount.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. The first is the net carrying amount of debt refunding reported in the government-wide statement of net position which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred amount on pensions reported in the government-wide statement of net position. The third is the deferred amount on Other Postemployment Benefits (OPEB) reported in the government-wide statement of net position.

The deferred outflows of resources related to pensions and OPEB are discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category on the statement of net position. The first is the deferred amount on pension which results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings, which are amortized over 5 years. The second item is unavailable revenue. This item arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The third is the deferred amounts on OPEB which results from the difference in expected and actual amounts of experience and earnings. This amount is deferred and amortized over the service life of all employees that are provided with healthcare through the District's health insurance program.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District does not have a policy regarding the commitment of fund balances and, therefore, does not report any committed fund balance.

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

When unrestricted (assigned and unassigned) resources in the governmental funds are available for use, it is the District's policy to use unassigned resources as they are needed unless revenues previously assigned are available for use. The Board has adopted Policy 6233 (C), which provides that at least 5 percent of the current year's annual estimated General Fund revenues be reserved for contingency purposes. In the event these reserves are needed, a majority vote of the Board is required before using these funds, and the Superintendent is required to provide a financial plan to the Board to restore the funds to the minimum 5 percent amount along with a timeline for restoration.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

3. District Property Taxes

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

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

The Board adopted the 2016 tax levy on September 8, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Additional Operating Millage

In August 2012, the voters of Indian River County approved a 0.6 mills school operating millage levy for 4 years effective January 2013 to fund instructional material and technology needs of the District. The collections began in the 2013-14 fiscal year and expired June 30, 2017.

On August 30, 2016, the voters of Indian River County, approved the renewal of an additional operating millage, at a rate of 0.5 mills. The additional operating millage is effective July 1, 2017, and expires on June 30, 2021. It is expected to generate $9 million per annum.

5. Educational Impact Fees

The District receives educational impact fees based on an ordinance adopted by the Indian River County Commission on May 17, 2005. The educational impact fees are collected by the County for most new residential construction. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, site acquisition, facility design and construction costs; site development, necessary off-site improvements, and furniture and equipment.

6. 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.

7. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that the benefits are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means. Vacation benefits are accrued as earned and sick leave benefits are accrued using the vesting method. The liability is based on the sick leave accumulated at year end by those employees who are currently eligible to receive payments and for those employees for who it is probable they will become eligible. The liability includes applicable related payments for Social Security, Medicare, and retirement contributions. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

8. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 fund are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. The principal operating revenues of the enterprise fund are fees for child care services. Operating expenses include salaries and benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 75. The District early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for OPEB provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about their OPEB liability. The beginning net position of the District was increased by $5,252,948 due to the implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2016, decreased by $5,252,948 to $14,395,792 as of July 1, 2016, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred outflows/inflows of resources were not restated.

III. PRIOR PERIOD ADJUSTMENT

The financial statements of the charter schools include an adjustment to the net position of fiscal year ended June 30, 2016, which reflects a change in estimate for amounts due from the District for local voted 0.6 mill tax levy. In September 2017, the District and the charter schools reached a settlement. Accordingly, the net position as of June 30, 2016, is restated to record the prior period adjustment of $218,498.

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes. All earnings from cash deposits with financial institutions are allocated monthly to each fund based upon ending balance in that fund.

B. Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments at June 30, 2017, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
SBA Debt Service Accounts (1)	$ 914,184	$ 914,184	$ -	$ -
United States Treasury Notes	9,483,921	9,483,921	-	-
Federal Agencies	2,807,815	2,807,815	-	-
Commercial Paper	3,397,258	3,397,258	-	-
Corporate Notes	650,390	650,390	-	-
Total investments by fair value level	17,253,568	$ 17,253,568	$ 0.00	$ 0.00
Investments measured at the net asset value (NAV)				
External Investment Pool:				
Florida PRIME (2)	14,961,021			
FEITF (2)	3,002,486			
Money Market Funds				
U.S. Bank National Association (2)	4,597,167			
TD Asset Management U.S. Government Institutional Services (3)	520,389			
First American Treasury (4)	11,798,805			
Total investments measured at NAV	34,879,868			
Total investments measured at fair value	$52,133,436			

Notes: (1) Represents $820,297 considered cash with fiscal agent for SBE/COBI bond refunding and $93,887 is considered an investment in SBE/COBI bonds.
(2) This investment is considered cash and cash equivalents for financial statement reporting purposes.
(3) This investment is considered cash with fiscal agent for financial statement purposes.
(4) Held under a trust agreement for Certificates of Participation financing arrangements.

Section 218.415, Florida Statutes, limits the types of investments in which a District can invest unless specifically authorized in District policy. All investments during the first year and at year end were authorized by the District's Investment Policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to provide sufficient liquidity to pay obligations as they become due, the District's investment policy limits the length of investments as follows: (1) investments of current operating funds shall have maturities of no longer than 24 months and (2) investments of bond reserves, construction funds and other nonoperating funds shall have a term appropriate to the need for the funds and in accordance with debt covenants, but in no event shall exceed 5 1/2 years.

Florida PRIME uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2017, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the SBA's Florida PRIME, Local Government Investment Pools (FEITF), money market funds, repurchase agreements, banker's acceptances, commercial paper, certificates of deposit and savings accounts, agency mortgage backed securities, municipal obligations, corporate debt obligations, United States Government obligations, United States Government agencies' debt obligations, and Federal instrumentalities' debt obligations.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

The District's investment maturities and ratings at June 30, 2017, are as follows:

Investment	Amount	Weighted Average Maturities	Credit Rating S & P Rating	Credit Rating Moody's Rating
SBA:				
Florida PRIME	$ 14,961,021	39 Days	AAAm	n/a
Debt Service Accounts	914,184	6 Months	n/a	n/a
United States Treasury Notes (1)	8,495,559	5 Months	n/a	Aaa
United States Treasury Notes	988,362	27 Days	A-1+	P-1
Federal Agencies	2,807,815	8.7 Months	AA+	Aaa
Commercial Paper	3,397,258	27 Days	A-1	P-1
Corporate Notes	650,390	8.8 Months	A/A-/AA-	A2/A3/Aa3
FEITF	3,002,486	37 Days	AAAm	n/a
Money Market Funds				
U.S. Bank National Association	4,597,167	n/a	A-1+	P-1
TD Asset Mgmt U.S. Govt Instl Svs	520,389	2 Months	AAAm	n/a
First American Treasury	11,798,805	26 Days	AAAm	Aaa-mf
Total Investments	$ 52,133,436			

Note: (1) Represents sinking fund balance deposited in US Bank to repay the 2010-A QSCB principal balance in 2029.

