

Santa Rosa County District School Board

**Financial Statements and
Supplementary Information**

June 30, 2012

Santa Rosa County District School Board
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INDEPENDENT AUDITOR'S REPORT

To the Santa Rosa County District School Board
and Mr. Timothy Wyrosdick, Superintendent of Schools
Milton, Florida

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board (hereinafter referred to as the "District") as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2013 on our consideration of the District's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, and Schedule of Funding Progress for Other Post-Employment Benefits on pages 3 through 10, 46 and 47, and 48, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Santa Rosa County District School Board. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Carr, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 4, 2013

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Santa Rosa County District School Board (the District) has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2012. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions and should be considered in conjunction with the District's financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- In total, net assets decreased by \$6,338,282, or 2.6 percent.
- General revenues of the total governmental funds total \$188,919,988, or 93.00 percent of all revenues in the 2011-12 fiscal year, compared to \$209,547,538 or 93.16 percent in the prior year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$14,214,560, or 7.00 percent of all revenue in the 2011-12 fiscal year, compared to \$15,389,648, or 6.84 percent in the prior fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$13,807,320 at June 30, 2012, or 8.19 percent of total General Fund expenditures. In the 2010-11 fiscal year, the unassigned fund balance in the General Fund was \$20,314,437.
- During the 2011-12 fiscal year, General Fund expenditures exceeded revenues by \$11,470,313, compared to \$523,567 in the prior fiscal year.

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 District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's

financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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

- **Governmental activities** – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component units** – The District presents three separate legal entities in this report that meet the criteria for inclusion provided by generally accepted accounting principles. The Santa Rosa School Board Leasing Corporation is reported as a blended component unit. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government. The Learning Academy, Inc. and the Santa Rosa Education Foundation, Inc. are reported as discretely presented component units. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds use 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 provide a detailed short-term view that may be used to evaluate the District'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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and Special Revenue Fund – ARRA Economic Stimulus Funds to demonstrate compliance with the budget.

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

The District uses agency funds to account for the financial resources of the District's pre-tax flexible benefits plan and the school internal funds which are used to account for moneys collected at the various schools in connection with school, student athletic, class, and club activities.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2012, compared to net assets as of June 30, 2011:

Net Assets, End of Year

| | <u>Governmental Activities</u> | | |
|--|--------------------------------|---------------------------|---------------------------|
| | 6/30/2012 | 6/30/2011 | Increase (Decrease) |
| Current Assets | \$ 50,375,734 | \$ 67,686,731 | \$ (17,310,997) |
| Other Assets | 265,426,591 | 257,236,359 | 8,190,232 |
| Total Assets | 315,802,325 | 324,923,090 | (9,120,765) |
| Long-term Liabilities | 70,353,886 | 72,324,716 | (1,970,830) |
| Other Liabilities | 6,067,951 | 6,879,604 | (811,653) |
| Total Liabilities | 76,421,837 | 79,204,320 | (2,782,483) |
| Invested in Capital Assets - Net of Debt | 221,033,402 | 212,631,019 | 8,402,383 |
| Restricted | 23,357,906 | 30,464,761 | (7,106,855) |
| Unrestricted | (5,010,820) | 2,622,990 | (7,633,810) |
| Total Net Assets | <u>\$ 239,380,488</u> | <u>\$ 245,718,770</u> | <u>\$ (6,338,282)</u> |

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

Operating Results for the Year

| | Governmental Activities | | |
|---|--------------------------------|-----------------------|--------------------------------|
| | <u>6/30/2012</u> | <u>6/30/2011</u> | <u>Increase (Decrease)</u> |
| Program Revenues: | | | |
| Charges for Services | \$ 6,934,797 | \$ 7,265,353 | \$ (330,556) |
| Operating Grants and Contributions | 6,182,848 | 6,212,673 | (29,825) |
| Capital Grants and Contributions | 1,096,915 | 1,911,622 | (814,707) |
| General Revenues: | | | |
| Property Taxes Levied for Operational Purposes | 52,404,893 | 51,948,095 | 456,798 |
| Property Taxes Levied for Capital Projects | 11,264,162 | 11,490,869 | (226,707) |
| Local Sales Tax | 6,473,971 | 6,295,502 | 178,469 |
| Grants and Contributions not Restricted to Specific Purposes | 116,792,770 | 135,594,949 | (18,802,179) |
| Unrestricted Investment Earnings | 269,324 | 308,469 | (39,145) |
| Miscellaneous | 3,461,055 | 3,909,654 | (448,599) |
| <i>Special item</i> - grant reimbursement | (1,746,187) | - | (1,746,187) |
| Total Revenues | <u>203,134,548</u> | <u>224,937,186</u> | <u>(21,802,638)</u> |
| Functions/Program Expenses: | | | |
| Instruction | 111,318,614 | 116,448,341 | (5,129,727) |
| Pupil Personnel Services | 8,987,144 | 8,929,066 | 58,078 |
| Instructional Media Services | 2,443,363 | 2,583,617 | (140,254) |
| Instruction and Curriculum Development Services | 5,904,570 | 5,231,801 | 672,769 |
| Instructional Staff Training | 2,453,027 | 3,654,107 | (1,201,080) |
| Instruction Related Technology | 3,619,251 | 2,843,281 | 775,970 |
| School Board | 395,905 | 427,838 | (31,933) |
| General Administration | 1,069,727 | 1,043,878 | 25,849 |
| School Administration | 12,421,968 | 12,649,492 | (227,524) |
| Facilities Acquisition and Construction | 1,482,830 | 1,409,429 | 73,401 |
| Fiscal Services | 1,121,542 | 1,125,597 | (4,055) |
| Food Services | 11,087,778 | 11,792,201 | (704,423) |
| Central Services | 2,250,844 | 2,339,957 | (89,113) |
| Pupil Transportation Services | 12,464,142 | 12,515,144 | (51,002) |
| Operation of Plant | 12,248,048 | 14,294,101 | (2,046,053) |
| Maintenance of Plant | 7,421,846 | 7,837,232 | (415,386) |
| Administrative Technology Services | 1,637,395 | 1,394,718 | 242,677 |
| Community Services | 2,080,844 | 1,954,944 | 125,900 |
| Interest on Long-term Debt | 2,290,471 | 2,415,993 | (125,522) |
| Unallocated Depreciation Expense | 6,773,521 | 6,156,372 | 617,149 |
| Total Functions/Program Expenses | <u>209,472,830</u> | <u>217,047,109</u> | <u>(7,574,279)</u> |
| Increase (Decrease) in Net Assets | (6,338,282) | 7,890,077 | (14,228,359) |
| Beginning Net Assets | <u>245,718,770</u> | <u>237,828,693</u> | <u>7,890,077</u> |
| Ending Net Assets | <u>\$ 239,380,488</u> | <u>\$ 245,718,770</u> | <u>\$ (6,338,282)</u> |

Grants and contributions not restricted to specific programs represent 56.66 percent of total governmental revenues in the 2011-12 fiscal year. Grants and contributions not restricted to specific programs decreased by \$18,802,179, or 13.87 percent, primarily due to a decrease in Other Special Revenue – ARRA Economic Stimulus funding received from the State.

Instructional expenditures represent 52.69 percent of total governmental expenditures in the 2011-12 fiscal year. Instructional expenditures decreased by \$5,129,727, or 4.41 percent, primarily due to a decrease in the retirement contributions made by the District. The retirement rate decreased in conjunction with 3% of retirement now being contributed by employees instead of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the 2011-12 fiscal year, unassigned fund balance of the General Fund is \$13,807,320, while the total fund balance is \$19,343,601. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 8.19 percent of total General Fund expenditures, while total fund balance represents 11.47 percent of total General Fund expenditures.

The District's General Fund's total fund balance for the 2011-12 fiscal year decreased by \$7,552,895, or 28.08 percent, as compared to the prior fiscal year. Key factors of this change are as follows:

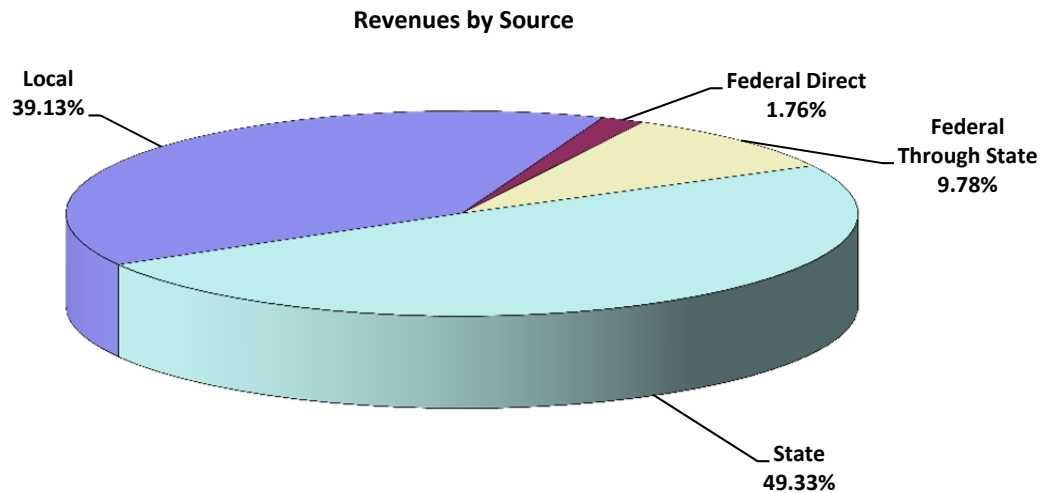
- Total expenditures increased by \$7,845,675, or 4.88 percent, mainly due to increases in fuel costs, salaries and benefits, and the Board's position of the increase in health insurance premiums.
- Total revenues decreased by \$3,101,071, or 1.94 percent, mainly due to decreases in Medicaid funding and the elimination of Education Jobs Funds.

