

**THE SEASIDE SCHOOL, INC.  
(A COMPONENT UNIT OF WALTON COUNTY  
SCHOOL DISTRICT)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**THE SEASIDE SCHOOL, INC.**  
**TABLE OF CONTENTS**  
**JUNE 30, 2017**

	<u>Page Number(s)</u>
<b>Independent Auditors' Report</b>	1 – 2
<b>Management's Discussion and Analysis</b>	3 – 7
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13 – 26
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	28
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Internal Fund	29
Notes to Required Supplementary Information	30
Schedule of Proportionate Share of Net Pension Liability	31
Schedule of Contributions	32
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	 33 – 34
<b>Management Letter of Independent Auditors Required by Chapter 10.850, Rules of the State of Florida, Office of the Auditor General</b>	 35 – 36

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
The Seaside School, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of The Seaside School, Inc. (a component unit of the Walton County School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

- 1 -

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of The Seaside School, Inc. as of June 30, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of The Seaside School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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 Seaside School, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
August 29, 2017

**THE SEASIDE SCHOOL, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

This discussion and analysis (MD&A) of The Seaside School, Inc.'s ("the School") financial condition provides an overview of financial activity, identifies changes in financial position and assists the reader in focusing on significant financial issues. The primary purpose of the School is to provide an educational program for approximately 330 students. It is important to the long-term existence of the School to maintain its financial health. Net position is accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

**HIGHLIGHTS**

*Financial Highlights*

- Net position totaled (\$367,858)
- Operating expenses exceeded revenues by \$13,687
- Capital assets decreased \$18,254 over the prior year

*School Highlights*

During the 2016-2017 fiscal year, the School accomplished the following:

Once again rated by the State of Florida as an "A" school, the School was once again awarded \$30,804 in School Recognition money in fiscal year ending June 30, 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements provide both short-term and long-term information about the School'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 financial information about the governmental activities of the Primary Government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating.

**THE SEASIDE SCHOOL, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**(Continued)**

The government-wide statements present the School's activities in two categories:

- Governmental activities - This represents all of the School's services. Support functions such as transportation and administration are also included. State's education finance program provides most of the resources that support these activities.
- Component units - The School presents one separate legal entity in this report, Seaside School Foundation, Inc. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Separately internally issued financial statements for this component unit are available at the School's administrative office.

Over a period of time, changes in the School's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the School's student enrollment and the condition of the School's capital assets including its school buildings and administrative facilities.

**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 School 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the School's funds are classified within the following category:

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements.

This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provided a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

**THE SEASIDE SCHOOL, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**FUND FINANCIAL STATEMENTS**  
**(Continued)**

The governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide detailed information about the School's most significant funds, not the School as a whole. The School's major funds are the General Fund, Internal Fund and Capital Projects Fund.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and Internal Fund.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Assets</b>		
Current and other assets	\$ 192,099	\$ 177,808
Capital assets, net	72,875	91,129
Total assets	<u>\$ 264,974</u>	<u>\$ 268,937</u>
<b>Deferred outflows</b>	<u>\$ 775,277</u>	<u>\$ 449,480</u>
<b>Liabilities</b>		
Current liabilities	\$ 45,685	\$ 55,848
Noncurrent liabilities	1,333,172	911,125
Total liabilities	<u>\$ 1,378,857</u>	<u>\$ 966,973</u>
<b>Deferred inflows</b>	<u>\$ 29,252</u>	<u>\$ 105,615</u>
<b>Net position</b>		
Net investment in capital assets	\$ 72,875	\$ 80,620
Unrestricted	(440,733)	(434,791)
Total net position	<u>\$ (367,858)</u>	<u>\$ (354,171)</u>

**Governmental activities.** During the current fiscal year, net position for governmental activities decreased \$13,687 from the prior fiscal year for an ending net position of \$(367,858). The key element of this change is due to the recording of asset depreciation and the school's proportionate share of the net FRS pension liability increase. For more detailed information, see the accompanying Statement of Net Position on page 9.