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, or any other state or territory of the United States which has a branch or principal place of business in this State as defined in Section 658.12, Florida Statutes, 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 investments in obligations of the United States Government agencies and instrumentalities and corporate debt securities are held by the safekeeping agent, in the name of the District. As of June 30, 2017, the District's investment portfolios were held with a third-party custodian as required by the District's investment policy.

C. Note Receivable

Pursuant to Section 1013.68(6), Florida Statutes, in March 2002, the District entered into an inter-local loan agreement to assign $9,308,048 of its Classrooms First Program allocation from the State of Florida to the Osceola County District School Board. In return, the Osceola County District School Board agreed to repay the Indian River County School District the funds in 15 annual installments. The effective interest rate on the loan was 5.776 percent with annual loan principal and interest payments totaling $897,039 through August 1, 2016. The final payment was received by the District in the 2016-17 fiscal year and the balance of the loan has been paid in full.

D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 22,145,606	$ -	$ -	$ 22,145,606
Improvements Other Than Buildings	182,686	-	-	182,686
Construction in Progress	10,058,245	9,949,940	8,026,842	11,981,343
Total Capital Assets Not Being Depreciated	32,386,537	9,949,940	8,026,842	34,309,635
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	25,367,985	406,028	-	25,774,013
Buildings and Fixed Equipment	423,278,404	16,992,629	-	440,271,033
Furniture, Fixtures, and Equipment	20,972,366	848,295	1,326,499	20,494,162
Motor Vehicles	12,446,881	1,108,864	420,380	13,135,365
Audio Visual Materials and Computer Software	4,074,289	-	338,718	3,735,571
Total Capital Assets Being Depreciated	486,139,925	19,355,816	2,085,597	503,410,144
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	16,249,444	1,237,955	-	17,487,399
Buildings and Fixed Equipment	139,453,772	11,104,028	-	150,557,800
Furniture, Fixtures, and Equipment	15,723,351	1,251,354	1,286,987	15,687,718
Motor Vehicles	7,203,705	1,014,128	418,623	7,799,210
Audio Visual Materials and Computer Software	3,734,699	120,378	302,648	3,552,429
Total Accumulated Depreciation	182,364,971	14,727,843	2,008,258	195,084,556
Total Capital Assets Being Depreciated, Net	303,774,954	4,627,973	77,339	308,325,588
Governmental Activities Capital Assets, Net	$ 336,161,491	$ 14,577,913	$ 8,104,181	$ 342,635,223

Depreciation and amortization expense was charged to functions as follows:

Function	Amount
Instruction	$ 7,777,325
Student Support Services	400,298
Instructional Media Services	153,120
Instruction and Curriculum Development Services	454,531
Instructional Staff Training Services	183,783
Instruction-Related Technology	427,093
Board	93,828
General Administration	107,746
School Administration	712,960
Facilities Acquisition and Construction	512,065
Fiscal Services	95,629
Food Services	661,155
Central Services	188,585
Student Transportation Services	1,356,106
Operation of Plant	950,258
Maintenance of Plant	361,807
Administrative Technology Services	291,554
Total Depreciation and Amortization Expense - Governmental Activities	$ 14,727,843

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District’s FRS and HIS pension expense totaled $10,500,205 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

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

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

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

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

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

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

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

	Percent of Gross Salary	
Class	**Employee**	**Employer (1)**
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
FRS, Senior Management Service	3.00	21.77
DROP – Applicable to Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $5,065,828 for the fiscal year ended June 30, 2017, as reported by FRS Pension Plan Funding as of June 30, 2016.

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 $50,896,060 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 total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.201567929 percent, which was a decrease of 0.012274635 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of $7,590,115. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,896,994	$ 473,877
Change of assumptions	3,079,059	-
Net difference between projected and actual earnings on FRS pension plan investments	13,156,011	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	683,536	1,920,810
District FRS contributions subsequent to the measurement date	5,065,828	-
Total	$ 25,881,428	$ 2,394,687

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $5,065,828, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	$ 2,537,361
2019	2,537,361
2020	7,666,391
2021	5,048,028
2022	486,511
Thereafter	145,261
Total	$ 18,420,913

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

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

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

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

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

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	100%			
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 7.6 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2016 valuation was updated from 7.65 percent to 7.6 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	1% Decrease (6.6%)	**Current Discount Rate (7.6%)**	**1% Increase (8.6%)**
District's proportionate share of the net pension liability	$ 93,703,093	$ 50,896,060	$ 15,264,859

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

HIS Pension Plan

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

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

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $1,496,958 for the fiscal year ended June 30, 2017, as reported by FRS for HIS funding June 30, 2016.

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 $33,785,472 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.289889947 percent, which was an increase of 0.002829168 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of $2,910,090. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 76,951
Change of assumptions	5,301,800	-
Net difference between projected and actual earnings on HIS pension plan investments	17,083	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	859,291	437,136
District contributions subsequent to the measurement date	1,496,958	-
Total	$ 7,675,132	$ 514,087

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $1,496,958, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2018	$ 1,041,609
2019	1,041,609
2020	1,038,356
2021	1,036,794
2022	790,769
Thereafter	714,950
Total	$ 5,664,087

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.85 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2016 valuation was updated from 3.8 percent to 2.85 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension liability	$ 38,759,613	$ 33,785,472	$ 29,657,208

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

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 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

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

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

The District's Investment Plan pension expense totaled $1,258,807 for the fiscal year ended June 30, 2017.