The Special Revenue – ARRA Economic Stimulus Fund accounts for certain Federal grant program resources related to the American Recovery and Reinvestment Act of 2009. Revenues and expenditures each totaled \$1,520,271 during the 2011-12 fiscal year. Since revenues equal expenditures, this fund does not have a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$7,136,138, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$3,054,357, or 29.97 percent, during the 2011-12 fiscal year, primarily due to the decrease in the tax roll.

The Capital Projects – Other Fund has a total fund balance of \$13,099,084, which is restricted for financial resources generated by various capital funding sources. The fund balance decreased by \$5,059,260, or 27.86 percent, during the 2011-12 fiscal year, primarily due to expenditures for capital outlay projects exceeding revenues in the current year.

In the governmental funds, revenues by source for the 2011-12 fiscal year were as follows:



The largest revenue source is the State of Florida. The District's State appropriations for current operations are based primarily on the Florida Education Finance Program (FEFP) funding formula. The FEFP formula uses student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues primarily fund specific projects. State revenues decreased by \$4,731,298, or 4.49 percent, primarily due to decreases in FEFP (amount funded per student), ESE allocation, instructional materials, SAI and reading allocation funding.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares its budgets and budget amendments in accordance with Florida law. The most significant budgeted fund is the General Fund.

During the course of the 2011-12 fiscal year, the District amended its General Fund budget several times, which resulted in budgeted expenditures increasing \$5,525,196, or 3.17 percent. At the same time, final budgeted revenues increased by \$1,515,211, or 0.97 percent. These budget amendments resulted in a final budgeted ending fund balance of \$10,020,258, which was 16.75 percent less than the ending fund balance included in the original budget.

Actual revenues were \$57,935 more than the final budgeted amounts, whereas actual expenditures were \$11,011,595 less than final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$9,323,343. The primary reasons for the higher fund balance include: 1) the District used the Education Jobs Fund in Special Revenue to help fund over \$4.5 million in salaries; and 2) the District took steps to reduce expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$265,426,591 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Both the construction projects completed during the 2011-12 fiscal year and the new construction projects initiated during the year included primarily classroom additions and cafeteria expansions.

Additional information on the District's capital assets can be found in Notes 4 and 15 of the notes to financial statements.

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$48,147,121. This amount is comprised of \$6,051,008 of bonds payable and \$42,096,113 of certificates of participation payable. During the 2011-2012 fiscal year retirement of debt totaled \$2,993,270.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Effective July 1, 2011, all employees began contributing 3% towards their retirement pensions. Governor Rick Scott signed the cost-saving measure into law in May 2011. The Florida Education Association quickly brought a lawsuit stating that the new mandate is unconstitutional because Florida law says employees do not have to contribute toward the state retirement system. The case is still pending.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Santa Rosa County District School Board's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Finance, Santa Rosa County District School Board, 5086 Canal Street, Milton, Florida 32570. Information is also available on the World Wide Web at <http://www.santarosa.k12.fl.us/finance>.

Basic Financial Statements

Santa Rosa County District School Board

Statement of Net Assets

June 30,

2012

| | Primary Governmental Activities | Component Units |
|---|--|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 45,627,181 | \$ 124,696 |
| Investments | 288,525 | - |
| Accounts receivable | 4,500 | - |
| Due from other agencies | 4,188,550 | 32,401 |
| Inventories | 266,978 | - |
| Prepaid items | - | 8,932 |
| Capital assets, net | 265,426,591 | 276,391 |
| Total assets | \$ 315,802,325 | \$ 442,420 |
| Liabilities and Net assets | | |
| Salaries and wages payable | \$ 3,946,791 | \$ 11,786 |
| Accounts payable and accrued expenses | 1,228,910 | 18,886 |
| Construction contracts payable | 31,433 | - |
| Construction contracts retainage payable | 512,904 | - |
| Due to other agencies | 170 | - |
| Deposits payable | 134,574 | - |
| Estimated insurance claims payable | 213,169 | - |
| Long-term liabilities: | | |
| Portion due within one year | 7,869,436 | 32,903 |
| Portion due after one year | 62,484,450 | 19,687 |
| Total liabilities | 76,421,837 | 83,262 |
| Net assets | | |
| Invested in capital assets, net of related debt | 221,033,402 | 223,801 |
| Restricted for: | | |
| State categorical programs | 2,147,655 | - |
| Food service | 1,835,148 | - |
| Capital projects | 18,354,358 | - |
| Debt service | 1,020,745 | - |
| Other projects | - | 72,411 |
| Unrestricted | (5,010,820) | 62,946 |
| Total net assets | 239,380,488 | 359,158 |
| Total liabilities and net assets | \$ 315,802,325 | \$ 442,420 |

See accompanying notes to financial statements.

| | | | | Program Revenue | | |
|---|----------|-------------|----------------------|------------------------------------|----|-----------|
| Functions/Programs | Expenses | | Charges for Services | Operating Grants and Contributions | | |
| Primary government | | | | | | |
| Governmental Activities | | | | | | |
| Instruction | \$ | 111,318,614 | \$ | 1,921,666 | \$ | - |
| Pupil personnel services | | 8,987,144 | | - | | - |
| Instructional media services | | 2,443,363 | | - | | - |
| Instruction and curriculum development | | 5,904,570 | | - | | - |
| Instructional staff training | | 2,453,027 | | - | | - |
| Instruction related technology | | 3,619,251 | | - | | - |
| School board | | 395,905 | | - | | - |
| General administration | | 1,069,727 | | - | | - |
| School administration | | 12,421,968 | | - | | - |
| Facilities acquisition and construction | | 1,482,830 | | - | | - |
| Fiscal services | | 1,121,542 | | - | | - |
| Food services | | 11,087,778 | | 4,753,697 | | 6,182,848 |
| Central services | | 2,250,844 | | - | | - |
| Pupil transportation services | | 12,464,142 | | 259,434 | | - |
| Operation of plant | | 12,248,048 | | - | | - |
| Maintenance of plant | | 7,421,846 | | - | | - |
| Administrative technology services | | 1,637,395 | | - | | - |
| Community services | | 2,080,844 | | - | | - |
| Interest on long-term debt | | 2,290,471 | | - | | - |
| Unallocated depreciation/amortization expense | | 6,773,521 | | - | | - |
| Total governmental activities | \$ | 209,472,830 | \$ | 6,934,797 | \$ | 6,182,848 |
| | | | | | | |
| Component Units | | | | | | |
| Charter schools/foundations | \$ | 1,061,948 | \$ | - | \$ | 312,937 |

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for capital purposes

Local sales tax

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Special item - grant reimbursement

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Santa Rosa County District School Board

Statement of Activities

| | | Net (Expense) Revenue and Changes in Net Assets | |
|---|------------------------------------|--|------------------|
| | | Primary Government | |
| Capital Grants and Contributions | Governmental Activities | Component Units | |
| \$ | - | \$ (109,396,948) | \$ - |
| | - | (8,987,144) | - |
| | - | (2,443,363) | - |
| | - | (5,904,570) | - |
| | - | (2,453,027) | - |
| | - | (3,619,251) | - |
| | - | (395,905) | - |
| | - | (1,069,727) | - |
| | - | (12,421,968) | - |
| 257,562 | | (1,225,268) | - |
| | - | (1,121,542) | - |
| | - | (151,233) | - |
| | - | (2,250,844) | - |
| | - | (12,204,708) | - |
| | - | (12,248,048) | - |
| | - | (7,421,846) | - |
| | - | (1,637,395) | - |
| | - | (2,080,844) | - |
| 839,353 | | (1,451,118) | - |
| | - | (6,773,521) | - |
| <u>\$ 1,096,915</u> | | <u>(195,258,270)</u> | <u>-</u> |
| <u>\$ 44,756</u> | | <u>-</u> | <u>(704,255)</u> |

| | |
|-----------------------|-------------------|
| 52,404,893 | - |
| 11,264,162 | - |
| 6,473,971 | - |
| 116,792,770 | 679,104 |
| 269,324 | 326 |
| 3,461,055 | 10,278 |
| (1,746,187) | - |
| <u>188,919,988</u> | <u>689,708</u> |
| (6,338,282) | (14,547) |
| 245,718,770 | 373,705 |
| <u>\$ 239,380,488</u> | <u>\$ 359,158</u> |

See accompanying notes to financial statements.