**THE SEASIDE SCHOOL, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**  
**(Continued)**

Operating results for the year ended June 30, 2017 as compared to June 30, 2016, are as follows:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Revenues</b>		
Capital grants and contributions	\$ 168,000	\$ 254,096
Charges for services	18,712	23,316
Operating revenues not restricted	2,620,972	2,745,494
Investment earnings and other	509,033	210,496
Total revenues	3,316,717	3,233,402
<b>Expenditures</b>		
Program Expenses:		
Educational instruction	\$ 3,330,404	\$ 3,270,853
Increase (decrease) in net position	(13,687)	(37,451)
Net position, beginning of year	(354,171)	(316,720)
Net position, end of year	\$ (367,858)	\$ (354,171)

For more detailed information, see the accompanying Statement of Activities on page 10.

FEFP funding for student enrollment was \$2,532,547, approximately 76% of total revenue. The School also received \$92,802 in Capital Projects funding from the State of Florida.

Governmental expenditures for the year ended June 30, 2017, totaled \$3,330,404. The following services represent a percentage of total expenditures for the year:

Instruction	57%
Administration	17%
Student and Instructional Support Services	7%
Community Service	5%
Operation of Plant	9%
Other	5%

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

Major Governmental Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the total fund balance was \$150,271. For fiscal year 2015-2016, the total fund balance was \$95,129. The fund balance increased by \$55,142 in fiscal year 2016-2017.

The Internal Fund accounts for money obtained from the public related to all organizations of the school, or organizations operating in the name of the school. The School is accountable to the board for the receipt and expenditure of those funds. At the end of the current fiscal year, the total fund balance was a deficit of \$10,925, a decrease of \$25,948 from the prior fiscal year.

The Capital Projects Fund had a total fund balance \$11,808. This fund balance had no increase from the prior year.

**THE SEASIDE SCHOOL, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

The School passed an original and final budget for the fiscal year ending June 30, 2017. There were some factors that lead to the variance with actual revenues and expenditures as compared to the Board's approved budget. The School experienced a favorable increase in revenues as compared to the budget for general fund in the amount of \$105,665.

**CAPITAL ASSETS**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
Improvements other than Buildings	\$ 21,053	\$ 21,053	\$ -
Buildings and fixed equipment	53,118	53,118	-
Leasehold improvements	77,495	77,495	-
Furniture, fixtures, and equipment	269,908	266,260	3,648
Computer software	41,936	41,936	-
	<hr/>	<hr/>	<hr/>
Total, prior to deprecation	463,510	459,862	3,648
Accumulated depreciation	(390,635)	(368,733)	21,902
Net capital assets	<u>\$ 72,875</u>	<u>\$ 91,129</u>	<u>\$ (18,254)</u>

More information about the School's capital assets is presented in Notes to the financial statements.

**FUTURE FINANCIAL FACTORS**

The Seaside School, Inc. is a Charter school sponsored by the Walton County School District. The initial Charter was granted for three years and was extended through August 12, 2014. A renewal agreement has been signed with Walton County School District for an additional 15 years through August 12, 2029.

The Seaside School, Inc. is rated an "A" School and has received overwhelming positive public support. Donations and fundraising opportunities are also in the plans to assist the School's financial needs.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents and creditors with a general overview of the School's finances, and to demonstrate the School's accountability for the money it receives. If readers have any questions about this report or need additional financial information, contact the Principal, at The Seaside School, Inc., 10 Smolian Circle, Santa Rosa Beach, FL 32459.