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the District may continue to participate in the District's self-funded health and hospitalization plan for medical and prescription drug coverage along with the fully-insured life insurance coverage. Such provisions may be amended at any time by further action from the Florida Legislature. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, retiree healthcare costs are generally greater than active employee healthcare costs. The District does not offer any explicit subsidies for retiree coverage. Medicare eligible retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefit Terms and Employees Covered. Plan contribution requirements and benefit terms of the District and OPEB Plan members are established and may be amended through recommendation of the Insurance Committee and action from the Board. The District has not advanced funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. As of the valuation date, January 1, 2017, there were 1,573 active participants and 324 inactive participants (retirees plus surviving spouses) receiving postemployment healthcare benefits and 2,079 active participants and 508 inactive participants that received postemployment life insurance benefits. The District provided contributions of $554,486 toward annual OPEB costs, comprised of benefit payments made on behalf of the retirees for claims expense, retention costs, and net of retiree contributions totaling $2,195,407. Required contributions are based on projected pay-as-you-go financing.

Total OPEB Liability. The District's total OPEB liability of $13,909,598 was measured as of June 30, 2017, and was determined by an actuarial valuation as of January 1, 2017. As described in Note II., the beginning OPEB liability was decreased by $5,252,948 due to the adoption of GASB Statement No. 75.

Actuarial Assumptions and Other Inputs.

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.78%
20-Year Municipal Bond Rate	3.78%
Municipal Bond Rate Basis	S&P Municipal Bond 20 Year High Grade Index
Salary Increases	Male - 4.5 percent average Female - 4.6 percent average
General Inflation	2.50%
Mortality Rates - Healthy Female	Female: RP-2000 Generational, 100% Annuitant White Collar, Scale BB
Mortality Rates - Healthy Male	Male: RP Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB
Mortality Rates - Disabled Female	Female: RP2000, 100% Disabled Female set forward 2 years, no projection scale
Mortality Rates - Disabled Male	Male: RP2000, 100% Disabled Male set back 4 years, no projection scale
Healthcare Cost Trend Rates	
Retirement Age: Pre-65	8.05% for 2017-18, decreasing an average of 0.44% per year to a rate of 4.5 in 2025-26 and after
Retirement Age: Post-65	9.27% for 2017-18, decreasing an average of 6% per year to a rate of 4.5% in 2025-26 and after
Current Retirees	All current retirees are assumed to continue coverage
Projected Retiree Healthcare Contributions	A weighted average with weights derived from the current distribution of members among plans offered:
Retiree Premium Contributions	$731 Non-Medicare and $570 Medicare
Spouse Premium Contributions	$480 Non-Medicare and $499 Medicare
Administrative Expenses	Per-capita administrative costs are based actual 2017 administrative fees

Actuarial Cost Method	Entry Age Normal cost method
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016, to June 30, 2017
Valuation Date	January 1, 2017
Census Data	As of January 1, 2017

The District selected the economic, demographic, and health care claim cost assumptions used in the January 1, 2017 valuation. The current actuary provided guidance with respect to the economic assumptions. The prior actuary provided guidance with respect to the demographic assumptions, the health care participation rate assumption, and the spouse coverage election rate assumption. The demographic assumptions were based on those employed in the July 1, 2014, Pension Actuarial Valuation of the FRS, which were developed by the FRS from an Actuarial Experience Study. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions for development of the pattern of the normal cost increases were the same as those used by the FRS.

Changes to the Total OPEB Liability. Below are the details regarding the total OPEB liability for the measurement period from June 30, 2016, to June 30, 2017.

	Total OPEB Liability
Balance Recognized at 6/30/2016, as Restated	$ 14,395,792
Changes for the Fiscal Year:	
Service Cost	656,474
Interest on the Total OPEB Liability	517,126
Difference Between Expected and Actual Experience	(1,587,718)
Changes in Assumptions and Other Inputs	482,410
Benefit Payments	(554,486)
Net Changes	(486,194)
Balance at 6/30/2017	$ 13,909,598

Changes of assumptions and other inputs reflect a change in the discount rate from 3.5 percent as of June 30, 2016, to 3.78 as of June 30, 2017. In addition, the healthcare trend rates were revised as of June 30, 2017, based on Aon Hewitt's latest trend survey and based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by the District.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.78 percent) or 1 percentage point higher (4.78 percent) than the current discount rate:

	Decrease (2.78%)	Discount Rate (3.78%)	Increase (4.78%)
Total OPEB Liability	$ 17,305,352	$ 13,909,598	$ 11,337,556

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare cost Trend Rate	1% Increase
Total OPEB Liability	$ 11,393,363	$ 13,909,598	$ 17,316,788

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2017, the District recognized OPEB expense of $1,030,611. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between Expected and Actual Experience	$ -	$ 1,382,321
Changes of Assumptions or Other Inputs	420,002	-
Total	$ 420,002	$ 1,382,321

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year Ending June 30	Annual Expense
2018	$ (142,989)
2019	(142,989)
2020	(142,989)
2021	(142,989)
2022	(142,989)
Thereafter	(247,374)
Total	$ (962,319)

G. Construction and Other Significant Commitments

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

Project	Contract Amount	Completed to Date	Balance Committed
Technical Center for Career & Adult Ed Relocation			
Architect	$ 9,200	$ 6,716	$ 2,484
Beachland Elementary Café/Classroom Addition			
Contractor	5,149,285	4,441,866	707,419
Architect	593,020	567,167	25,853
Dodgertown Roofing			
Contractor	268,538	102,983	165,555
Fellsmere Elementary HVAC 70 Bldg.			
Contractor	423,894	47,479	376,415
Architect	58,500	49,081	9,419
Gifford Middle - PE Field Drainage Imprv/Repave Bus Loop			
Contractor	428,733	215,875	212,858
Osceola Magnet Single Point of Entry			
Contractor	146,560	54,378	92,182
Rosewood Magnet Roof			
Contractor	185,647	135,553	50,094
Sebastian River High Band Room			
Contractor	573,465	121,529	451,936
Sebastian River High HVAC			
Contractor	4,744,780	4,270,302	474,478
Vero Beach High School Citrus Bowl Renovations			
Contractor	3,089,603	1,988,111	1,101,492
Architect	217,018	195,316	21,702
Total	$ 15,888,243	$ 12,196,356	$ 3,691,887