Santa Rosa County District School Board
Balance Sheet
Governmental Funds

June 30,

2012

| | General Fund | ARRA Economic Stimulus Funds | Capital Projects - Local Capital Improvement Tax Fund | Capital Projects - Other Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------------------|---|--|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 23,479,657 | \$ - | \$ 7,364,467 | \$ 13,226,684 | \$ 1,556,373 | \$ 45,627,181 |
| Investments | 41,700 | - | - | - | 246,825 | 288,525 |
| Accounts receivable, net | 4,500 | - | - | - | - | 4,500 |
| Due from other funds | 202,491 | - | - | - | - | 202,491 |
| Due from other agencies | 79,478 | 46,858 | 9,072 | 546,484 | 3,506,659 | 4,188,551 |
| Inventory | 113,210 | - | - | - | 153,768 | 266,978 |
| Total assets | \$ 23,921,036 | \$ 46,858 | \$ 7,373,539 | \$ 13,773,168 | \$ 5,463,625 | \$ 50,578,226 |
| Liabilities and fund balances | | | | | | |
| Liabilities: | | | | | | |
| Salaries and wages payable | \$ 3,617,317 | \$ 3,688 | \$ - | \$ - | \$ 325,786 | \$ 3,946,791 |
| Accounts payable | 746,949 | 40,706 | 31,658 | 335,490 | 74,107 | 1,228,910 |
| Construction contracts payable | - | - | 31,433 | - | - | 31,433 |
| Construction contracts payable - retainage | - | - | 174,310 | 338,594 | - | 512,904 |
| Deposits payable | - | - | - | - | 134,574 | 134,574 |
| Insurance claims payable | 213,169 | - | - | - | - | 213,169 |
| Due to other agencies | - | - | - | - | 171 | 171 |
| Due to other funds | - | 2,464 | - | - | 200,027 | 202,491 |
| Total liabilities | 4,577,435 | 46,858 | 237,401 | 674,084 | 734,665 | 6,270,443 |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | 113,210 | - | - | - | 153,768 | 266,978 |
| Restricted for: | | | | | | |
| State required carryover programs | 2,147,655 | - | - | - | - | 2,147,655 |
| Debt service | - | - | - | - | 2,320,037 | 2,320,037 |
| Capital projects | - | - | 7,136,138 | 13,099,084 | 573,775 | 20,808,997 |
| Food service | - | - | - | - | 1,681,380 | 1,681,380 |
| Committed to: | | | | | | |
| Board approved carryover | 2,187,173 | - | - | - | - | 2,187,173 |
| School based budgets | 98,484 | - | - | - | - | 98,484 |
| Assigned to: | | | | | | |
| Office and fee based budgets | 989,759 | - | - | - | - | 989,759 |
| Unassigned | 13,807,320 | - | - | - | - | 13,807,320 |
| Total fund balances | 19,343,601 | - | 7,136,138 | 13,099,084 | 4,728,960 | 44,307,783 |
| Total liabilities and fund balances | \$ 23,921,036 | \$ 46,858 | \$ 7,373,539 | \$ 13,773,168 | \$ 5,463,625 | \$ 50,578,226 |

See accompanying notes to financial statements.

Santa Rosa County District School Board

Reconciliation of the Balance Sheet to the Statement of Net Assets

| <i>June 30,</i> | 2012 |
|--|----------------|
| Total fund balances, governmental funds | \$ 44,307,783 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 265,426,591 |
| Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (70,353,886) |
| Net assets of governmental activities in the statement of net assets | \$ 239,380,488 |

See accompanying notes to financial statements.

Year ended June 30,

| | General Fund | ARRA Economic Stimulus Funds |
|---|----------------------|---------------------------------------|
| Revenues | | |
| Intergovernmental: | | |
| Federal direct | \$ 781,766 | \$ - |
| Federal through state | 443,008 | 1,520,271 |
| State sources | 99,309,927 | - |
| Local sources | 56,603,489 | - |
| Total revenues | 157,138,190 | 1,520,271 |
| Expenditures | | |
| Current: | | |
| Instruction | 102,748,067 | 614,537 |
| Pupil personnel services | 7,077,214 | 16,487 |
| Instructional media services | 2,346,909 | 5,337 |
| Instructional and curriculum development | 2,590,211 | 171,482 |
| Instructional staff training | 667,246 | 629,445 |
| Instruction related technology | 3,184,025 | 35,577 |
| Board of education | 461,519 | - |
| General administration | 635,087 | 30,132 |
| School administration | 12,230,917 | - |
| Facilities acquisition and construction | 19,359 | - |
| Fiscal services | 1,127,853 | - |
| Food services | - | - |
| Central services | 2,128,358 | 17,274 |
| Pupil transportation services | 12,230,322 | - |
| Operation of plant | 12,189,282 | - |
| Maintenance of plant | 4,346,136 | - |
| Administrative technology services | 1,530,795 | - |
| Community services | 1,554,274 | - |
| Fixed capital outlay: | | |
| Facilities acquisition and construction | 1,538,529 | - |
| Other capital outlay | 2,400 | - |
| Debt Service: | | |
| Retirement of principal | - | - |
| Interest and fiscal charges | - | - |
| Miscellaneous | - | - |
| Total expenditures | 168,608,503 | 1,520,271 |
| Excess (deficiency) of revenues over expenditures | (11,470,313) | - |
| Other financing sources (uses) | | |
| Refunding bonds issued | - | - |
| Loss recoveries | 20,856 | - |
| Premium on refunding bonds | - | - |
| Payments to refunded bond escrow agent | - | - |
| Transfers in | 5,955,691 | - |
| Transfers out | (312,942) | - |
| Total other financing sources and (uses) | 5,663,605 | - |
| Special item | | |
| Refund of excess FEMA funds | (1,746,187) | - |
| Net change in fund balances | (7,552,895) | - |
| Fund balances, July 1, 2011 | 26,896,496 | - |
| Fund balances, June 30, 2012 | \$ 19,343,601 | \$ - |

See accompanying notes to financial statements.

Santa Rosa County District School Board
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

2012

| Capital Projects - Local Capital Improvement Tax Fund | Capital Projects - Other Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|--|--------------------------------|--------------------------------|
| \$ - | \$ - | \$ 2,812,988 | \$ 3,594,754 |
| - | - | 17,996,951 | 19,960,230 |
| - | 109,116 | 1,289,161 | 100,708,204 |
| 11,309,053 | 7,071,779 | 4,903,515 | 79,887,836 |
| 11,309,053 | 7,180,895 | 27,002,615 | 204,151,024 |
| - | - | 7,390,807 | 110,753,411 |
| - | - | 1,944,546 | 9,038,247 |
| - | - | 4,480 | 2,356,726 |
| - | - | 3,084,145 | 5,845,838 |
| - | - | 1,068,387 | 2,365,078 |
| - | - | 182,917 | 3,402,519 |
| - | - | - | 461,519 |
| - | - | 401,223 | 1,066,442 |
| - | - | 183,185 | 12,414,102 |
| 798,050 | 2,096,976 | 167,879 | 3,082,264 |
| - | - | - | 1,127,853 |
| - | - | 10,976,848 | 10,976,848 |
| - | - | 49,942 | 2,195,574 |
| - | - | 157,848 | 12,388,170 |
| - | - | 40,599 | 12,229,881 |
| 132,496 | 793,722 | 20,108 | 5,292,462 |
| - | - | - | 1,530,795 |
| - | - | 508,133 | 2,062,407 |
| 5,849,660 | 8,328,680 | 793,059 | 16,509,928 |
| 4,152 | 94,570 | 47,766 | 148,888 |
| - | - | 2,370,000 | 2,370,000 |
| - | - | 2,323,851 | 2,323,851 |
| - | - | 16,655 | 16,655 |
| 6,784,358 | 11,313,948 | 31,732,378 | 219,959,458 |
| 4,524,695 | (4,133,053) | (4,729,763) | (15,808,434) |
| - | - | 510,000 | 510,000 |
| - | 1,032,930 | - | 1,053,786 |
| - | - | 64,726 | 64,726 |
| - | - | (573,235) | (573,235) |
| - | - | 3,895,440 | 9,851,131 |
| (7,579,052) | (1,959,137) | - | (9,851,131) |
| (7,579,052) | (926,207) | 3,896,931 | 1,055,277 |
| - | - | - | (1,746,187) |
| (3,054,357) | (5,059,260) | (832,832) | (16,499,344) |
| 10,190,495 | 18,158,344 | 5,561,792 | 60,807,127 |
| \$ 7,136,138 | \$ 13,099,084 | \$ 4,728,960 | \$ 44,307,783 |

See accompanying notes to financial statements.

Santa Rosa County District School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

| <i>Year ended June 30,</i> | 2012 |
|--|-----------------|
| Net change in fund balances - total governmental funds: | \$ (16,499,344) |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | |
| Capital outlays are reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense and other items in the current | 8,190,232 |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal on notes, bonds, and certificates of participation are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which the debt repayments exceeded the proceeds in the current period. | 2,430,000 |
| In the Statement of Activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year. However, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). This is the amount which accrued compensated absences increased. | (433,085) |
| In the Statement of Activities, other post employment benefit (OPEB) obligations are reported as a liability per governmental accounting standards which requires that the cost of OPEB be recognized sooner (as promised benefits are being earned) rather than later (when promised benefits are actually paid). | (14,629) |
| Premiums on debt are reported in the governmental funds in the year the debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities. This is the amount by which premium additions exceeded amortization for the year. | (11,456) |
| Change in net assets of governmental activities | \$ (6,338,282) |

See accompanying notes to financial statements.

Santa Rosa County District School Board
Statement of Fiduciary Assets and Liabilities

| <i>June 30,</i> | 2012 |
|-------------------------------------|---------------------|
| | Agency Funds |
| Assets | |
| Cash and cash equivalents | \$ 3,012,818 |
| Total assets | \$ 3,012,818 |
| Liabilities | |
| Payroll deductions and withholdings | \$ 130,242 |
| Accounts payable | 269,613 |
| Due to other funds | 5,616 |
| Internal accounts payable | 2,607,347 |
| Total liabilities | \$ 3,012,818 |

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School Board of Santa Rosa County, Florida has direct responsibility for operation, control and supervision of District schools and is considered a primary government for financial reporting. The Santa Rosa County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Santa Rosa County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Santa Rosa County.