**THE SEASIDE SCHOOL, INC**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 89,739	\$ 2,057,467
Grant and other receivables	85,097	71,000
Investments	-	44,760
Prepaid items	17,263	-
Land	-	816,000
Capital assets, being depreciated, net	72,875	1,290,329
<b>Total assets</b>	<b>\$ 264,974</b>	<b>\$ 4,279,556</b>
<b><u>DEFERRED OUTFLOWS</u></b>		
Related to changes in the net pension liability	\$ 775,277	\$ -
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued expense	\$ 40,945	\$ 109,747
Compensated absences	15,528	-
Capital lease payable:		
Due within one year	4,740	-
Due in more than one year	1,215	-
Net pension liability	1,316,429	-
<b>Total liabilities</b>	<b>\$ 1,378,857</b>	<b>\$ 109,747</b>
<b><u>DEFERRED INFLOWS</u></b>		
Related to changes in the net pension liability	\$ 29,252	\$ -
<b><u>NET POSITION</u></b>		
Net investment in capital assets	\$ 72,875	\$ 2,106,329
Unrestricted	(440,733)	2,063,480
<b>Total net position</b>	<b>\$ (367,858)</b>	<b>\$ 4,169,809</b>

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

**THE SEASIDE SCHOOL, INC  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT
<b>Functions/Programs</b>						
Primary government						
Governmental activities:						
Instruction and instruction related services	\$ 1,892,450	\$ 18,712	\$ -	\$ -	\$ (1,873,738)	
School administration	571,017	-	-	-	(571,017)	
Student and instructional support services	227,356	-	-	-	(227,356)	
Community service	181,503	-	-	-	(181,503)	
Fiscal services	90,560	-	-	-	(90,560)	
Pupil transportation services	47,380	-	-	-	(47,380)	
Operation of plant	151,800	-	-	-	(151,800)	
Facilities, acquisitions, and equipment	168,000	-	-	168,000	-	
Interest on capital lease payable	338	-	-	-	(338)	
Total governmental activities	<u>\$ 3,330,404</u>	<u>\$ 18,712</u>	<u>\$ -</u>	<u>\$ 168,000</u>	<u>(3,143,692)</u>	
Component unit						
The Seaside School Building Foundation, Inc.	<u>\$ 1,582,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (1,582,966)</u>
General revenues:						
Grants and contributions not restricted to specific purposes					2,975,531	1,626,964
Rental income					-	168,000
Investment earnings					94	11,449
Other					154,380	1,239
Total general revenues					<u>3,130,005</u>	<u>1,807,652</u>
Change in net position					<u>(13,687)</u>	<u>224,686</u>
<b>Net position, beginning of year</b>					(354,171)	3,945,123
<b>Net position, end of year</b>					<u>\$ (367,858)</u>	<u>\$ 4,169,809</u>

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

**THE SEASIDE SCHOOL, INC**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Internal Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,285	\$ -	\$ 40,454	\$ 89,739
Grant and other receivables	76,886	8,211	-	85,097
Prepaid items	17,263	-	-	17,263
Due from other funds	48,369	3,597	-	51,966
<b>Total Assets</b>	<u>\$ 191,803</u>	<u>\$ 11,808</u>	<u>\$ 40,454</u>	<u>\$ 244,065</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 37,935	\$ -	\$ 3,010	\$ 40,945
Due to other funds	3,597	-	48,369	51,966
Total liabilities	<u>41,532</u>	<u>-</u>	<u>51,379</u>	<u>92,911</u>
Fund Balances:				
Nonspendable				
Prepaid items	17,263	-	-	17,263
Restricted				
Capital Outlay	-	11,808		11,808
Unassigned	133,008	-	(10,925)	122,083
Total fund balances	<u>150,271</u>	<u>11,808</u>	<u>(10,925)</u>	<u>151,154</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 191,803</u>	<u>\$ 11,808</u>	<u>\$ 40,454</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,875
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(21,483)
Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.	(570,404)
Net position of governmental activities	<u>\$ (367,858)</u>