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

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

Major Funds				
General	**Capital Projects - Local Capital Improvement**	**Capital Projects - Other**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
$ 4,110,527	$ 3,193,634	$ 2,546,691	$ 779,406	$ 10,630,258

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third-party injuries and/or property damage; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which seven district school boards have established a public entity risk sharing pool for property, general liability, automobile liability, workers' compensation, governmental crime, and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The inter-local agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchases insurance coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of superintendents, finance directors, or an authorized representative of all participating districts. Ascension Inc. serves as the third-party administrator, insurance broker, and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of $100,000 (except wind, hail, flood). The named wind/hail/hurricane deductible is 3 percent of replacement cost value with a minimum of $100,000 per occurrence and a maximum of $25,000,000 per occurrence. The deductibles for all other wind events is $100,000. Special hazard flood area deductibles are $500,000 per building and $500,000 contents plus $100,000 time element per occurrence. The flood deductible outside a special flood hazard area is $100,000. SCERMP's purchased excess property loss limit during the 2016-17 fiscal year was $125 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2016-17 fiscal year was $1 million. SCERMP purchases excess liability coverage through a commercial insurance carrier which covers workers' compensation losses in excess of the self-insured retention. Employers liability is included subject to $2 million per occurrence.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature at future dates, which effectively limits the amount of liability of governmental entities for tort claims to $200,000 per claim and $300,000 per occurrence.

The District self-insures its healthcare coverage for employees and retired former employees. Florida Blue acts as the third-party administrator for the health insurance program. The program includes excess coverage of claim amounts above $175,000 per insured per year. Premiums received for, and claims (and other expenses) paid on behalf of, Indian River County School Board employees and their dependents are reported in the District's Internal Service Fund.

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

Fiscal Year	**Beginning-of-Fiscal-Year Liability**	**Current-Year Claims and Changes in Estimates**	**Claims Payments**	**Balance at Fiscal Year End**
2015-16	$ 2,562,206	$ 17,314,703	$ (16,752,266)	$ 3,124,643
2016-17	3,124,643	15,463,574	(15,206,021)	3,382,196

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

I. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ 0	$ 7,300,000	$ 7,300,000	$ 0

Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

J. Long-Term Liabilities

1. Judgement Payable

In February 2017, five District-sponsored charter schools sued the Board, and in June 2017, a court decision ruled that the charter schools should share in the additional local millage based on the FTE of each charter school rather than on the 5 percent allocated and disbursed by the District. The District negotiated a settlement in September 2017 to repay the five charter schools a total of $2,573,022 plus interest at 5.17 percent over a 4-year period with monthly payments starting in February 2018 and ending in calendar year 2022. As a result, a liability for a judgement payable was recorded in the government-wide financial statements.

Fiscal Year Ending June 30	Total	Principal	Interest
2018	$ 296,586	$ 249,261	$ 47,325
2019	711,806	605,891	105,915
2020	711,807	637,969	73,838
2021	711,807	671,745	40,062
2022	415,220	408,156	7,064
Total	$ 2,847,226	$ 2,573,022	$ 274,204

2. Certificates of Participation

The District entered into a master financing arrangement on November 1, 2005, which was characterized as a lease-purchase agreement, with the Indian River County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing for construction of educational facilities and the purchase of land.

The financing was accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the Series 2014A, Refunding is 10 years commencing on November 20, 2014. The initial term of the Series 2016A, Refunding is 11 years commencing on April 28, 2016. The initial term of the

Series 2016B is 9 years commencing on April 28, 2016. The Series 2010A-QSCB has a term of 18 years commencing on December 17, 2010. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease agreements and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for the remaining terms of the lease agreements.

Certificates of Participation at June 30, 2017, are as follows:

Series	Issued Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity to
Series 2014A, Refunding	$ 45,455,000	$ 37,540,000	5	2025
Series 2016A, Refunding	28,055,000	28,055,000	5	2027
Series 2016B	10,855,000	9,850,000	5	2025
Series 2010A-QSCB	26,261,000	26,261,000	0.5102 net *(1)	2029
Total Certificates of Participation	$110,626,000	$101,706,000		

Note: (1) The Series 2010A-Lease Certificate is designated as a "qualified school construction bond" as defined in Section 54F of the Internal Revenue Code, and pursuant to Section 6431 of the Code, the Board has elected to receive Federal subsidy payments on each interest payment date for the Certificates in an amount 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 if the interest were determined at the applicable tax credit rate for the Certificates pursuant to Section 54A(b)(3) of the Code. The interest rate is 5.91 percent with an allowable current Federal subsidy of 5.3998 percent.

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

2014A, Refunding Certificates of Participation
Vero Beach High School Renovations
Alternative Education Center
Sebastian River Middle School Music Addition
152 acres of land for future educational facilities

2016A, Refunding Certificates of Participation
Storm Grove Middle School
Support Services Complex

2016B Certificates of Participation
Beachland Elementary School Classroom and Cafeteria Replacement and Expansion
Vero Beach High School Citrus Bowl Refurbishment

Series 2010A Qualified School Construction Bonds – Certificates of Participation
Vero Beach Elementary School Replacement
Fellsmere Elementary School Expansion
Treasure Coast Elementary School Expansion

The lease payments for the 2014A, 2016A, and 2016B Series Certificates are payable by the District semiannually, on July 1 and January 1. The 2010 Series QSCB is payable semiannually on June 1 and December 1. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

Certificates of Participation Outstanding			
Fiscal Year Ending June 30	Total	Principal	Interest
2018	$ 11,609,275	$ 6,285,000	$ 5,324,275
2019	11,610,025	6,600,000	5,010,025
2020	11,615,025	6,935,000	4,680,025
2021	11,608,275	7,275,000	4,333,275
2022	11,609,525	7,640,000	3,969,525
2023-2027	54,518,876	40,710,000	13,808,876
2028-2029	28,589,038	26,261,000	2,328,038
Total Minimum Lease Payments	141,160,039	101,706,000	39,454,039
Plus: Unamortized Premium	12,938,311	12,938,311	-
Total Certificates of Participation	$ 154,098,350	$ 114,644,311	$ 39,454,039