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

Blended Component Unit. The Santa Rosa School Board Leasing Corporation (Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the District's other component units.

The Santa Rosa Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The Learning Academy, Inc. (Charter School) is a separate not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Santa Rosa County District School Board. The Charter School is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Foundation's and Charter School's audited financial statements for the fiscal year ended June 30, 2012. The audit reports are filed in the District's administrative offices.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements – Government-wide financial statements, i.e. the Statement of Net Assets and Statement of Activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense that is clearly identifiable to a function is allocated to the function, and the remaining depreciation expense is reported as unallocated on the accompanying Statement of Activities.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Capital Projects – Local Capital Improvement Tax Fund – to account for the financial resources generated by local capital improvement tax levy to be used for educational capital outlay needs including new construction, renovation and remodeling projects, and debt service payments.
- Capital Projects – Other Capital Projects – to account for various financial resources (e.g., certificates of participation, capital outlay sales tax, hurricane-related loss recoveries) to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and payments on operating leases for relocatable school buildings.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for financial resources of the District's flexible benefits plan and the school internal funds, which are used to administer moneys collected at schools in connection with school, student athletic, class, and club activities.

Basis of Accounting

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

Government-wide financial statements are prepared using the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of operations.

The District's charter school, The Learning Academy, Inc., reported as a discretely-presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

The Santa Rosa Education Foundation, Inc., reported as a discretely-presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash and cash equivalents include certificates of deposit and amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

Investments consist of amounts placed in SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in the Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within Florida PRIME.

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving-average basis, except that transportation fuel is stated at the last invoice, which approximates the first-in, first-out basis. The United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than when purchased.

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide Statement of Net Assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, except for buildings and improvements other than buildings which are defined as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Capital assets shall be depreciated over their estimated useful lives. The costs of normal maintenance and repairs that does not add to the value of the asset or materially extends the assets lives are not capitalized. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

| Description | Estimated Lives |
|--|-----------------|
| Improvements other than buildings | 10 - 40 years |
| Buildings and fixed equipment | 10 - 50 years |
| Furniture, fixtures and equipment | 3 - 20 years |
| Motor vehicles | 15 years |
| Audio-visual materials and computer software | 5 - 7 years |

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

Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide Statement of Net Assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premiums or discounts.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are recorded as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as occurrences of employee resignations and retirements.

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

State Revenue Sources

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

District Property Taxes

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

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

The School Board adopted the 2011 tax levy on September 8, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to four percent for early payment.

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

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

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

Capital Outlay Surtax

In March 2007, the voters of Santa Rosa County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective October 1, 2008, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

NOTE 2 – BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The Board follows procedures established by Florida Statutes and State Board of Education rules in establishing budget balances for governmental funds as described below:

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

NOTE 3 – INVESTMENTS

Investments at June 30, 2012, are shown below:

| Investment | Maturities | Fair Value |
|--|-------------------|----------------------|
| State Board of Administration: | | |
| Florida PRIME (1)(2) | 38 day average | \$ 11,854,794 |
| Fund B Surplus Funds Trust Fund (Fund B) (2) | 5.73 Year Avg | 152,636 |
| Debt Service Accounts | 6 Months | 135,889 |
| Certificate of deposit (1) | August 23, 2012 | 20,000 |
| Total investments, primary government | | \$ 12,163,319 |

NOTE 3 – INVESTMENTS (CONTINUED)

Notes:

- 1) Included as cash and cash equivalents in the accompanying financial statements.
- 2) Pursuant to the trust agreements, the trustee for the District's Certificates of Participation, Series 1997, 2006, and 2009 holds all or part of these investments in trust accounts as follows: Florida PRIME \$967,868 and Fund B \$110,936.

Interest Rate Risk

- Interest risk rate is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy states that the highest priority shall be given to the safety and liquidity of funds. The policy limits the types of authorized investments as a means of managing the exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 5.73 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2012. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments in interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to funds placed in qualified public depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, Securities of the United States Government (including obligations of the United States Treasury), and investment pools managed and directed by an approved agency of the State.
- The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing credit risk for this account.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

- As of June 30, 2012, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investment in certificate of deposit is in a qualified public depository as required by Chapter 280, Florida Statutes.

Custodial Credit Risk

- Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in the State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trust and which is doing business in the State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investment policy does not address custodial credit risk.

Concentration of Credit Risk

- Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy that limits the amount the District may invest in any one issuer.

The District had investments that represent 5 percent or more of total investments in certain instrumentalities at June 30, 2012 as follows:

| Issuer | Fair Value | Percent of Total Cash and Investments, Primary Government |
|---|---------------|---|
| State Board of Administration: Florida PRIME | \$ 11,854,794 | 26% |

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 4 – CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2012 are shown below:

| | Balance 7/1/2011 | Additions | Deletions | Transfers | Balance 6/30/2012 |
|--|-----------------------|---------------------|---------------------|-------------|-----------------------|
| Governmental Activities | | | | | |
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 6,847,360 | \$ - | \$ - | \$ - | \$ 6,847,360 |
| Land improvements | 3,661,046 | 73,326 | - | 171,435 | 3,905,807 |
| Construction in progress | 11,930,628 | 13,193,332 | - | (9,132,850) | 15,991,110 |
| Total capital assets not being depreciated | 22,439,034 | 13,266,658 | - | (8,961,415) | 26,744,277 |
| <i>Capital assets being depreciated:</i> | | | | | |
| Improvements other than buildings | 22,656,714 | 466,149 | (47,841) | 177,659 | 23,252,681 |
| Buildings and fixed equipment | 307,417,595 | 2,625,741 | (105,495) | 8,783,756 | 318,721,597 |
| Furniture, fixtures and equipment | 15,268,475 | 2,081,236 | (1,092,251) | - | 16,257,460 |
| Motor vehicles | 3,672,594 | 188,978 | (98,464) | - | 3,763,108 |
| Audio-visual materials and computer software | 5,631,927 | 67,530 | (305,813) | - | 5,393,644 |
| Total capital assets being depreciated | 354,647,305 | 5,429,634 | (1,649,864) | 8,961,415 | 367,388,490 |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Improvements other than buildings | 12,125,278 | 911,426 | (32,363) | - | 13,004,341 |
| Buildings and fixed equipment | 90,601,562 | 7,627,836 | (99,139) | - | 98,130,259 |
| Furniture, fixtures and equipment | 9,026,846 | 1,394,249 | (1,050,891) | - | 9,370,204 |
| Motor vehicles | 3,069,949 | 172,227 | (23,201) | - | 3,218,975 |
| Audio-visual materials and computer software | 5,026,345 | 244,884 | (288,832) | - | 4,982,397 |
| Total accumulated depreciation | 119,849,980 | 10,350,622 | (1,494,426) | - | 128,706,176 |
| Total capital assets being depreciated, net | 234,797,325 | (4,920,988) | (155,438) | 8,961,415 | 238,682,314 |
| Governmental activities - capital assets, net | \$ 257,236,359 | \$ 8,345,670 | \$ (155,438) | \$ - | \$ 265,426,591 |

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 4 – CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

| Function | Amount |
|--|----------------------|
| Instruction | \$ 335,364 |
| Pupil personnel services | 16,892 |
| Instructional media services | 56,056 |
| Instruction and curriculum development | 17,138 |
| Instructional staff training | 100,110 |
| Instruction related technology | 283,618 |
| General administration | 1,922 |
| School administration | 8,629 |
| Fiscal services | 3,930 |
| Food services | 117,858 |
| Central services | 36,827 |
| Pupil transportation services | 67,059 |
| Operation of plant | 16,735 |
| Maintenance of plant | 2,433,777 |
| Administrative technology services | 63,475 |
| Community services | 17,711 |
| Unallocated | 6,773,521 |
| | <u>\$ 10,350,622</u> |

NOTE 5 – CERTIFICATES OF PARTICIPATION

The District has entered into financing arrangements with the Santa Rosa School Board Leasing Corporation (Leasing Corporation), pursuant to which the District has authorized several certificates of participation debt issues, characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2012:

| Original | | | |
|----------|--------------|------------------------|----------------------|
| Series | Amount | Principal Paid to Date | Balance |
| 1997-1 | \$ 5,660,000 | \$ 5,660,000 | \$ - |
| 2006-1 | 12,370,000 | 1,190,000 | 11,180,000 |
| 2006-2 | 18,870,000 | - | 18,870,000 |
| 2009 | 12,585,000 | 1,275,000 | 11,310,000 |
| | | | <u>\$ 41,360,000</u> |

NOTE 5 – CERTIFICATES OF PARTICIPATION PAYABLE (CONTINUED)

As a condition of the financing arrangements, the District has given ground leases on District property to the Leasing Corporation. The ground lease on the properties associated with the 1997-1 Certificates ended in January 2012.

The ground lease on the properties associated with the Series 2006 Certificates ends on the earlier of (a) the date on which the 2006 Certificates and any series of certificates refunding the Series 2006 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity of the Series 2006 Certificates and any series of certificates refunding the Series 2006 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 2006 Certificates will exceed April 13, 2046. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates of 4.34% for the Series 2006-1 and 4.25% to 5.25% for the Series 2006-2 Certificates.

The ground lease on the properties associated with the Series 2009 Certificates ends on the earlier of (a) the date on which the Series 2009 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity date of the Series 2009 Certificates and any series of certificates refunding the Series 2009 Certificates. The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates of 4.11% for the Series 2009 Certificates.