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

**THE SEASIDE SCHOOL, INC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Internal Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental				
Florida education finance program	\$ 2,532,547	\$ -	\$ -	\$ 2,532,547
Capital outlay funds	-	92,802	-	92,802
Other State revenue	88,425	-	-	88,425
Local	372,096	-	155,555	527,651
Interest income	94	-	-	94
Total revenues	<u>2,993,162</u>	<u>92,802</u>	<u>155,555</u>	<u>3,241,519</u>
<b>Expenditures</b>				
Instruction and instruction related services	1,860,067	-	-	1,860,067
School administration	552,317	-	-	552,317
Student and instructional support services	227,356	-	-	227,356
Community service	-	-	181,503	181,503
Fiscal services	90,560	-	-	90,560
Pupil transportation services	47,380	-	-	47,380
Operation of plant	155,448	92,802	-	248,250
Debt service:				
Principal	4,554	-	-	4,554
Interest	338	-	-	338
Total expenditures	<u>2,938,020</u>	<u>92,802</u>	<u>181,503</u>	<u>3,212,325</u>
<b>Net change in fund balances</b>	<u>55,142</u>	<u>-</u>	<u>(25,948)</u>	<u>29,194</u>
<b>Fund balances, beginning of year</b>	95,129	11,808	15,023	121,960
<b>Fund balances, end of year</b>	<u>\$ 150,271</u>	<u>\$ 11,808</u>	<u>\$ (10,925)</u>	<u>\$ 151,154</u>

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

**THE SEASIDE SCHOOL, INC**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances-total governmental funds (page 12)	<u>\$ 29,194</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:

Net pension liability	(434,543)
Deferred outflows related to net pension liability	325,797
Deferred inflows related to net pension liability	<u>76,363</u>
	<u>(32,383)</u>

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	3,648
Depreciation	<u>(21,902)</u>
	<u>(18,254)</u>

The issuance of debt provides current financial resources to governmental funds while repayment of principal consumes the current financial resources of government funds. Neither transaction, however, has any affect on net assets. This amount is the net affect of these differences.

	<u>4,554</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	3,202
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Change in net position of governmental activities (page 10)	<u><u>\$ (13,687)</u></u>
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The accompanying notes to financial statements  
are an integral part of this statement.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(1) Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of The Seaside School, Inc. (the "School"), which affect significant elements of the accompanying basic financial statements:

A. **Reporting entity**—The Seaside School, Inc. was created on February 14, 1994, to operate as a charter school under Florida Statutes. The school entered into a contract with Walton County District School Board ("District") to provide an educational program for middle and high school public school students. The School receives a majority of its funding through the District based on a formula of student attendance which is identical to that of other Walton County, Florida public schools. The initial Charter was granted for three years and was extended through August 12, 2014. A renewal agreement has been signed with Walton County School District for an additional 15 years through August 12, 2029. The charter may be renewed in annual increments up to fifteen years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. The Seaside School, Inc. is considered a component unit of the Walton County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described by the Governmental Accounting Standards Board (GASB). The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component unit is included within the School's reporting entity:

Seaside School Foundation, Inc. (the "Foundation") was organized under the laws of the State of Florida on January 17, 2008. The Foundation was incorporated as a nonprofit corporation under state law. The Foundation was organized exclusively for educational and charitable purposes and to build, equip, support, maintain, staff, and operate a not for profit charter school facility at The Seaside School, Inc. Based upon its formation purpose, the Foundation was determined to be a component unit of the School and is presented using discrete presentation within the government-wide financial statements.

Complete financial statements of the component unit can be obtained directly from the School's administrative office, 10 Smolian Circle, Santa Rosa Beach, FL 32459.

B. **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. Governmental activities, are normally supported by intergovernmental revenues, and other nonexchange transactions.

C. **Basis of presentation – government wide financial statements**—While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

C. **Basis of presentation – government wide financial statements** (Continued)

Amounts reported as program revenues include operating grants and contributions. Items not properly included among program revenues, such as monies received from the Walton County District School Board, are reported as general revenues.

The Seaside School Foundation, Inc., shown as a discretely presented component unit, uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

D. **Basis of presentation – fund financial statements**—The fund financial statements provide information about the government's funds. Separate statement for the fund category, governmental, is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The School uses the following governmental funds:

**General Fund**—The general fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

**Capital Projects Fund**—The capital projects fund is used to account for financial resources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and major maintenance projects.

