

Santa Rosa County District School Board

**Financial Statements and
Supplementary Information**

June 30, 2011

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, 2011, 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, 2011, 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 23, 2012 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 23, 2012

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, 2011. 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 2010-11 fiscal year are as follows:

- In total, net assets increased by \$7,890,077, or 3.32 percent.
- General revenues of the total governmental funds total \$209,547,538, or 93.16 percent of all revenues in the 2010-2011 fiscal year, compared to \$201,769,615 or 92.32 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 \$15,389,648, or 6.84 percent of all revenue in the 2010-11 fiscal year, compared to \$16,788,124, or 7.68 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 \$20,314,437 at June 30, 2011, or 12.64 percent of total General Fund expenditures. This is the first year the District reported fund balances under Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changes how fund balances are classified. In the 2009-10 fiscal year, the unreserved fund balance in the General Fund was \$18,983,993.
- During the 2010-2011 fiscal year, General Fund expenditures exceeded revenues by \$523,567. This may be compared to the prior fiscal year's results in which General Fund revenues exceeded expenditures by \$4,597,346.

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 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, 2011, compared to net assets as of June 30, 2010:

Net Assets, End of Year

	<u>Governmental Activities</u>		
	6/30/2011	6/30/2010	Increase (Decrease)
Current Assets	\$ 67,686,731	\$ 68,475,017	\$ (788,286)
Other Assets	257,236,359	248,575,324	8,661,035
 Total Assets	 324,923,090	 317,050,341	 7,872,749
 Long-term Liabilities	 72,324,716	 73,245,922	 (921,206)
Other Liabilities	6,879,604	5,975,726	903,878
 Total Liabilities	 79,204,320	 79,221,648	 (17,328)
 Invested in Capital Assets - Net of Debt	 212,631,019	 208,683,327	 3,947,692
Restricted	30,464,761	29,563,282	901,479
Unrestricted	2,622,990	(417,917)	3,040,907
 Total Net Assets	 <u>\$ 245,718,770</u>	 <u>\$ 237,828,692</u>	 <u>\$ 7,890,078</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, 2011, and June 30, 2010, are as follows:

Operating Results for the Year

	Governmental Activities		
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Increase (Decrease)</u>
Program Revenues:			
Charges for Services	\$ 7,265,353	\$ 7,048,041	\$ 217,312
Operating Grants and Contributions	6,212,673	5,594,117	618,556
Capital Grants and Contributions	1,911,622	4,145,966	(2,234,344)
General Revenues:			
Property Taxes Levied for Operational Purposes	51,948,095	53,557,827	(1,609,732)
Property Taxes Levied for Capital Projects	11,490,869	12,143,138	(652,269)
Local Sales Tax	6,295,502	5,945,414	350,088
Grants and Contributions not Restricted to Specific Purposes	135,594,949	128,036,453	7,558,496
Unrestricted Investment Earnings	308,469	315,324	(6,855)
Miscellaneous	3,909,654	1,771,459	2,138,195
Total Revenues	<u>224,937,186</u>	<u>218,557,739</u>	<u>6,379,447</u>
Functions/Program Expenses:			
Instruction	116,448,341	110,218,867	6,229,474
Pupil Personnel Services	8,929,066	9,050,353	(121,287)
Instructional Media Services	2,583,617	2,760,728	(177,111)
Instruction and Curriculum Development Services	5,231,801	5,131,796	100,005
Instructional Staff Training	3,654,107	2,734,680	919,427
Instruction Related Technology	2,843,281	2,643,738	199,543
School Board	427,838	464,248	(36,410)
General Administration	1,043,878	977,393	66,485
School Administration	12,649,492	12,649,695	(203)
Facilities Acquisition and Construction	1,409,429	328,589	1,080,840
Fiscal Services	1,125,597	1,066,665	58,932
Food Services	11,792,201	10,803,919	988,282
Central Services	2,339,957	2,106,923	233,034
Pupil Transportation Services	12,515,144	11,607,478	907,666
Operation of Plant	14,294,101	13,016,754	1,277,347
Maintenance of Plant	7,837,232	8,412,962	(575,730)
Administrative Technology Services	1,394,718	1,495,016	(100,298)
Community Services	1,954,944	1,824,616	130,328
Interest on Long-term Debt	2,415,993	2,120,175	295,818
Unallocated Depreciation Expense	6,156,372	5,863,065	293,307
Loss on Disposal of Capital Assets	-	1,120,753	(1,120,753)
Total Functions/Program Expenses	<u>217,047,109</u>	<u>206,398,413</u>	<u>10,648,696</u>
Increase (Decrease) in Net Assets	\$ 7,890,077	\$ 12,159,326	\$ (4,269,249)
Beginning Net Assets	<u>237,828,693</u>	<u>225,669,366</u>	<u>12,159,327</u>
Ending Net Assets	<u>\$ 245,718,770</u>	<u>\$ 237,828,692</u>	<u>\$ 7,890,078</u>

Grants and contributions not restricted to specific programs represent 60.28 percent of total governmental revenues in the 2010-11 fiscal year. Grants and contributions not restricted to specific programs increased by \$7,558,496, or 5.90 percent, primarily due to an increase in Other Special Revenue – ARRA Economic Stimulus funding received from the State.