The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the master lease-purchase agreement provides for several remedies that are available to the Leasing Corporation.

The District properties included in the ground leases under these arrangements include:

Series 1997-1:

- Berryhill Elementary School
- Holley-Navarre Middle School
- Rhodes Elementary School - Additions
- Holley-Navarre Primary School
- S.S. Dixon Intermediate School

Series 2006 (as amended):

- Navarre High School - Gymnasium, Classrooms and Maintenance Building
- Navarre High School - Cafeteria Expansion, Fieldhouse and North Wing Addition
- Thomas L. Sims Middle School - Classroom spaces and accoutrements
- Bennett C. Russell Elementary School
- Woodlawn Beach Middle School - Classroom additions

Series 2009

- Jay High School - Improvements
- Central High School - Improvements

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 5 – CERTIFICATES OF PARTICIPATION PAYABLE (CONTINUED)

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-------------------------------------|---------------|---------------|---------------|
| 2013 | \$ 1,720,000 | \$ 1,929,315 | \$ 3,649,315 |
| 2014 | 1,795,000 | 1,854,242 | 3,649,242 |
| 2015 | 1,865,000 | 1,777,303 | 3,642,303 |
| 2016 | 1,950,000 | 1,697,357 | 3,647,357 |
| 2017 | 2,035,000 | 1,614,583 | 3,649,583 |
| 2018-2022 | 11,470,000 | 6,688,664 | 18,158,664 |
| 2023-2027 | 11,820,000 | 3,941,247 | 15,761,247 |
| 2028-2031 | 8,705,000 | 1,171,800 | 9,876,800 |
| Total minimum lease payments | 41,360,000 | 20,674,511 | 62,034,511 |
| Plus: unamortized premium | 736,113 | - | 736,113 |
| Total certificates of participation | \$ 42,096,113 | \$ 20,674,511 | \$ 62,770,624 |

NOTE 6 – BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

| Bond Type | Interest Rates (Percent) | Annual Maturity To | Amount Outstanding |
|-------------------------|-----------------------------|-----------------------|-----------------------|
| State School Bonds: | | | |
| Series 2003A | 3.0-4.25 | 2013 | \$ 25,000 |
| Series 2004A | 3.35-4.625 | 2024 | 160,000 |
| Series 2005A | 4.0-5.0 | 2025 | 2,165,000 |
| Series 2005B, Refunding | 5.000 | 2018 | 640,000 |
| Series 2006A | 4.0-4.625 | 2026 | 240,000 |
| Series 2009A, Refunding | 3.0-5.0 | 2019 | 310,000 |
| Series 2010A | 3.0-5.0 | 2030 | 1,015,000 |
| Series 2011A, Refunding | 3.0-5.0 | 2023 | 510,000 |
| District Revenue Bonds: | | | |
| Racetrack, Series 1996 | 5.8 | 2016 | 850,000 |
| Total bonds payable | | | \$ 5,915,000 |

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 6 – BONDS PAYABLE (CONTINUED)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|------------------------------|--------------|--------------|--------------|
| State School Bonds: | | | |
| 2013 | \$ 610,000 | \$ 240,795 | \$ 850,795 |
| 2014 | 635,000 | 210,545 | 845,545 |
| 2015 | 620,000 | 178,732 | 798,732 |
| 2016 | 660,000 | 147,998 | 807,998 |
| 2017 | 680,000 | 115,222 | 795,222 |
| 2018-2022 | 935,000 | 307,029 | 1,242,029 |
| 2023-2027 | 640,000 | 125,475 | 765,475 |
| 2028-2030 | 285,000 | 23,200 | 308,200 |
| Total State School Bonds | 5,065,000 | 1,348,996 | 6,413,996 |
| District Revenue Bonds: | | | |
| 2013 | 150,000 | 44,950 | 194,950 |
| 2014 | 160,000 | 35,960 | 195,960 |
| 2015 | 170,000 | 26,390 | 196,390 |
| 2016 | 180,000 | 16,240 | 196,240 |
| 2017 | 190,000 | 5,510 | 195,510 |
| Total District Revenue Bonds | 850,000 | 129,050 | 979,050 |
| Total | \$ 5,915,000 | \$ 1,478,046 | \$ 7,393,046 |

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

State School Bonds

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

District Revenue Bonds

The Series 1996 Racetrack Revenue Bonds are authorized by Chapter 73-616, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to the District from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 6 – BONDS PAYABLE (CONTINUED)

Department of Financial Services to the District. As required by the revenue bond resolution, the District established and maintains a sinking fund.

The District has pledged a total of \$1,172,410 of pari-mutuel tax revenues in connection with the revenue bonds. During the 2011-2012 fiscal year, the District recognized pari-mutuel tax revenues totaling \$223,250 and expended \$196,835 (88%) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on August 1, 2016. Assuming no growth rate in the collection of pari-mutuel funds, 100% of this revenue stream has been pledged in connection with debt service on the revenue bonds.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

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

| Description | Balance 7/1/2011 | Additions | Deductions | Balance 6/30/2012 | Due in One Year |
|--|---------------------|--------------|--------------|----------------------|--------------------|
| Certificates of participation payable | \$ 43,005,000 | \$ - | \$ 1,645,000 | \$ 41,360,000 | \$ 1,720,000 |
| Unamortized premium | 785,477 | - | 49,364 | 736,113 | - |
| Total certificates of participation | 43,790,477 | - | 1,694,364 | 42,096,113 | 1,720,000 |
| Bonds payable | 6,700,000 | 510,000 | 1,295,000 | 5,915,000 | 760,000 |
| Unamortized premium | 75,188 | 64,726 | 3,906 | 136,008 | - |
| Total bonds payable | 6,775,188 | 574,726 | 1,298,906 | 6,051,008 | 760,000 |
| Compensated absences payable | 18,471,223 | 6,327,678 | 5,894,593 | 18,904,308 | 5,389,436 |
| Other post employment benefits payable | 3,287,828 | 850,381 | 835,752 | 3,302,457 | - |
| Total | \$ 72,324,716 | \$ 7,752,785 | \$ 9,723,615 | \$ 70,353,886 | \$ 7,869,436 |

For the governmental activities, compensated absences and postemployment benefits are generally liquidated with resources of the General Fund.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

| Funds | Interfund | |
|-----------------------------|-------------------|-------------------|
| | Receivables | Payables |
| Major funds: | | |
| General | \$ 202,491 | \$ - |
| Special Revenue - ARRA Fund | - | 2,464 |
| Nonmajor governmental funds | - | 200,027 |
| TOTAL | \$ 202,491 | \$ 202,491 |

General Fund receivables represent temporary loans to other funds to cover expenditures of grants and contracts funded on a cost reimbursement basis and miscellaneous reimbursements due from schools. Advances are made as needed and will be repaid within one year without interest.

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

| Funds | Interfund | |
|-----------------------------|---------------------|---------------------|
| | Transfers In | Transfers Out |
| Major funds: | | |
| General | \$ 5,955,691 | \$ 312,942 |
| Capital projects: | | |
| Capital improvement tax | - | 7,579,052 |
| Other capital projects | - | 1,959,137 |
| Nonmajor governmental funds | 3,895,440 | - |
| TOTAL | \$ 9,851,131 | \$ 9,851,131 |

The District made transfers to the General Fund to cover payments on the District's student transportation contract, to pay for certain property and casualty insurance premiums, to cover payments for software renewals, to facilitate the transfer of State funds to its charter school, to pay for network infrastructure and to refund excess FEMA funds. The District made transfers to the nonmajor governmental funds to facilitate debt service payments on certificates of participation and payments of school recognition bonuses to food service personnel.

NOTE 9 – FUND BALANCE REPORTING

The District reports its governmental fund balances in the following categories:

- **Nonspendable** - The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.
- **Restricted** - The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.
- **Committed** - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the district school board). These amounts cannot be used for any other purpose unless the district school board removes or changes the specified use by taking the same action it employed to previously commit the amounts.
- **Assigned** - The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and Chief Financial Officer and not included in other categories.
- **Unassigned** - The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 9 – FUND BALANCE REPORTING (CONTINUED)

General Fund Minimum Fund Balance Requirement - Section 1011.051, Florida Statutes, requires that the District maintain a General Fund balance that is sufficient to address normal contingencies and that the Superintendent shall provide written notification to the Board and the Commissioner of Education if, at any time, the ending General Fund balance not classified as restricted, committed or nonspendable in the approved operating budget is projected to fall below 3% of projected General Fund revenues. If the General Fund balance not classified as restricted, committed or nonspendable is projected to fall below 2% of projected General Fund revenues, the Commissioner of Education must determine whether the District has a plan that to avoid a financial emergency as determined pursuant to Section 218.503, Florida Statutes, or to appoint a financial emergency board operating consistent with the requirements, powers, and duties specified in Section 218.503(3)(g), Florida Statutes. The District prepares its operating budget to maintain a three to seven percent unassigned fund balance to comply with the intent of Section 1011.051, Florida Statutes. As of June 30, 2012, the General Fund unassigned fund balance of \$13,807,320 is 8.8% of General Fund revenues.

NOTE 10 – SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2011-2012 fiscal year:

| Sources | Amount |
|--|----------------|
| Florida education finance program | \$ 70,337,232 |
| Class size reduction categorical | 26,037,456 |
| Workforce development | 1,558,026 |
| School recognition | 1,127,400 |
| Motor vehicles license tax (capital outlay and debt service) | 963,118 |
| Food service supplement | 117,096 |
| Discretionary lottery funds | 76,947 |
| Charter school capital outlay | 49,109 |
| Adults with disabilities | 44,756 |
| State license tax | 30,555 |
| Workforce education performance incentive | 23,562 |
| Miscellaneous | 342,947 |
| Total | \$ 100,708,204 |

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

NOTE 11 – RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be committed or assigned at fiscal year-end to report an amount likely to be expended from the 2012-2013 fiscal year budget as a result of purchase orders outstanding at June 30, 2012.