**Internal Fund**—The internal fund is used to account for all financial resources derived from fundraising events, donations, and various school activities.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

E. **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Walton County School Board, are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

F. **Budgetary data**—The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School's governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

G. **Cash and cash equivalents**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

H. **Income taxes**—The School and the component unit are exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The School files income tax returns in the U.S. Federal jurisdiction. The School’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The School has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

I. **Capital assets**—Capital assets are defined by the School as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Furniture and equipment	5 – 10
Buildings and improvements	20 – 50
Software	3 – 5

J. **Revenue sources**—Revenues for current operations are received primarily from the Walton County District School Board pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Walton County District School Board. Under the provisions of Section 1011.62, Florida Statutes, the Walton County District School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

K. **Use of estimates**—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(1) **Summary of Significant Accounting Policies:** (Continued)

L. **Fund Balance**—The School follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a school’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted fund balance—includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance—includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School’s Board of Directors. These amounts cannot be used for any other purpose unless the School’s Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance—includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School’s Board of Directors or through the School’s Board of Directors delegating this responsibility to the Principal through the budgetary process.

Unassigned fund balance—includes the residual fund balances for the General fund.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

M. **Pensions**—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) and additions to/deductions from FRS’s fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. **Deferred outflows/inflows of resources**— In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (11b).

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(2) Capital Assets:**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Primary Government:				
Capital assets, being depreciated:				
Improvements other than Buildings	\$ 21,053	\$ -	\$ -	\$ 21,053
Buildings and fixed equipment	53,118	-	-	53,118
Leasehold improvements	77,495	-	-	77,495
Furniture, fixtures, and equipment	266,260	3,648	-	269,908
Computer software	41,936	-	-	41,936
Total capital assets, being depreciated	<u>459,862</u>	<u>3,648</u>	<u>-</u>	<u>463,510</u>
Less accumulated depreciation:				
Improvements other than Buildings	(16,457)	(1,053)	-	(17,510)
Buildings and fixed equipment	(25,548)	(1,800)	-	(27,348)
Leasehold improvements	(34,713)	(2,627)	-	(37,340)
Furniture, fixtures, and equipment	(260,900)	(9,148)	-	(270,048)
Computer software	(31,115)	(7,274)	-	(38,389)
Total accumulated depreciation	<u>(368,733)</u>	<u>(21,902)</u>	<u>-</u>	<u>(390,635)</u>
Capital assets being depreciated, net	<u>\$ 91,129</u>	<u>\$ (18,254)</u>	<u>\$ -</u>	<u>\$ 72,875</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Component Unit:				
Capital asset not being depreciated:				
Land	\$ 816,000	\$ -	\$ -	\$ 816,000
Capital assets, being depreciated:				
Buildings and fixed assets	1,667,055	-	-	1,667,055
Furniture, fixtures, and equipment	83,930	6,103	-	90,033
Total capital assets, being depreciated	<u>1,750,985</u>	<u>6,103</u>	<u>-</u>	<u>1,757,088</u>
Less accumulated depreciation	(415,403)	(51,356)	-	(466,759)
Capital assets, net	<u>\$ 2,151,582</u>	<u>\$ (45,253)</u>	<u>\$ -</u>	<u>\$ 2,106,329</u>

Capital assets are used by multiple functions within the School and depreciation expense was charged to governmental functions as follows:

School administration	<u>\$ 21,902</u>
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**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(3) Long-Term Debt:**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Capital lease payable	\$ 10,509	\$ -	\$ 4,554	\$ 5,955	\$ 4,740
Compensated absences	18,730	21,313	24,515	15,528	15,528
Total	<u>\$ 29,239</u>	<u>\$ 21,313</u>	<u>\$ 29,069</u>	<u>\$ 21,483</u>	<u>\$ 20,268</u>

**(4) Concentrations:**

The School maintains cash deposits with several banks. All deposits, except for cash with fiscal agents, are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Florida Statutes.