The District issued Certificates of Participation (COPS) dated December 1, 2010, under the Qualified School Construction Bond (QSCB) Program pursuant to Section 54F of the United States Internal Revenue Code of 1986 as amended (the Code). The QSCB Program provides for an issuer interest rate subsidy on certain bonds or COPS. The District received an approved allocation of funds from the Florida Department of Education sufficient for the designation of the Series 2010A certificates as a QSCB under the Code. Pursuant to Section 6431 of the Code, the District has elected to receive Federal subsidy payments (the Issuer Subsidy) from the United States Treasury on each interest payment date for the 2010A Certificates in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate pursuant to Section 54A(b)(3) of the Code. The tax credit rate applicable to the Series 2010A Certificates is 5.3998 percent. The Series 2010A Certificates were issued in the amount of $26,261,000. Interest payments are to be made to the holders of the Certificates on June 1 and December 1 of each year at the stated coupon rate of 5.91 percent with the Issuer Subsidy received by the District on the same date. The principal amount of the Certificates is to be repaid in one lump sum on December 1, 2028. Beginning in 2012, the District was to deposit principal payments into a sinking fund annually on December 1. The accumulated amount in this fund is to be used to repay the principal amount of these certificates upon maturity. On June 11, 2015, the District entered into a forward delivery agreement (FDA) with Deutsche Bank related to the Series 2010A Certificates. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of the U.S. Treasury or obligations guaranteed by the U.S. Treasury from Deutsche Bank on a semi-annual basis beginning June 11, 2015, through November 29, 2028. The Agreement will generate a guaranteed fixed rate of return of 1.985 percent. The interest earnings associated with the FDA will lower the amount of money that the District is required to deposit to the sinking fund each year on December 1. Assuming the FDA is not terminated prior to the maturity of the Series 2010A Certificates, the District anticipates total interest earnings of $4,076,141.

3. Other Lease-Purchase Agreements

On October 15, 2015, the District entered into two Guaranteed Energy Savings Performance Contracts with Florida Power & Light Energy Services, Inc. (FP&L) and ConEdison Solutions, LLC with financing provided by TD Equipment Finance.

These arrangements are to fund the purchase, acquisition, and construction of energy saving capital improvements and equipment at four schools in the District. Energy savings in the General Fund will be used for the annual payments due on these leases. Pursuant to Section 1013.23(3)(g), Florida Statutes, the contracts do not constitute a debt, liability, or obligation of the District. However, the District has elected to disclose these amounts as Other Lease-Purchase Agreements and include them in long-term liabilities.

The District properties included in the agreements are:

FP&L
Vero Beach High School
Oslo Middle School

ConEdison Solutions
Sebastian River High School
Gifford Middle School

Agreement	Issued Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity to
FP&L	$ 7,904,534	$ 7,271,170	2.50	2032
ConEdison Solutions	4,950,990	4,543,058	2.52	2030
Total Other Lease-Purchase Agreements	$ 12,855,524	$ 11,814,228		

The following is a schedule of future lease payments as of June 30, 2017:

Fiscal Year Ending June 30	Total	Principal	Interest
2018	$ 865,259	$ 568,995	$ 296,264
2019	891,287	609,298	281,989
2020	918,095	651,392	266,703
2021	945,708	695,347	250,361
2022	974,148	741,232	232,916
2023-2027	5,319,914	4,459,099	860,815
2028-2032	4,352,275	4,088,865	263,410
Total Other Lease-Purchase Agreements	$ 14,266,686	$ 11,814,228	$ 2,452,458

4. Bonds Payable

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

Bond Type	Issued Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 2008A	$ 1,210,000	$ 835,000	4.25 - 5	2028
Series 2010A	160,000	125,000	3.5 - 5	2030
Series 2014A, Refunding	3,603,000	3,004,000	3 - 5	2025
Series 2017A, Refunding	704,000	704,000	3 - 5	2028
Subtotal	5,677,000	4,668,000		
Unamortized Premiums, Net	107,347	107,347		
Total Bonds Payable	$ 5,784,347	$ 4,775,347		

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2018	$ 1,340,311	$ 1,156,000	$ 184,311
2019	552,850	389,000	163,850
2020	554,500	410,000	144,500
2021	553,000	429,000	124,000
2022	554,550	452,000	102,550
2023-2027	1,893,880	1,704,000	189,880
2028-2030	133,340	128,000	5,340
Total State School Bonds	$ 5,582,431	$ 4,668,000	$ 914,431

5. Defeased Debt

On April 27, 2017, the State of Florida refunded callable portions of their State Board of Education Capital Outlay Bonds Series 2008A and issued Series 2017A bonds. The District's pro rata share of the proceeds of $704,000 along with bond premium of $107,347 and other proceeds of $12,770 after issuance costs of $3,820, totaled $820,297 and were placed in a trust account to refund the Series 2008A bonds, that are scheduled to be called on January 1, 2018. The trust account is not considered to be risk-free in accordance with GASB Statement No. 7. As a result, the refunding of $775,000 representing the District's portion of the Series 2008A bonds are considered to be an economic defeasance and not a legal defeasance and the liability for these bonds has not been removed from the government-wide financial statements and the assets held in the trust account were reported as cash with fiscal agent at June 30, 2017. When the Series 2008A bonds are called on January 1, 2018, they will be removed. The Series 2017A bonds were issued to reduce the District's total debt service over the next 11 years by $71,000.

6. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	$ 107,956,000	$ -	$ 6,250,000	$ 101,706,000	$ 6,285,000
Unamortized Premiums	14,441,927	-	1,503,616	12,938,311	1,478,240
Total Certificates of Participation Payable	122,397,927	-	7,753,616	114,644,311	7,763,240
Bonds Payable	4,320,000	704,000	356,000	4,668,000	1,156,000
Unamortized Premiums	-	107,347	-	107,347	9,759
Total Bonds Payable	4,320,000	811,347	356,000	4,775,347	1,165,759
Other Lease-Purchase Agreements Payable	12,855,524	-	1,041,296	11,814,228	568,995
Judgement Payable	-	2,573,022	-	2,573,022	249,261
Compensated Absences Payable	9,691,319	2,461,375	2,012,535	10,140,159	2,012,535
Other Postemployment Benefits Payable (Note 1)	14,367,470	68,258	551,563	13,884,165	-
Net Pension Liability	56,563,231	41,907,453	14,292,534	84,178,150	974,023
Total Governmental Activities	$ 220,195,471	$ 47,821,455	$ 26,007,544	$ 242,009,382	$ 12,733,813
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable	$ 24,336	$ 17,701	$ 17,974	$ 24,063	$ 17,974
Other Postemployment Benefits Payable (Note 1)	28,322	35	2,924	25,433	-
Net Pension Liability	333,089	258,431	88,138	503,382	5,825
Total Business-Type Activities	$ 385,747	$ 276,167	$ 109,036	$ 552,878	$ 23,799

Note: 1 - OPEB beginning balance adjusted for early adoption of GASB Statement No. 75 as described in Note II.

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. Compensated absences, other postemployment benefits, and pensions for business-type activities are generally liquidated with the enterprise fund.

K. Fund Balance Reporting

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

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

L. 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:		
Capital Projects:		
Local Capital Improvement	$ 310,205	$ -
Nonmajor:		
Special Revenue:		
Other Federal Programs	-	310,205
Total	$ 310,205	$ 310,205

The balance shown as a receivable in the Capital Projects – Local Capital Improvement Fund represents a temporary loan to the Special Revenue Fund – Other Federal Programs Fund. This loan is expected to be repaid within 1 year.

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 4,173,675	$ 3,376,296
Debt Service:		
Other	11,153,998	-
ARRA Economic Stimulus	1,304,481	-
Capital Projects:		
Local Capital Improvement	-	14,915,183
Other		652,675
Nonmajor:		
Special Revenue:		
Food Service	-	21,000
	16,632,154	18,965,154
Internal Service Fund	2,333,000	-
Total	$ 18,965,154	$ 18,965,154

Interfund transfers represent permanent transfers between funds. The transfers out of the General Fund to the Debt Service – Other Fund were to provide for debt service payments on the two Guaranteed Energy Savings Performance Contracts and to the Internal Service Fund – Health Self-Insurance Fund were for the first-year installment of a 4-year plan to correct the negative net position of the Health Self-Insurance Fund. The transfers out of the Capital Projects – Local Capital Improvement Fund were to provide for debt service payments in the Debt Service – Other Fund and the Debt Service – ARRA Economic Stimulus Fund and to the General Fund for maintenance and repair of educational plant and salaries for facilities and planning and construction. The transfers from Capital Projects – Other Fund were to the General Fund to provide for payments to charter schools for capital expenditures.

M. Revenues

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 22,714,631
Categorical Educational Program - Class Size Reduction	19,359,781
Workforce Development Program	1,096,285
Motor Vehicle License Tax (Capital Outlay and Debt Service)	663,575
Charter School Capital Outlay	652,675
School Recognition	555,699
Voluntary Prekindergarten Program	540,294
Gross Receipts Tax (Public Education Capital Outlay)	463,410
Mobile Home License Tax	142,919
Food Service Supplement	98,316
Miscellaneous	803,021
Total	$ 47,090,606

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

2. Property Taxes

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

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.543	$ 74,422,636
Prior Period Funding Adjustment Millage	0.019	311,255
Basic Discretionary Local Effort	0.748	12,253,606
Voted School Tax:		
Additional Operating	0.600	9,829,096
Total General Fund Taxes Levied		96,816,593
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	24,572,739
Total	7.410	$ 121,389,332

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 150,000.00	$ 150,000.00	$ 129,780.58	$ (20,219.42)
Federal Through State and Local	351,200.00	468,394.41	647,490.21	179,095.80
State	44,775,451.00	45,242,868.99	45,162,634.20	(80,234.79)
Local:				
Property Taxes	92,866,699.26	92,866,699.26	93,853,038.57	986,339.31
Miscellaneous	3,135,723.76	3,382,466.27	4,159,043.70	776,577.43
Total Local Revenues	96,002,423.02	96,249,165.53	98,012,082.27	1,762,916.74
Total Revenues	141,279,074.02	142,110,428.93	143,951,987.26	1,841,558.33
Expenditures				
Current - Education:				
Instruction	96,712,644.79	94,952,814.77	91,045,603.74	3,907,211.03
Student Support Services	3,787,727.95	3,956,216.62	3,890,873.14	65,343.48
Instructional Media Services	2,072,275.98	1,900,445.27	1,876,319.31	24,125.96
Instruction and Curriculum Development Services	3,469,688.03	3,587,466.57	3,574,911.37	12,555.20
Instructional Staff Training Services	1,378,569.38	1,572,388.48	1,429,608.37	142,780.11
Instruction-Related Technology	9,152,692.19	9,132,064.66	5,233,569.16	3,898,495.50
Board	1,192,408.66	1,423,861.76	1,149,759.35	274,102.41
General Administration	665,791.62	768,341.64	740,087.61	28,254.03
School Administration	8,746,036.34	8,815,986.65	8,703,252.66	112,733.99
Facilities Acquisition and Construction	1,059,006.24	704,671.02	604,467.90	100,203.12
Fiscal Services	1,139,107.61	1,193,633.96	1,171,833.84	21,800.12
Food Services	-	24,984.19	24,984.19	-
Central Services	2,300,867.38	2,380,076.47	2,124,551.15	255,525.32
Student Transportation Services	4,444,326.96	5,095,568.18	4,903,709.29	191,858.89
Operation of Plant	11,652,373.24	11,893,826.18	11,644,381.63	249,444.55
Maintenance of Plant	2,804,090.59	3,485,904.06	3,426,183.23	59,720.83
Administrative Technology Services	3,955,224.81	4,206,008.93	3,521,320.89	684,688.04
Community Services	-	735.41	735.41	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	460,731.14	460,731.14	-
Other Capital Outlay	-	237,357.36	237,357.36	-
Debt Service:				
Interest and Fiscal Charges	83,700.30	52,832.22	52,832.22	-
Total Expenditures	154,616,532.07	155,845,915.54	145,817,072.96	10,028,842.58
Deficiency of Revenues Over Expenditures	(13,337,458.05)	(13,735,486.61)	(1,865,085.70)	11,870,400.91
Other Financing Sources (Uses)				
Transfers In	4,162,140.00	4,152,675.00	4,173,675.00	21,000.00
Sale of Capital Assets	80,000.00	125,857.54	141,709.54	15,852.00
Loss Recoveries	22,507.80	455,817.49	124,826.45	(330,991.04)
Transfers Out	-	(3,376,295.67)	(3,376,295.67)	-
Total Other Financing Sources (Uses)	4,264,647.80	1,358,054.36	1,063,915.32	(294,139.04)
Net Change in Fund Balances	(9,072,810.25)	(12,377,432.25)	(801,170.38)	11,576,261.87
Fund Balances, Beginning	26,053,960.99	26,053,960.99	26,053,960.99	-
Fund Balances, Ending	$ 16,981,150.74	$ 13,676,528.74	$ 25,252,790.61	$ 11,576,261.87

