

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

FINANCIAL STATEMENTS

JUNE 30, 2016

THE SEASIDE SCHOOL, INC.
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INDEPENDENT AUDITORS' REPORT

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

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, 2016, 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

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.

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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. and the component unit as of June 30, 2016 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 22, 2016 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.C.

Tallahassee, Florida
August 22, 2016

THE SEASIDE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 310 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 (\$354,171)
- Operating expenses exceeded revenues by \$37,451
- Capital assets decreased \$26,304 over the prior year

School Highlights

During the 2015-2016 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 \$27,107 in School Recognition money in fiscal year ending June 30, 2016. The School achieved President Bush's National Standards of No Child Left Behind "Annual Yearly Progress" standards. The School achieved a milestone in meeting Internal School Improvement Goals.

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, 2016

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, 2016

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 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.

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, 2016, as compared to June 30, 2015:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current and other assets	\$ 177,808	\$ 86,582
Capital assets, net	91,129	117,433
Total assets	<u>\$ 268,937</u>	<u>\$ 204,015</u>
Deferred outflows	<u>\$ 449,480</u>	<u>\$ 376,196</u>
Liabilities		
Current liabilities	\$ 55,848	\$ 56,660
Noncurrent liabilities	911,125	564,166
Total liabilities	<u>\$ 966,973</u>	<u>\$ 620,826</u>
Deferred inflows	<u>\$ 105,615</u>	<u>\$ 276,375</u>
Net position		
Net investment in capital assets	\$ 80,620	\$ 102,548
Unrestricted	(434,791)	(419,268)
Total net position	<u>\$ (354,171)</u>	<u>\$ (316,720)</u>

For more detailed information, see the accompanying Statement of Net Position on page 9.

THE SEASIDE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS
(Continued)

Operating results for the year ended June 30, 2016 as compared to June 30, 2015, are as follows:

	June 30, 2016	June 30, 2015
Revenues		
Capital grants and contributions	\$ 254,096	\$ 282,176
Charges for services	23,316	79,223
Operating revenues not restricted	2,745,494	2,470,268
Investment earnings and other	210,496	40,076
Total revenues	3,233,402	2,871,743
Expenditures		
Program Expenses:		
Educational instruction	\$ 3,270,853	\$ 2,803,900
Increase (decrease) in net position	(37,451)	67,843
Net position, beginning of year	(316,720)	(384,563)
Net position, end of year	\$ (354,171)	\$ (316,720)

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

FTE funding for student enrollment was \$2,309,365, approximately 71% of total revenue. The School also received \$86,096 in Capital Projects funding from the State of Florida.

Governmental expenditures for the year ended June 30, 2016, totaled approximately \$3,300,000. The following services represent a percentage of total expenditures for the year:

Instruction	56%
Administration	17%
Student and Instructional Support Services	6%
Community Service	6%
Operation of Plant	10%
Other	5%

**THE SEASIDE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$95,129. For fiscal year 2014-2015, the total fund balance was \$28,229. The fund balance increased by \$66,900 in fiscal year 2015-2016.

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

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

The School passed an original and final budget for the fiscal year ending June 30, 2016. 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 \$111,980.

CAPITAL ASSETS

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Improvements other than Buildings	\$ 21,053	\$ 21,053	\$ -
Buildings and fixed equipment	53,118	53,118	-
Leasehold improvements	77,496	77,496	-
Furniture, fixtures, and equipment	266,260	266,260	-
Computer software	41,936	41,936	-
	<hr/>	<hr/>	<hr/>
Total, prior to depreciation	459,863	459,863	-
Accumulated depreciation	(368,734)	(342,430)	26,304
Net capital assets	<u>\$ 91,129</u>	<u>\$ 117,433</u>	<u>\$ (26,304)</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.