Because revenues of grants accounted for in the Special Revenues - ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no encumbered amounts are reported for grant funds.

NOTE 12 – PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-2012 fiscal year:

| | Millages | Taxes Levied |
|----------------------------------|--------------|----------------------|
| <u>General Fund</u> | | |
| Nonvoted School Tax: | | |
| Required local effort | 5.768 | \$ 47,886,648 |
| Basic discretionary local effort | 0.748 | 6,209,988 |
| <u>Capital Projects Funds</u> | | |
| Nonvoted Tax: | | |
| Local capital improvements | 1.400 | 11,622,972 |
| Total | 7.916 | \$ 65,719,608 |

NOTE 13 – FLORIDA RETIREMENT PROGRAM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. FRS is a single retirement system administered by the Florida 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 plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

NOTE 13 – FLORIDA RETIREMENT PROGRAM (CONTINUED)

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service. Employees enrolled in the Plan on or after July 1, 2011 are eligible for normal retirements benefits at age 65 with 8 years of service, or any age with 33 years of 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 and death benefits, and annual cost-of-living adjustments.

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 the 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 PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer 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 PEORP vest after one year of service.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2011-2012 fiscal year, contribution rates were as follows:

| Class or Plan | Percent of Gross Salary | |
|--|-------------------------|--------------|
| | Employee | Employer (A) |
| Florida Retirement System, Regular | 3.00 | 4.91 |
| Florida Retirement System, Elected County Officers | 3.00 | 11.14 |
| Deferred Retirement Option Program - Applicable to Members | | |
| From All of the Above Classes | - | 4.42 |
| Florida Retirement System, Reemployed Retiree | (B) | (B) |

Notes:

(A) Employer rates include 1.11% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03% for administrative costs of the PEORP.

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

NOTE 13 – FLORIDA RETIREMENT PROGRAM (CONTINUED)

The District'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 District. The District's contributions to the Plan for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, totaled \$5,322,460, \$11,750,737 and \$9,538,882, respectively, which were equal to the required contributions for each fiscal year. There were 409 PEORP participants during the 2011-2012 fiscal year. Required contributions made to PEORP totaled \$536,911.

The financial statements and other supplementary information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

Effective July 1, 2011, all members of the FRS, except for DROP participants and reemployed retirees, who are not eligible for renewed membership, are required to contribute three percent of compensation to the FRS.

NOTE 14 – POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, dental, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy

The District has established contribution requirements for Plan members and the contributions may be amended through Board action. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-2012 fiscal year, 276 retirees received other postemployment benefits. The District provided required contributions of \$835,752 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees, and net of retiree contributions totaling \$3,780,047, which represents 6.0% of covered payroll.

NOTE 14 – POSTEMPLOYMENT BENEFITS PAYABLE (CONTNUED)

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| <i>Year ended June 30,</i> | 2012 |
|---|--------------|
| Normal Cost (service cost for one year) | \$ 367,833 |
| Amortization of Unfunded Actuarial Accrued Liability (UAAL) | 541,171 |
| Interest on Normal Cost and Amortization | - |
| Annual Required Contribution (ARC) | 909,004 |
| Interest on Net OPEB Obligation | 131,513 |
| Adjustment to Annual Required Contribution | (190,136) |
| Annual OPEB Cost (Expense) | 850,381 |
| Contributions made | (835,752) |
| Increase (decrease) in Net OPEB Obligation | 14,629 |
| Net OPEB Obligation, beginning of year | 3,287,828 |
| Net OPEB Obligation, end of year | \$ 3,302,457 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 and the previous two fiscal years were as follows:

| Fiscal year Ending | Annual OPEB Cost | Amount Contributed | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------------|-----------------------------|-------------------------------|---|--------------------------------|
| 6/30/2010 | \$ 1,542,794 | \$ 821,839 | 53.30% | \$ 2,703,098 |
| 6/30/2011 | 1,586,004 | 1,001,274 | 63.13% | 3,287,828 |
| 6/30/2012 | 850,381 | 835,752 | 98.28% | 3,302,457 |

Funded Status and Funding Progress

As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$9,357,953, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,357,983 and a funded ratio of 0%. The covered payroll (annual payroll of

NOTE 14 – POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

active participating employees) was \$63,749,441 and the ratio of unfunded actuarial accrued liability to the covered payroll was 14.7%.

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

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

Actuarial Method and Assumptions

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

The District's OPEB actuarial valuation as of July 1, 2011, used the unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District's 2011-2012 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included an annual healthcare cost trend rate of 6.6% for the 2011-2012 fiscal year, reduced periodically thereafter to an ultimate rate of 4.7% beginning in the 2090 fiscal year. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis. The remaining amortization period at June 30, 2012, was 25 years.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 15 – CONSTRUCTION CONTRACT COMMITMENTS

The following is a summary of major construction contract commitments remaining at fiscal year-end:

| Project | Contract Amount | Completed to Date | Balance Committed |
|--|-----------------|-------------------|-------------------|
| Bennett Russell Elementary - 6 classroom addition | \$ 834,944 | \$ 819,379 | \$ 15,565 |
| Berryhill Elementary - 4 classroom addition | 626,956 | 604,280 | 22,676 |
| Chumukla Elementary - 4 classroom addition | 659,632 | 594,670 | 64,962 |
| Gulf Breeze Elementary - 6 classroom addition | 1,058,785 | 679,346 | 379,439 |
| Holley Navarre Intermediate - 4 classroom addition | 1,059,892 | 59,932 | 999,960 |
| Holley Navarre Intermediate - kitchen expansion | 1,243,602 | 993,335 | 250,267 |
| Milton High - kitchen/cafeteria expansion | 1,578,042 | 1,276,058 | 301,984 |
| West Navarre Intermediate - 5 classroom addition | 723,388 | 663,955 | 59,433 |
| Total | \$ 7,785,241 | \$ 5,690,955 | \$ 2,094,286 |

NOTE 16 – RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Florida School Boards Insurance Trust (Trust). The Trust is a self-insurance fund of Florida school boards established under the authority set forth in Section 1001.42, Florida Statutes, and was established for the purpose of pooling certain exposures (e.g. property, casualty, and worker's compensation) of participating districts. If a participating district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to that district. Through its participation in the Trust, the District has acquired various types of insurance coverage including property, general and automotive liability, worker's compensation, errors and omissions, employee benefits liability, boiler and machinery, crime, special events, pollution, legal liability, school crisis risk, transit, additional expenses, and personal accident insurance. Catastrophic student accident, flood, and storage tank liability insurance are provided through purchased commercial insurance.

Employee health and hospitalization, dental, and life insurance coverage are provided through purchased commercial insurance.

Prior to July 1, 1997, the District was self-insured for worker's compensation exposures up to specified limits. At June 30, 2012, a liability in the amount of \$213,169 was recorded to cover future claims payments relating to this former self-insurance program.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 16 – RISK MANAGEMENT PROGRAMS (CONTINUED)

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

| | Beginning-of- Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year End |
|-------------|---|---|--------------------|----------------------------------|
| 2010 - 2011 | \$ 485,442 | \$ 549,162 | \$ (85,452) | \$ 949,152 |
| 2011 - 2012 | 949,152 | (572,708) | (163,275) | 213,169 |

NOTE 17 – LITIGATION

The District is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by District management and the Board's legal counsel, should not materially affect the financial condition of the District.

NOTE 18 – SPECIAL ITEM

During the year ended June 30, 2012, the District refunded an amount totaling \$1,746,187 to the Federal Emergency Management Agency (FEMA) relating to the close-out of damage claims for Hurricane Ivan. Because of its unusual nature, the refund is reflected as a Special item on the accompanying Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Balance.

Required Supplementary Information
(Other Than MD&A)

Santa Rosa County District School Board
Budgetary Comparison Schedule
General Fund