**(5) Significant Funding Source:**

The School receives a substantial amount of its funding from the Walton County District School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

**(6) Operating Leases:**

The School is located on approximately 1/2 acre of land in Santa Rosa Beach, Walton County, Florida. The property, which includes land and building, was donated by the Seaside Community Development Corporation to the Foundation in December 2012. The Foundation now leases the leasehold property to the School through a lease expiring in June 2019. Lease payments totaled \$168,000 for the year ended June 30, 2017. Minimum future rental payments under this non-cancelable operating lease are:

<u>Year</u>	<u>Amount</u>
2018	\$ 168,000
2019	168,000
2020	-
2021	-
2022	-
Total minimum future rental payments	<u>\$ 336,000</u>

The School leases equipment under operating leases expiring in 2019. Rent expense related to the operating leases for the year ended June 30, 2017 amounted to \$11,180.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(6) **Operating Leases:** (Continued)

Minimum future rental payments under these non-cancelable operating leases are:

<b>Year</b>	<b>Amount</b>
2017	\$ 8,647
2018	1,441
2019	-
2020	-
2021	-
Total minimum future rental payments	\$ 10,088

(7) **Capital Lease:**

The School leases equipment under a capital lease that expires in 2019. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments. Leased equipment under the capital lease obligation of \$23,207 is included in property and equipment at June 30, 2017. Accumulated depreciation in the statements of net position includes \$18,179 relating to the leased equipment at June 30, 2017. Depreciation expense reported in the statement of activities includes \$4,641 for the equipment under capital lease for the year ended June 30, 2017. Minimum future lease payments under the capital lease for each of the next five years and in the aggregate are:

<b>Year Ended June 30,</b>	<b>Amount</b>
2018	\$ 4,892
2019	1,223
2020	-
Total minimum lease payments	6,115
Less: Amount representing interest	160
Present value of minimum lease payments	\$ 5,955

(8) **Risk Management:**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(9) **Due From/To Other Funds**

The following is a summary of amounts reported in the governmental fund financial statements. Interfund loans were used to cover expenditures in the current year:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Internal	\$ 48,369
Capital Projects Fund	General Fund	<u>3,597</u>
	Total	<u>\$ 51,966</u>

(10) **In-Kind Donations**

The Seaside School Foundation, Inc. receives non-cash items or services in exchange for sponsorships of the race that the Foundation holds every year. The amounts recorded are the fair market value of the sponsorships and total \$571,201 for the year ended June 30, 2017.

The School received in-kind space from the Foundation for \$75,198, which is estimated to be the fair value of their lease agreement less previous payments made towards the agreement.

(11) **Retirement Plan:**

- (a) **General Information about the Pension Plan**— The Seaside School (The “School”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. 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. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(11) **Retirement Plan:** (Continued)

(a) **General Information about the Pension Plan** (Continued)

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans 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. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(11) **Retirement Plan:** (Continued)

(a) **General Information about the Pension Plan** (Continued)

**Contributions**

The School participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at June 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan &amp; Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.52%
Senior Management	3.00%	21.77%
DROP Employees	0.00%	12.99%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for School employees participating in FRS and HIS for the each of last three fiscal years ended June 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School Contributions – FRS	\$ 91,800	\$ 85,665	\$ 87,211
School Contributions – HIS	26,005	25,394	17,985
Employee Contributions – FRS	46,997	45,658	42,797

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(11) **Retirement Plan:** (Continued)

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**— At June 30, 2017, the School reported a liability of \$1,316,429 for its proportionate share of the net pension liability, \$741,849 related to FRS and \$574,580 to HIS. 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 that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the School's FRS proportion was 0.002938008% and 0.003115001%, respectively. At June 30, 2017 and June 30, 2016, the School's HIS proportion was 0.004930079% and 0.004702094%, respectively. For the year ended June 30, 2017, the School's recognized pension expense of \$147,685 from FRS and \$76,183 from HIS, for a grand total of \$223,868.