**THE SEASIDE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016

	Governmental Activities	Component Unit
<u>ASSETS</u>		
Cash and cash equivalents	\$ 139,675	\$ 1,757,694
Grant and other receivables	10,270	-
Investments	9,727	36,015
Prepaid items	18,136	5,100
Land	-	816,000
Capital assets, being depreciated, net	91,129	1,335,583
Total assets	\$ 268,937	\$ 3,950,392
<u>DEFERRED OUTFLOWS</u>		
Related to changes in the net pension liability	\$ 449,480	\$ -
<u>LIABILITIES</u>		
Accounts payable and accrued expense	\$ 55,848	\$ 5,269
Compensated absences	18,730	-
Capital lease payable	10,509	-
Net pension liability	881,886	-
Total liabilities	\$ 966,973	\$ 5,269
<u>DEFERRED INFLOWS</u>		
Related to changes in the net pension liability	\$ 105,615	\$ -
<u>NET POSITION</u>		
Net investment in capital assets	\$ 80,620	\$ 2,151,583
Unrestricted	(434,791)	1,793,540
Total net position	\$ (354,171)	\$ 3,945,123

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, 2016**

	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
Functions/Programs						
Primary government						
Governmental activities:						
Instruction and instruction related services	\$ 1,838,746	\$ 23,316	\$ -	\$ -	\$ (1,815,430)	
School administration	563,795	-	-	-	(563,795)	
Student and instructional support services	207,100	-	-	-	(207,100)	
Community service	197,141	-	-	-	(197,141)	
Fiscal services	91,548	-	-	-	(91,548)	
Pupil transportation services	46,000	-	-	-	(46,000)	
Operation of plant	326,007	-	-	-	(326,007)	
Facilities, acquisitions, and equipment	-	-	-	254,096	254,096	
Interest on capital lease payable	516	-	-	-	(516)	
Total governmental activities	<u>\$ 3,270,853</u>	<u>\$ 23,316</u>	<u>\$ -</u>	<u>\$ 254,096</u>	<u>(2,993,441)</u>	
Component unit						
The Seaside School Building Foundation, Inc.	<u>\$ 1,647,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (1,647,565)</u>
General revenues:						
Grants and contributions not restricted to specific purposes					2,745,494	1,763,878
Rental income					-	168,000
Investment earnings					2,538	1,080
Other					207,958	2,330
Total general revenues					<u>2,955,990</u>	<u>1,935,288</u>
Change in net position					<u>(37,451)</u>	<u>287,723</u>
Net position, beginning of year					(316,720)	3,657,400
Net position, end of year					<u>\$ (354,171)</u>	<u>\$ 3,945,123</u>

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

**THE SEASIDE SCHOOL, INC
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Capital Projects Fund	Internal Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 101,998	\$ -	\$ 37,677	\$ 139,675
Grant and other receivables	1,760	8,010	500	10,270
Investments	9,727	-	-	9,727
Prepaid items	18,136	-	-	18,136
Due from other funds	22,567	3,798	-	26,365
Total Assets	\$ 154,188	\$ 11,808	\$ 38,177	\$ 204,173
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 55,261	\$ -	\$ 587	\$ 55,848
Due to other funds	3,798	-	22,567	26,365
Total liabilities	59,059	-	23,154	82,213
Fund Balances:				
Nonspendable				
Prepaid items	18,136	-	-	18,136
Restricted				
Capital Outlay	-	11,808		11,808
Student Clubs and Activities			15,023	15,023
Unassigned	76,993	-	-	76,993
Total fund balances	95,129	11,808	15,023	121,960
Total Liabilities and Fund Balances	\$ 154,188	\$ 11,808	\$ 38,177	

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.	91,129
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(29,239)
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.	(538,021)
Net position of governmental activities	\$ (354,171)