Year ended June 30,

2012

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|---------------|---|
| | Original | Final | Amounts | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal direct | \$ 650,000 | \$ 781,766 | \$ 781,766 | \$ - |
| Federal through state | 700,000 | 646,872 | 443,008 | (203,864) |
| State sources | 98,862,967 | 99,301,061 | 99,309,927 | 8,866 |
| Local sources | 55,352,077 | 56,350,556 | 56,603,489 | 252,933 |
| Total revenues | 155,565,044 | 157,080,255 | 157,138,190 | 57,935 |
| Expenditures | | | | |
| Instruction | 104,736,858 | 106,131,215 | 102,748,067 | 3,383,148 |
| Pupil personnel services | 6,613,467 | 7,407,739 | 7,077,214 | 330,525 |
| Instructional media services | 2,556,564 | 2,603,013 | 2,346,909 | 256,104 |
| Instructional and curriculum development | 2,722,615 | 2,814,254 | 2,590,211 | 224,043 |
| Instructional staff training | 788,824 | 1,014,279 | 667,246 | 347,033 |
| Instruction related technology | 4,075,370 | 4,362,028 | 3,184,025 | 1,178,003 |
| Board of education | 466,676 | 477,220 | 461,519 | 15,701 |
| General administration | 541,533 | 660,202 | 635,087 | 25,115 |
| School administration | 11,386,136 | 12,459,426 | 12,230,917 | 228,509 |
| Facilities acquisition and construction | 57,615 | 136,070 | 19,359 | 116,711 |
| Fiscal services | 1,212,321 | 1,218,148 | 1,127,853 | 90,295 |
| Central services | 2,252,615 | 2,764,889 | 2,128,358 | 636,531 |
| Pupil transportation services | 12,472,722 | 13,415,362 | 12,230,322 | 1,185,040 |
| Operation of plant | 15,952,773 | 14,289,595 | 12,189,282 | 2,100,313 |
| Maintenance of plant | 4,872,485 | 4,880,412 | 4,346,136 | 534,276 |
| Administrative technology services | 1,702,254 | 1,733,702 | 1,530,795 | 202,907 |
| Community services | 1,684,074 | 1,711,615 | 1,554,274 | 157,341 |
| Fixed capital outlay: | | | | |
| Facilities acquisition and construction | - | 1,538,529 | 1,538,529 | - |
| Other capital outlay | - | 2,400 | 2,400 | - |
| Total expenditures | 174,094,902 | 179,620,098 | 168,608,503 | 11,011,595 |
| Excess (deficiency) of revenues over expenditures | (18,529,858) | (22,539,843) | (11,470,313) | 11,069,530 |
| Other financing sources (uses) | | | | |
| Loss recoveries | - | 20,856 | 20,856 | - |
| Transfers in | 3,988,432 | 5,955,691 | 5,955,691 | - |
| Transfers out | (318,773) | (312,942) | (312,942) | - |
| Total other financing sources and (uses) | 3,669,659 | 5,663,605 | 5,663,605 | - |
| Special item | | | | |
| Refund of excess FEMA funds | - | - | (1,746,187) | (1,746,187) |
| Net change in fund balances | (14,860,199) | (16,876,238) | (7,552,895) | 9,323,343 |
| Fund balances - beginning | 26,896,496 | 26,896,496 | 26,896,496 | - |
| Fund balances - ending | \$ 12,036,297 | \$ 10,020,258 | \$ 19,343,601 | \$ 9,323,343 |

Santa Rosa County District School Board
 Budgetary Comparison Schedule
 Special Revenue Fund - ARRA Economic Stimulus Funds

Year ended June 30,

2012

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|------------------|------------------|--|
| | Original | Final | Amounts | Final Budget - Positive (Negative) |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal through state | \$ 1,280,008 | \$ 1,540,450 | \$ 1,520,271 | \$ (20,179) |
| Total revenues | 1,280,008 | 1,540,450 | 1,520,271 | (20,179) |
| Expenditures | | | | |
| Instruction | 534,232 | 615,600 | 614,537 | 1,063 |
| Pupil personnel services | 16,100 | 16,487 | 16,487 | - |
| Instructional media services | 5,338 | 5,338 | 5,337 | 1 |
| Instructional and curriculum development | 219,384 | 174,373 | 171,482 | 2,891 |
| Instructional staff training | 442,099 | 644,257 | 629,445 | 14,812 |
| Instruction related technology | 35,995 | 35,577 | 35,577 | - |
| General administration | 21,299 | 31,344 | 30,132 | 1,212 |
| Facilities acquisition and construction | 7 | - | - | - |
| Central services | 5,093 | 17,474 | 17,274 | 200 |
| Pupil transportation | 461 | - | - | - |
| Total expenditures | 1,280,008 | 1,540,450 | 1,520,271 | 20,179 |
| Excess (deficiency) of revenues over expenditures | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

Santa Rosa County District School Board

Schedule of Funding Progress for Other Post-Employment Benefits

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|------------------------|-----------------|--------------------|--|
| 7/1/09 | \$ - | \$ 14,903,748 | \$ 14,903,748 | 0.00% | \$ 70,187,989 | 21.23% |
| 7/1/10 | - | 15,377,798 | 15,377,798 | 0.00% | 65,536,617 | 23.46% |
| 7/1/11 | - | 9,357,953 | 9,357,953 | 0.00% | 63,749,441 | 14.68% |

Supplementary Information

Santa Rosa County District School Board
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (Note 1) | Amount Provided To Subrecipients |
|--|---|--|---------------------------------------|---|
| United States Department of Agriculture: | | | | |
| Indirect: | | | | |
| Child Nutrition Cluster: | | | | |
| Florida Department of Education: | | | | |
| School Breakfast Program | 10.553 | 300 | \$ 1,186,630 | \$ - |
| National School Lunch Program | 10.555 | 321 | 4,252,491 | - |
| Summer Food Service Program for Children | 10.559 | 323 | 133,911 | - |
| Florida Department of Agriculture and Consumer Services: | | | | |
| National School Lunch Program (Note 2(a)) | 10.555 | 300 | 608,546 | - |
| Total Child Nutrition Cluster | | | 6,181,578 | - |
| Florida Department of Education: | | | | |
| Team Nutrition Training Grants | 10.574 | 301 | 108 | - |
| Fresh Fruit and Vegetable Program | 10.582 | 330, 331 | 42,673 | |
| Florida Department of Financial Services | | | | |
| Schools and Roads - Grants to States | 10.665 | none | - | - |
| Total United States Department of Agriculture | | | 6,224,359 | - |
| United States Department of Defense: | | | | |
| Direct: | | | | |
| Air Force Junior Reserve Officers Training Corps | 12 | N/A | 52,836 | - |
| Navy Junior Reserve Officers Training Corps | 12 | N/A | 216,428 | - |
| Indirect: | | | | |
| Florida Department of Financial Services | | | | |
| Payments in Lieu of Real Estate Taxes | 12.112 | none | 65 | |
| Total United States Department of Defense | | | 269,329 | - |
| United States Department of Labor: | | | | |
| Indirect: | | | | |
| Workforce Escarosa, Inc.: | | | | |
| WIA Youth Activities | 17.259 | none | 314,709 | - |
| Total United States Department of Labor | | | 314,709 | - |
| United States Department of Energy: | | | | |
| Indirect: | | | | |
| University of Central Florida | | | | |
| ARRA - State Energy Program (Note 2(b)) | 81.041 | none | 120,611 | - |
| Total United States Department of Energy: | | | 120,611 | - |
| United States Department of Education: | | | | |
| Direct: | | | | |
| Student Financial Assistance Cluster: | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | 5,703 | - |
| Federal Work-Study Program | 84.033 | N/A | 5,614 | - |
| Federal Pell Grant Program | 84.063 | N/A | 379,172 | - |
| Total Student Financial Assistance Cluster | | | 390,489 | - |
| Impact Aid | 84.041 | N/A | 781,766 | - |
| Total Direct | | | 1,172,255 | - |

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

Santa Rosa County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (Note 1) | Amount Provided To Subrecipients |
|---|---|--|---------------------------------------|---|
| United States Department of Education: | | | | |
| Indirect: | | | | |
| Special Education Cluster: | | | | |
| Florida Department of Education: | | | | |
| Special Education - Grants to States | 84.027 | 262,263 | 5,590,079 | - |
| Special Education - Preschool Grants | 84.173 | 267 | 133,024 | - |
| ARRA - Special Education - Grants to States, Recovery Act | 84.391 | 263 | 296,926 | - |
| ARRA - Special Education - Preschool Grants, Recovery Act | 84.392 | 267 | 28,313 | - |
| University of South Florida | | | | |
| Special Education - Grants to States | 84.027 | none | 4,866 | - |
| Total Special Education Cluster | | | 6,053,208 | - |
| Florida Department of Education: | | | | |
| Adult Education - Basic Grants to States | 84.002 | 191, 193 | 264,634 | - |
| Career and Technical Education - Basic Grants to States | 84.048 | 161 | 197,797 | - |
| Even Start - State Educational Agencies | 84.213 | 219 | 91,622 | - |
| Charter Schools | 84.282 | 298 | 153,850 | 153,850 |
| English Language Acquisition Grants | 84.365 | 102 | 47,453 | - |
| Improving Teacher Quality State Grants | 84.367 | 224 | 924,131 | - |
| | | | 1,679,487 | 153,850 |
| Title I, Part A Cluster: | | | | |
| Florida Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 212, 222, 223, 226, 228 | 4,086,051 | - |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 212, 226 | 231,184 | - |
| Total Title I, Part A Cluster | | | 4,317,235 | - |
| Education of Homeless Children & Youth Cluster: | | | | |
| Florida Department of Education: | | | | |
| Education for Homeless Children and Youth | 84.196 | 127 | 96,442 | - |
| ARRA - Education for Homeless Children and Youth, Recovery Act | 84.387 | 127 | 9,650 | - |
| Total Education of Homeless Children & Youth Cluster | | | 106,092 | - |
| Educational Technology State Grants Cluster: | | | | |
| Florida Department of Education: | | | | |
| ARRA - Education Technology State Grants, Recovery Act | 84.386 | 122 | 67,272 | - |
| Total Educational Technology State Grants Cluster | | | 67,272 | - |

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

Santa Rosa County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (Note 1) | Amount Provided To Subrecipients |
|--|---|--|---------------------------------------|---|
| United States Department of Education: | | | | |
| State Fiscal Stabilization Fund: | | | | |
| Florida Department of Education: | | | | |
| ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act | 84.395 | 111 | 692,316 | - |
| Education Jobs Fund: | | | | |
| Florida Department of Education: | | | | |
| ARRA - Education Jobs Fund | 84.410 | 541 | 194,610 | - |
| Total Indirect | | | 13,110,220 | 153,850 |
| Total United States Department of Education | | | 14,282,475 | 153,850 |
| United States Department of Health and Human Services: | | | | |
| Direct: | | | | |
| Head Start Cluster: | | | | |
| Head Start (Note 3) | 93.600 | N/A | 2,198,836 | - |
| Total United States Department of Health and Human Services | | | 2,198,836 | - |
| United States Department of Homeland Security: | | | | |
| Indirect: | | | | |
| Florida Department of Community Affairs: | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 4) | 97.036 | none | 1,032,930 | - |
| Total United States Department of Homeland Security | | | 1,032,930 | - |
| Total Expenditures of Federal Awards | | | \$ 24,443,249 | \$ 153,850 |

See accompanying notes to the schedule of expenditures of federal awards.