*Deferred outflows/inflows related to pensions:*

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,802	\$ (6,907)	\$ -	\$ (1,309)
Changes of assumptions	44,880	-	90,166	-
Net different between projected and actual investment earnings	191,759	-	291	-
Change in School's proportionate share	139,232	(21,036)	134,342	-
Contributions subsequent to measurement date	91,800	-	26,005	-
	<u>\$ 524,473</u>	<u>\$ (27,943)</u>	<u>\$ 250,804</u>	<u>\$ (1,309)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 118,443
2019	118,443
2020	193,147
2021	138,756
2022	40,250
Thereafter	19,181
Total	<u>\$ 628,220</u>

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(11) **Retirement Plan:** (Continued)

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

*Actuarial assumptions.* The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed for the FRS Pension Plan.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.60%. 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. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-Term Expected Rate of Return.* To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target Allocation %</b>	<b>Long-Term Expected Rate of Return %</b>
Cash	1	3
Fixed Income	18	4.7
Global Equities	53	8.1
Real Estate	10	6.4
Private Equity	6	11.5
Strategic Investments	12	6.1
Total	100.0%	

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(11) **Retirement Plan:** (Continued)

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.60%	\$ 1,365,795	\$ 741,849	\$ 222,497
HIS	2.85%	659,174	574,580	504,372

(12) **Investments:**

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

As of June 30, 2017, The Foundation has \$44,760 in mutual funds valued using quoted market prices (Level 1 inputs).

(13) **Deposits:**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned. At year end, the carrying amount of the School's deposits was \$180,892 and the bank balance was \$186,886. Of the bank balance, \$186,886 was covered by Federal depository insurance or by collateral held by the School's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

(14) **Subsequent Events:**

The Seaside School, Inc has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 29, 2017, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THE SEASIDE SCHOOL, INC**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Florida education finance program	\$ 2,464,822	\$ 2,464,822	\$ 2,532,547	\$ 67,725
Other State revenue	-	59,243	88,425	29,182
Local	420,298	420,298	372,096	(48,202)
Interest income	-	-	94	94
Total revenues	<u>2,885,120</u>	<u>2,944,363</u>	<u>2,993,162</u>	<u>48,799</u>
<b>Expenditures</b>				
Instruction and instruction related services	1,908,749	1,908,749	1,860,067	48,682
School administration	538,951	538,951	552,317	(13,366)
Student and Instructional Support Services	243,672	243,672	227,356	16,316
Community Service	-	-	-	-
Fiscal services	88,491	88,491	90,560	(2,069)
Pupil transportation services	49,380	49,380	47,380	2,000
Operation of plant	170,417	170,417	155,448	14,969
Debt service:	-	-	-	-
Principal	-	-	4,554	(4,554)
Interest	-	-	338	(338)
Total expenditures	<u>2,999,660</u>	<u>2,999,660</u>	<u>2,938,020</u>	<u>61,640</u>
<b>Net change in fund balances</b>	<u>(114,540)</u>	<u>(55,297)</u>	<u>55,142</u>	<u>110,439</u>
<b>Fund balances, beginning of year</b>	95,129	95,129	95,129	-
<b>Fund balances (deficiency), end of year</b>	<u>\$ (19,411)</u>	<u>\$ 39,832</u>	<u>\$ 150,271</u>	<u>\$ 110,439</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**THE SEASIDE SCHOOL, INC**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET TO ACTUAL - INTERNAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local	\$ 123,600	\$ 123,600	\$ 155,555	\$ 31,955
Total revenues	<u>123,600</u>	<u>123,600</u>	<u>155,555</u>	<u>31,955</u>
<b>Expenditures</b>				
Community Service	150,903	150,903	181,503	(30,600)
Total expenditures	<u>150,903</u>	<u>150,903</u>	<u>181,503</u>	<u>(30,600)</u>
<b>Net change in fund balances</b>	<u>(27,303)</u>	<u>(27,303)</u>	<u>(25,948)</u>	<u>1,355</u>
<b>Fund balances, beginning of year</b>	15,023	15,023	15,023	-
<b>Fund balances (deficiency), end of year</b>	<u>\$ (12,280)</u>	<u>\$ (12,280)</u>	<u>\$ (10,925)</u>	<u>\$ 1,355</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**THE SEASIDE SCHOOL, INC.**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