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, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Internal Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental				
Florida education finance program	\$ 2,318,139	\$ -	\$ -	\$ 2,318,139
Capital outlay funds	-	86,096	-	86,096
Other State Revenue	86,048	-	-	86,048
Local	413,487	168,000	159,094	740,581
Interest income	2,538	-	-	2,538
Total revenues	<u>2,820,212</u>	<u>254,096</u>	<u>159,094</u>	<u>3,233,402</u>
Expenditures				
Instruction and instruction related services	1,733,559	-	-	1,733,559
School administration	535,383	-	-	535,383
Student and instructional support services	207,100	-	-	207,100
Community service	-	-	197,145	197,145
Fiscal services	91,548	-	-	91,548
Pupil transportation services	46,000	-	-	46,000
Operation of plant	71,910	254,096	-	326,006
Debt service:				
Principal	4,376	-	-	4,376
Interest	516	-	-	516
Total expenditures	<u>2,690,392</u>	<u>254,096</u>	<u>197,145</u>	<u>3,141,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,820</u>	<u>-</u>	<u>(38,051)</u>	<u>91,769</u>
Other financing sources (uses)				
Transfers in	-	-	62,920	62,920
Transfers out	(62,920)	-	-	(62,920)
Total other financing sources (uses)	<u>(62,920)</u>	<u>-</u>	<u>62,920</u>	<u>-</u>
Net change in fund balances	<u>66,900</u>	<u>-</u>	<u>24,869</u>	<u>91,769</u>
Fund balances (deficiency), beginning of year	28,229	11,808	(9,846)	30,191
Fund balances, end of year	<u>\$ 95,129</u>	<u>\$ 11,808</u>	<u>\$ 15,023</u>	<u>\$ 121,960</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, 2016

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

Net change in fund balances-total governmental funds (page 12)	<u>\$ 91,769</u>
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	(349,227)
Deferred outflows related to net pension liability	73,284
Deferred inflows related to net pension liability	170,760
	<u>(105,183)</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.	
	<u>(26,305)</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>4,376</u>
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	(2,108)
Change in net position of governmental activities (page 10)	<u><u>\$ (37,451)</u></u>

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

THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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, 2016

(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, 2016

(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, 2016

(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:

Asset Class	Estimated Useful Lives
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, 2016

(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, 2016

(2) **Capital Assets:**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</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	77,496	—	—	77,496
Furniture, fixtures, and equipment	266,260	—	—	266,260
Computer software	41,936	—	—	41,936
Total capital assets, being depreciated	<u>459,863</u>	<u>—</u>	<u>—</u>	<u>459,863</u>
Less accumulated depreciation:				
Improvements other than Buildings	(15,406)	(1,053)	—	(16,459)
Buildings and fixed equipment	(23,650)	(1,898)	—	(25,548)
Leasehold improvements	(31,944)	(2,769)	—	(34,713)
Furniture, fixtures, and equipment	(251,386)	(9,514)	—	(260,900)
Computer software	(20,044)	(11,070)	—	(31,114)
Total accumulated depreciation	<u>(342,430)</u>	<u>(26,304)</u>	<u>—</u>	<u>(368,734)</u>
Capital assets being depreciated, net	<u>\$ 117,433</u>	<u>\$ (26,304)</u>	<u>\$ —</u>	<u>\$ 91,129</u>

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Component Unit:				
Capital asset not being depreciated:				
Land	\$ 816,000	\$ —	\$ —	\$ 816,000
Capital assets, being depreciated:				
Buildings and fixed assets	1,667,065	—	—	1,667,065
Audio Visual	8,409	—	8,409	—
Furniture, fixtures, and equipment	83,930	—	—	83,930
Total capital assets, being depreciated	<u>1,759,404</u>	<u>—</u>	<u>8,409</u>	<u>1,750,995</u>
Less accumulated depreciation	<u>(364,217)</u>	<u>(51,195)</u>	<u>—</u>	<u>(415,412)</u>
Capital assets, net	<u>\$ 2,211,187</u>	<u>\$ (51,195)</u>	<u>\$ 8,409</u>	<u>\$ 2,151,583</u>

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

School administration	<u>\$ 26,304</u>
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THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Capital lease payable	\$ 14,885	\$ -	\$ 4,376	\$ 10,509	\$ 4,554
Compensated absences	16,622	21,043	18,935	18,730	18,730
Total	<u>\$ 31,507</u>	<u>\$ 21,043</u>	<u>\$ 23,311</u>	<u>\$ 29,239</u>	<u>\$ 23,284</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, 2016. Minimum future rental payments under this non-cancelable operating lease are:

Year	Amount
2017	\$ 168,000
2018	168,000
2019	168,000
2020	-
2021	-
Total minimum future rental payments	<u>\$ 504,000</u>

The School leases equipment under operating leases expiring in 2019. Rent expense related to the operating leases for the year ended June 30, 2016 amounted to \$69,681.

THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Year	Amount
2017	\$ 11,180
2018	8,647
2019	1,441
2020	-
2021	-
Total minimum future rental payments	\$ 21,268

(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, 2016. Accumulated depreciation in the statements of net position includes \$8,896 relating to the leased equipment at June 30, 2016. Depreciation expense reported in the statement of activities includes \$4,641 for the equipment under capital lease for the year ended June 30, 2016. Minimum future lease payments under the capital lease for each of the next five years and in the aggregate are:

Year Ended June 30,	Amount
2017	\$ 4,892
2018	4,892
2019	1,223
2020	-
Total minimum lease payments	11,007
Less: Amount representing interest	498
Present value of minimum lease payments	\$ 10,509

(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, 2016

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

The following is a summary of amounts reported in the governmental fund financial statements:

Receivable Fund	Payable Fund	Amount
General Fund	Internal	\$ 22,567
Capital Projects Fund	General Fund	<u>3,798</u>
	Total	<u>\$ 26,365</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 \$551,615 for the year ended June 30, 2016.

The School received in-kind space from the Foundation for \$168,000, which is estimated to be the fair value of their lease agreement.

(11) **Retirement Plan:**

(a) **General Information about the Pension Plan**—Essentially all regular employees of the School are eligible to enroll as members of the State-administered Florida Retirement System (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. 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, 2016

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

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

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.

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. School employees participating in DROP are not eligible to participate in this program. 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, Elected County Officers, 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 State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2015-2016 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
FRS – Regular	3.00	7.26
Drop – Applicable to members from all of the above	0.00	12.88
FRS – Reemployed Retiree	(B)	(B)

THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Notes: a) Employer rates include 1.66 percent for the postemployment health insurance subsidy.

Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The School's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contributions including employee contributions for the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, totaled \$45,658, \$46,644, and \$35,526, respectively, which were equal to the required contributions for each fiscal year.

There were 8 School participants in the Investment Plan during the 2015-2016 fiscal year. The School's contributions including employee contributions to the Investment Plan totaled \$17,180, which was equal to the required contribution for the 2015-2016 fiscal year.

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). An annual report on 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, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

(b) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**— At June 30, 2016, the School reported a liability of \$881,886 for its proportionate share of the 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 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 schools, actuarially determined. At June 30, 2016 and June 30, 2015, the School's FRS proportion was 0.003115001% and 0.002618220% percent, respectively. At June 30, 2016 and June 30, 2015, the School's HIS proportion was 0.004702094% and 0.003988222%, respectively. For the year ended June 30, 2016, the School recognized net pension expense of \$128,424. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
FRS - Change of assumptions	\$ 26,705	\$ -
FRS - Net difference between projected and actual earnings on pension plan investments	-	96,073
FRS - Changes in proportion and differences between School contributions and proportionate share of contributions	177,696	-
FRS - Difference between expected and actual experience	42,476	9,542
FRS - School contributions subsequent to the measurement date	17,220	-
HIS - Change of assumptions	37,727	-
HIS - Net difference between projected and actual earnings on pension plan investments	260	-
HIS - Changes in proportion and differences between School contributions and proportionate share of contributions	141,375	-
HIS - School contributions subsequent to the measurement date	6,021	-
Total	<u>\$ 449,480</u>	<u>\$ 105,615</u>

The \$17,220 and \$6,021 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2017	\$ 38,675
2018	38,675
2019	117,885
2020	61,323
2021	25,391
Total	<u>\$ 281,949</u>

THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.65%. 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 3.80% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 4.29%. 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 2015 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. The long-term rate of return is the arithmetic return.

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-Term Expected Rate of Return %</u>
Cash	1	3.2
Fixed Income	18	4.8
Global Equities	53	8.5
Real Estate	10	6.8
Private Equity	6	11.9
Strategic Investments	12	6.7
Total	100.0%	

THE SEASIDE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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 School's FRS and HIS proportionate share of the net pension liability calculated using the current discount rate, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.65%)	FRS Current Discount Rate (7.65%)	1% Increase (8.65%)
School's FRS proportionate share of net pension liability(asset)	\$ 1,042,565	\$ 402,344	\$ (130,424)
	1% Decrease (2.80%)	HIS Current Discount Rate (3.80%)	1% Increase (4.80%)
School's HIS proportionate share of net pension liability	\$ 546,413	\$ 479,540	\$ 423,777

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

(12) **Investments:**

The Seaside School, Inc. and 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.