Santa Rosa County District School Board
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2012

- Notes: (1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2011-2012 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the general purpose financial statements have been reported.
- (2) (a) Noncash Assistance - Food Donation - Represents the amount of donated food received during the fiscal year. Commodities are valued at fair value as determined at time of donation.
- (b) Noncash Assistance - Donation of Federal Personal Property - Represents the Federally funded portion of the Solar Electric System installed at two school sites that were selected as emergency shelters.
- (3) Head Start - Expenditures include \$1,217,037 for grant number/program year 04CH0384/21 and \$980,808 for grant number/program year 04CH0384/22.
- (4) Disaster Grants - Public Assistance (Presidentially Declared Disasters). The amount disclosed as expenditures represents hurricane-loss recoveries for the 2011-12 fiscal year as follows: \$1,027,303 for large projects for which the District is required to make an accounting of eligible costs for each approved project; an adjustment of \$-0- for small projects; and \$5,628 for allowable administrative costs.

**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 Santa Rosa County District School Board
and Tim Wyrosdick, Superintendent of Schools
Milton, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board (District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of The Learning Academy, Inc., and The Santa Rosa Education Foundation, Inc., as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

Management of the Santa Rosa County District School Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial

reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item IC2009-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain other matter that we reported to management of the District in a separate letter dated March 4, 2013.

The District's response and corrective action plan to the findings identified in our audit are listed at page 65. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Pursuant to Section 11.45(4), Florida Statutes, this report is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of District management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 4, 2013

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Santa Rosa County District School Board
and Tim Wyrosdick, Superintendent of Schools
Milton, Florida

Compliance

We have audited the compliance of the Santa Rosa County District School Board (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards; generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to the District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of the District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Cam, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 4, 2013

Santa Rosa County District School Board Schedule of Findings and Questioned Costs For The Year Ended June 30, 2012

Summary of Audit Results

As required by United States Office of Management and Budget *Circular A-133*, Section 505, the following is a summary of the results of the audit of the Santa Rosa County District School Board for the fiscal year ended June 30, 2012:

- The auditor's report expresses an unqualified opinion on the basic financial statements of the Santa Rosa County District School Board.
- One (1) significant deficiency relating to the audit of the basic financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The significant deficiency is not considered a material weakness.
- No instances of noncompliance material to the basic financial statements of the Santa Rosa County District School Board which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
- The auditor's report on compliance for the major federal award programs for the Santa Rosa County District School Board is unqualified on all major federal programs.
- There were no audit findings relative to the major federal award programs for Santa Rosa County District School Board.
- The programs tested as major programs included: Education Jobs Fund (CFDA 84.410), ARRA - State Fiscal Stabilization Fund - Race to the Top (CFDA 84.395), Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392), ARRA - State Energy Program (CFDA 81.041) and Impact Aid (CFDA 84.041).
- The threshold for distinguishing between Types A and B programs was \$733,297.
- The Santa Rosa County District School Board was determined to be a low risk auditee, as defined in *OMB Circular A-133*.

Santa Rosa County District School Board
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

Finding IC2009-1: Financial Reporting

Criteria

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR). Laws and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP).

Condition

One of the principal methods that a school district uses to document accountability for public resources it receives and uses is by the information included in its annual financial report. As such, District personnel should ensure that the report is accurate and contains all required disclosures so that users, such as the School Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition. Our review of the District's 2011-12 fiscal year annual financial report, as presented for audit, disclosed that while the annual financial report was prepared correctly in most areas, audit adjusting entries were required to correct certain items. These include:

- Government-wide beginning net assets per the District AFR (\$245,460,689) did not agree to the 2010-11 fiscal year audited financial statements (\$245,718,770).
- The District AFR reported the receipt of approximately \$134,000 of PECO funds as revenue in the current fiscal year and not the collection of receivables that were due to the District as of June 30, 2011.
- District procedures did not properly identify and report construction contracts payable at year-end, resulting in understatements of fixed capital outlay expenditures of \$31,433 in the Capital Projects – Local Capital Improvement Tax Fund and \$178,905 of Maintenance of Plant expenditures in the Capital Projects – Other Capital Projects. Additionally, the District did not properly identify and consider certain other year-end accruals, resulting in understatement of Maintenance of Plant expenditures of approximately \$29,000.
- The government-wide Statement of Net Assets per the District AFR overstated the bonds payable balance by \$60,000 and did not present premiums on bonds payable totaling approximately \$136,000.

Santa Rosa County District School Board
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended June 30, 2012

Cause

The above adjustments occurred mainly as a result of simple errors during the preparation of the annual financial report. We were able to extend our audit procedures to determine the adjustments necessary to ensure the District's financial statements and supplementary information were properly reported, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to ensure that the District's AFR is completely accurate. One of the items identified in the finding above had a similar instance noted in the previous audit report.

Effect

The District's financial statements could contain technical inaccuracies.

Recommendation

The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported. Such procedures may include enhanced review to ensure the accuracy of the financial statements.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Santa Rosa County District School Board
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

Listed below is the District's summary of the status of prior audit findings on Federal Programs:

| Audit Report and Schedule | | | |
|--------------------------------------|---------------------|--------------------------|---------------|
| Paragraph No. | Program/Area | Brief Description | Status |

There were no audit findings relating to federal programs in the prior year.

Santa Rosa County District School Board
Corrective Action Plan
For the Year Ended June 30, 2012

Finding IC2009-1: Financial Reporting

See the District's response and corrective action plan at page 65.

MANAGEMENT LETTER

To the Santa Rosa County District School Board
and Timothy Wyrosdick, Superintendent of Schools
Milton, Florida

We have audited the financial statements of the Santa Rosa County District School Board (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 4, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's 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*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 4, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General which governs the conduct of district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.804(1)(f)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 the majority of findings and recommendations made in the preceding annual financial audit report; however, a follow-up finding (IC2009-1) has been included again in the current year schedule of findings and questioned costs. This finding was also in the second preceding fiscal year financial audit report.

Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. We have presented our recommendation in the following Appendix A - Current Year Recommendations. This recommendation was also addressed in the prior year.

Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contract 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the district school board 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representation made by management and the review of financial information provided by same.

Section 10.804(1)(f)8., Rules of the Auditor General, requires the auditor to state whether or not the district school board complied with transparency requirements (Section 2, Specific Appropriation 116 through 130 of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their Web sites to the Transparency Florida Web site). In connection with our audit, we determined that the District complied with transparency requirements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Florida Auditor General and appropriate governmental agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Car, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
March 4, 2013

Santa Rosa County District School Board
Appendix A – Current Year Recommendations
For the Year Ended June 30, 2012

ML2011-2: Employee Time Certifications and Personal Activity Reports

Employees being paid with 100% federal funds are required to prepare and submit semi-annual certifications to the District. Policies and procedures were updated as a result of the prior year recommendations to reflect required time frames for submission of semi-annual time certifications in order to substantiate OMB A-87 federal requirements. Upon review of employee certifications, we noted several instances where certifications were turned in months after June 30th and December 31st. Employee certifications document compliance that federally funded personnel are performing duties based on their funded position. A similar recommendation was noted in the prior year management letter. While there was some improvement in the current year, the District should continue to focus on meeting the required timeframes.

Recommendation: We recommend that management continue to monitor compliance with the District's current policies and procedures – "Time Distribution Certification for Personnel Hired through Federal Programs Procedures". Employee time certifications should be submitted to the program manager in a timely manner in order to reduce risk of noncompliance.



Timothy S. Wyrosdick
Superintendent of Schools

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March 4, 2013

Alan Jowers, CPA
Partner
Carr Riggs & Ingram, LLC
500 Grand Boulevard
Suite 210
Miramar Beach, FL 32550

Dear Mr. Jowers:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, I am submitting to you, in writing, statements of explanation (compiled from the responses as received from those in positions of responsibility of a given area) concerning some of the items presented in the preliminary and tentative audit findings for the fiscal year ended June 30, 2012. As a matter of organization and clarification, the responses can be referenced using the headings as submitted from your office.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding IC2009-1: Financial Reporting

Response:

- The District was unaware that immaterial variances need to be reported as miscellaneous revenue, not as an adjustment to beginning net assets. In the future all immaterial variances will be properly reported.
- Once the PECO receivable error was discovered, a journal entry in the subsequent year was posted to make the correction. Accrued revenue entries were posted but were not reviewed. In the future those types of entries will be reviewed.
- Construction contracts payables are numerous. Great strides are made to pick them all up, but some have been missed. The accounts payable employees have now been asked to look for these items as well and make the appropriate person aware so payables can be recognized.

The District had difficulty getting the information needed from DOE's web site for our current bond amounts. We will get the figures we need from the audit and move forward with the correct amounts.

Sincerely,

Timothy S. Wyrosdick
Superintendent of Schools

/chm