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

	2017	2016
Total OPEB Liability		
Service cost	$ 656,474	N/A
Interest	517,126	N/A
Changes of benefit terms	-	N/A
Difference between expected and actual experience	(1,587,718)	N/A
Changes of assumptions or other inputs	482,410	N/A
Benefit Payments	(554,486)	N/A
Net change in total OPEB liability	(486,194)	N/A
Total OPEB Liability - beginning, as Restated	14,395,792	N/A
Total OPEB Liability - ending	$ 13,909,598	$ 14,395,792
Covered-Employee Payroll	$ 86,980,239	$ 88,076,265
Total OPEB Liability as a percentage of covered-employee payroll	15.99%	16.34%

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

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.201567929%	0.213842564%	0.218181024%	0.210600558%
District's proportionate share of the FRS net pension liability	$ 50,896,060	$ 27,620,635	$ 13,312,251	$ 36,253,729
District's covered payroll	$ 89,522,279	$ 87,157,724	$ 85,329,180	$ 79,693,279
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	56.85%	31.69%	15.60%	45.49%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

	2017	2016	2015	2014
Contractually required FRS contribution	$ 5,065,828	$ 4,915,555	$ 5,213,663	$ 4,779,090
FRS contributions in relation to the contractually required contribution	(5,065,828)	(4,915,555)	(5,213,663)	(4,779,090)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 90,176,700	$ 89,522,279	$ 87,157,724	$ 85,329,180
FRS contributions as a percentage of covered payroll	5.62%	5.49%	5.98%	5.60%

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

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

	2016	2015	2014	2013
District's proportion of the HIS net pension liability	0.289889947%	0.287060779%	0.293776221%	0.281361277%
District's proportionate share of the HIS net pension liability	$ 33,785,472	$ 29,275,684	$ 27,468,794	$ 24,496,199
District's covered payroll	$ 89,522,279	$ 87,157,724	$ 85,329,180	$ 79,693,279
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.74%	33.59%	32.19%	30.74%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

	2017	2016	2015	2014
Contractually required HIS contribution	$ 1,496,958	$ 1,485,871	$ 1,097,325	$ 1,006,379
HIS contributions in relation to the contractually required contribution	(1,496,958)	(1,485,871)	(1,097,325)	(1,006,379)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 90,176,700	$ 89,522,279	$ 87,157,724	$ 85,329,180
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.18%

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

1. Budgetary Basis of Accounting

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

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

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

Method Changes:

- There was a change in the Government Accounting Standards that were used to develop the current actuarial report. The prior actuarial report was based on GASB Statement No. 45, while the current actuarial report is based on GASB Statement No. 75. This change is a result of the early adoption of GASB Statement No. 75 by the District, as encouraged by GASB Statement No. 75.

Changes in assumptions:

- The discount rate was changed from 3.5 percent as of June 30, 2016, to 3.78 percent as of June 30, 2017.
- The healthcare trend rates were revised as of June 30, 2017, based on Aon Hewitt's latest trend survey and based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by the District.
- Data was collected from the School District of Indian River County, Florida as of January 1, 2017.
- The average Pre-65 and Post-65 Medical/Rx retiree premiums were increased quite significantly in comparison to the expected trend for the period January 1, 2015, to January 1, 2017. The beginning Medical/Rx per capita claim costs were also updated to reflect the recent paid claims experience, administrative expenses, and administrative credits (which includes the EGWP subsidy). The update to the per capita claim costs produced a decrease in cost for the average Pre-65 retiree and an increase in cost for the average Post-65 retiree in comparison to the expected trend for the period from January 1, 2015, to January 1, 2017.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.6 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 3.8 percent to 2.85 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Indian River County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	$ -	$ 1,260,403.70
National School Lunch Program	10.555	17001, 17003	-	4,914,161.11
Summer Food Service Program for Children	10.559	17006, 17007	-	337,444.83
Total Child Nutrition Cluster			-	6,512,009.64
Special Education Cluster:				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	128,816.55	3,377,638.56
St. Lucie County District School Board		None	-	55,388.63
University of South Florida		None	-	2,999.56
Total Special Education - Grants to States	84.027		128,816.55	3,436,026.75
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	103,195.70
Total Special Education Cluster			128,816.55	3,539,222.45
Not Clustered				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	17004	-	34,900.00
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	129,780.58
United States Department of Education:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	-	162,505.26
Title I Grants to Local Educational Agencies	84.010	212, 226	31,545.60	3,921,459.00
Migrant Education - State Grant Program	84.011	217	-	15,244.53
Career and Technical Education - Basic Grants to States	84.048	161	-	181,546.34
Twenty-First Century Community Learning Centers	84.287	244	-	398,547.37
English Language Acquisition State Grants	84.365	102	1,200.44	117,632.89
Improving Teacher Quality State Grants	84.367	224	10,471.86	669,077.41
Total United States Department of Education			43,217.90	5,466,012.80
Total Expenditures of Federal Awards			$ 172,034.45	$ 15,681,925.47

The accompanying notes are an integral part of this schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Indian River County District School Board under programs of the Federal Government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

(4) Noncash Assistance for National School Lunch Program. Includes $513,995 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We identified an additional matter finding which is described on pages 82 and 83.