The Seaside School, Inc. and the Foundation have the following recurring fair value measurements as of June 30, 2016, respectively: \$9,727 and \$36,015 in mutual funds valued using quoted market prices (Level 1 inputs).

(13) **Subsequent Events:**

The Seaside School, Inc has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 22, 2016, 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 BALANCES -
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Florida education finance program	\$ 2,236,819	\$ 2,273,730	\$ 2,318,139	\$ 44,409
Other State Revenue	-	-	86,048	86,048
Local	434,090	434,090	413,487	(20,603)
Interest income	412	412	2,538	2,126
Total revenues	<u>2,671,321</u>	<u>2,708,232</u>	<u>2,820,212</u>	<u>111,980</u>
Expenditures				
Instruction and instruction related services	1,754,643	1,736,550	1,733,559	2,991
School administration	500,880	497,646	535,383	(37,737)
Student and Instructional Support Services	164,454	222,693	207,100	15,593
Community Service	30,740	30,740	-	30,740
Fiscal services	94,776	94,776	91,548	3,228
Pupil transportation services	50,200	50,200	46,000	4,200
Operation of plant	143,802	143,802	71,910	71,892
Debt service:				
Principal	-	-	4,376	(4,376)
Interest	-	-	516	(516)
Total expenditures	<u>2,739,495</u>	<u>2,776,407</u>	<u>2,690,392</u>	<u>86,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,174)</u>	<u>(68,175)</u>	<u>129,820</u>	<u>25,965</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(62,920)	62,920
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(62,920)</u>	<u>62,920</u>
Net change in fund balances	<u>(68,174)</u>	<u>(68,175)</u>	<u>66,900</u>	<u>88,885</u>
Fund balances, beginning of year	28,229	28,229	28,229	-
Fund balances (deficiency), end of year	<u>\$ (39,945)</u>	<u>\$ (39,946)</u>	<u>\$ 95,129</u>	<u>\$ 88,885</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, 2016

(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, 2016, has 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, 2016

	<u>2016</u>	<u>2015</u>
Florida Retirement System (FRS)		
Proportion of the net pension liability (asset)	0.003115001%	0.002618220%
Proportionate share of the net pension liability (asset)	\$ 402,347	\$ 159,750
Covered-employee payroll	\$ 1,529,738	\$ 1,184,201
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.30%	13.49%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%
Health Insurance Subsidy Program (HIS)		
Proportion of the net pension liability (asset)	0.004702094%	0.003988222%
Proportionate share of the net pension liability (asset)	\$ 479,539	\$ 372,908
Covered-employee payroll	\$ 1,529,738	\$ 1,184,201
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.35%	36.38%
Plan fiduciary net position as a percentage of the total pension liability	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, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Florida Retirement System (FRS)</u>			
Contractually required contribution	\$ 85,665	87,211	105,196
Contributions in relation to the contractually required contribution	(85,665)	(87,211)	(105,196)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,529,738	\$ 1,426,543	\$ 1,184,201
Contributions as a percentage of covered-employee payroll	5.60%	6.11%	8.88%
<u>Health Insurance Subsidy Program (HIS)</u>			
Contractually required contribution	\$ 25,394	\$ 17,985	\$ 18,163
Contributions in relation to the contractually required contribution	(25,394)	(17,985)	(18,163)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,529,738	\$ 1,426,543	\$ 1,184,201
Contributions as a percentage of covered-employee payroll	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 aggregate discretely presented component unit, and each major fund of The Seaside School, Inc. as of and for the year ended June 30, 2016, 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 22, 2016.

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.

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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.

James Moore & Co., P.L.C.

Tallahassee, Florida
August 22, 2016

**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., as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated August 22, 2016.

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 22, 2016, 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. Corrective actions have been taken to address findings and 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.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the 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 apply appropriate procedures to determine whether the The Seaside School, Inc. maintains on its website 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 website 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.

James Moore & Co., P.L.

Tallahassee, Florida
August 22, 2016