(1) **Summary of Significant Accounting Policies:**

The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual are presented using the School’s budget format for all major governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the “Board”). The budget presented for fiscal year ended June 30, 2017, has not been amended.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

**THE SEASIDE SCHOOL, INC.**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -**  
**LAST 10 FISCAL YEARS AS OF JUNE 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Florida Retirement System (FRS)</b>			
Proportion of the net pension liability (asset)	0.002938008%	0.003115001%	0.002618220%
Proportionate share of the net pension liability (asset)	\$ 741,849	\$ 402,347	\$ 159,750
Covered-employee payroll	1,529,738	1,426,543	1,184,201
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.50%	28.20%	13.49%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>			
Proportion of the net pension liability (asset)	0.004930079%	0.004702094%	0.003988222%
Proportionate share of the net pension liability (asset)	\$ 574,580	\$ 479,539	\$ 372,908
Covered-employee payroll	1,529,738	1,426,543	1,184,201
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.56%	33.62%	36.38%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral  
part of this schedule.

**THE SEASIDE SCHOOL, INC.**  
**SCHEDULE OF CONTRIBUTIONS -**  
**LAST 10 FISCAL YEARS AS OF JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Florida Retirement System (FRS)</u></b>				
Contractually required contribution	\$ 91,800	\$ 85,665	87,211	105,196
Contributions in relation to the contractually required contribution	(91,800)	(85,665)	(87,211)	(105,196)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,566,566	\$ 1,529,738	\$ 1,426,543	\$ 1,184,201
Contributions as a percentage of covered-employee payroll	5.86%	5.60%	6.11%	8.88%
<b><u>Health Insurance Subsidy Program (HIS)</u></b>				
Contractually required contribution	\$ 26,005	\$ 25,394	\$ 17,985	\$ 18,163
Contributions in relation to the contractually required contribution	(26,005)	(25,394)	(17,985)	(18,163)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,566,566	\$ 1,529,738	\$ 1,426,543	\$ 1,184,201
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.53%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral  
part of this schedule.

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

To the Board of Directors,  
The Seaside School, Inc.:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of The Seaside School, Inc. ( a component unit of the School Board of Walton County School District) as of and for the year ended June 30, 2017, and related notes to the financial statements which collectively comprise The Seaside School, Inc.'s basic financial statements and have issued our report thereon dated August 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Seaside School, Inc.'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 Seaside School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Seaside School, Inc.'s internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

- 33 -

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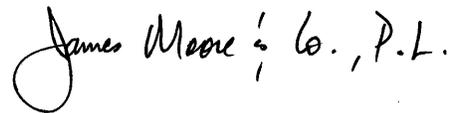
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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Seaside School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Tallahassee, Florida  
August 29, 2017

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.850, RULES OF THE STATE OF FLORIDA, OFFICE OF THE  
AUDITOR GENERAL**

To the Board of Directors,  
The Seaside School, Inc.:

**Report on the Financial Statements**

We have audited the financial statements of The Seaside School, Inc. (a component unit of the School Board of Walton County School District), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 29, 2017.

**Auditor's Responsibility**

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 and Chapter 10.850, Rules of the Auditor General.

**Other Reports**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 29, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

**Official Title**

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Seaside School, Inc.

- 35 -

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## **Financial Condition**

Sections 10.854(1)(e)2., Rules of the Auditor General, require that we report the results of our determination as to whether or not The Seaside School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that The Seaside School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the The Seaside School, Inc. It is management's responsibility to monitor the The Seaside School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether The Seaside School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the The Seaside School, Inc. did maintain all of the required information on its Web site as specified in Section 1002.33(9)(p), Florida Statutes.

## **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Walton County District School Board, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida  
August 29, 2017