District's Response to Finding

The District's response to the finding identified in our audit is described on page 83 in Finding AM 2017-001. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2018

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for the Major Federal Program

We have audited the Indian River County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2017. The District's major Federal program is identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements	
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal program:	
CFDA Numbers: 10.553, 10.555, and 10.559	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDING

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

ADDITIONAL MATTER

DISTRIBUTION TO CHARTER SCHOOLS – VOTER APPROVED ADDITIONAL LOCAL MILLAGE

Finding Number	**AM 2017-001**
Opinion Units	Not Applicable
Financial Statements Account Titles	Not Applicable
Fund Names	Not Applicable
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable

Finding

For the 2014 through 2017 fiscal years, the District did not appropriately allocate and disburse additional property tax levy collections to the five District-sponsored charter schools in accordance with Section 1002.33(17), Florida Statutes.

Criteria

Section 1002.33(17)(b), Florida Statutes, provides that the basis for funding charter school students shall be the sum of the school district's operating funds from the Florida Education Finance Program (FEFP) as provided by Section 1011.62, Florida Statutes, and the General Appropriations Act, including gross State and local funds, discretionary lottery funds, and funds from the school district's current operating discretionary millage levy; divided by total funded weighted full-time equivalent students in the school district; multiplied by the weighted full-time equivalent students for the charter schools.

Condition

In March, April, and May 2012, the Board held public meetings to discuss District needs, uses, and allocations for the proceeds of a calendar year 2012 Voter Referendum, if approved. At the April 10, 2012, Board meeting, the Board decided not to distribute charter school funding based on full-time equivalent (FTE) students of each charter school, as stipulated in Section 1002.33(17)(b), Florida Statutes, and agreed instead to allocate only 5 percent of the allocation to charter schools. On May 8, 2012, the Board approved a resolution placing a referendum on the election ballot and, as allowed by Section 1011.73(2), Florida Statutes, the voters of Indian River County approved an additional 0.60 operating millage for a 4-year period at the August 14, 2012, referendum. The additional operating millage was to be used for operating needs such as teacher salaries, instructional materials, and technology.

Notwithstanding, the five District-sponsored charter schools sued the Board on February 28, 2017, and, on June 13, 2017, a court decision ruled that the charter schools should share in the additional local millage based on the FTE of each charter school rather than on the 5 percent allocated and disbursed by the District.

Cause

The Board concluded that the 2012 Referendum funds should be distributed to the charter schools based on Board discretion because millage levied under Section 1011.71(9), Florida Statutes, for operational purposes should be treated the same as millage levied under Section 1011.71(2), Florida Statutes, for capital expenses.

Section 1011.71(2), Florida Statutes, permits the Board to levy additional millage for capital expenses for District schools, including charter schools at the discretion of the Board. However, according to the court order in June 2017, Section 1011.71(9), Florida Statutes, contains no equivalent language with respect to a levy of additional millage for operational expenses.

Effect

In June 2017, the court concluded that the District should have allocated funds to the five charter schools based on charter school student FTE, rather than based on the 5 percent allocation. The District negotiated a settlement in September 2017 to repay the five charter schools a total of $2,573,022 plus interest at 5.17 percent over a 4-year period with monthly payments starting in February 2018 and ending in calendar year 2022.

Recommendation

The District should ensure that appropriate allocations and disbursements are made to the five District-sponsored charter schools in accordance with Section 1002.33(17), Florida Statutes.

District Response

The District does not agree with the Finding. The Finding does not explain the many legal issues in the case, nor does it mention the parties entered into a Release and Settlement Agreement by which the parties resolved their differences rather than filing an appeal of the Court's ruling. The Release and Settlement Agreement clearly states the School Board's payments to the charter schools were in compromise of a disputed legal claim and were not to be construed as an admission or concession of any fault, liability or damage. Failing to mention the case was settled rather than litigated to the conclusion of all appeals implies the District acted improperly when that is not the case. The Finding also fails to mention the interpretation of this funding issue by the Florida Department of Education, which interpretation was provided to the Florida Auditor General's office. As previously provided, Form IEPC-SC, Florida Standard Charter Contract, adopted by the State Board of Education in rule 6A-6.0786(3), indicates the School Board has the discretion, not the legal obligation, to share this additional operating millage funding with charter schools. Additionally, in the Florida Department of Education Technical Assistance Paper 2009-03, Funding and Financial Management of Florida's Public Charter Schools, there is no mention of any requirement for School Board's to share this additional operating millage funding with charter schools on a pro-rata basis. Finally, the Charter School Revenue Estimate Worksheet also prepared by the Florida Department of Education to assist charter schools in establishing their budget does not include this funding source in the list of funding for charter schools. Failing to mention the interpretation of the funding issue by the state agency with oversight of the District implies the District acted improperly when that is not the case.

The Finding also fails to acknowledge several other School Boards in the State which levy a similar additional operating millage and do not share any portion of it with charter schools. While the audit of the Indian River School Board is limited to Indian River, it is inappropriate to imply this funding obligation is unique to Indian River, and not a state-wide issue.

The District has in the past and will continue in the future to comply with its obligations under section 1002.33, Florida Statutes.

Auditor's Remarks

Management's response indicates that the finding fails to disclose that the parties entered a negotiated settlement, which was not to be construed as an admission or concession of any fault, and that failing to mention the settlement implies that the District acted improperly when that was not the case. Notwithstanding this response, the negotiated settlement is referenced in the effect section of the finding and, pursuant to the settlement, the District agreed to pay the five charter schools a total of $2,573,022 plus interest over a 4-year period. As such, we continue to recommend that the District ensure that appropriate allocations and disbursements are made to the five District-sponsored charter schools in accordance with State law.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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