Instructional expenditures represent 53.59 percent of total governmental expenditures in the 2010-2011 fiscal year. Instructional expenditures increased by \$6,229,474, or 5.65 percent, primarily due the spending of Federal economic stimulus funds due to increase in the number of students.

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 2010-11 fiscal year, unassigned fund balance of the General Fund is \$20,314,437, while the total fund balance is \$26,896,496. 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 12.64 percent of total General Fund expenditures, while total fund balance represents 16.73 percent of total General Fund expenditures.

The District's General Fund's total fund balance for the 2010-11 fiscal year increased by \$2,753,842, or 11.41 percent, as compared to the prior fiscal year. Key factors of this change are as follows:

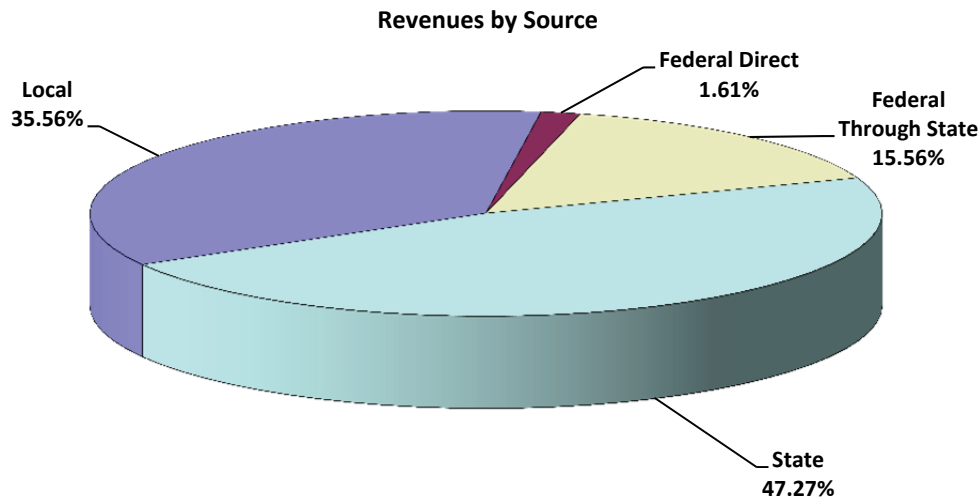
- Total expenditures increased by \$5,008,616, or 3.22 percent, mainly because of increases in utilities, fuel costs, postage, substitution teachers' pay, and salaries.
- Total revenues decreased by \$112,296, or 0.07 percent, mainly because of decreases in local tax revenue.

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 \$17,535,805 during the 2010-11 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 \$10,076,456, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$614,013, or 5.74 percent, during the 2010-11 fiscal year, primarily due to the decrease in the tax roll.

The Capital Projects – Other Fund has a total fund balance of \$18,272,383, which is restricted for financial resources generated by various capital funding sources. The fund balance decreased by \$3,683,818, or 16.77 percent, during the 2010-11 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 2010-11 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 increased by \$1,656,291, or 1.6 percent, primarily due to increases in FTE, number of students, and class size money.

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 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in budgeted expenditures decreasing \$2,311,657, or 1.35 percent. At the same time, final budgeted revenues increased by \$248,812, or 0.16 percent. These budget amendments resulted in a final budgeted ending fund balance of \$16,964,353, which was 52.52 percent more than the ending fund balance included in the original budget.

Actual revenues were \$1,386,199 more than the final budgeted amounts, whereas actual expenditures were \$8,545,944 less than final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$9,932,143. Several circumstances contributed to the higher fund balance including: 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, 2011, amounts to \$257,236,359 (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.

Construction projects completed during the 2010-11 fiscal year included classroom additions and cafeteria expansions. New construction projects include 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, 2011, the District has total long-term debt outstanding of \$50,565,665. This amount is comprised of \$6,775,188 of bonds payable and \$43,790,477 of certificates of participation payable. During the 2010-2011 fiscal year retirement of debt totaled \$2,317,294.

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

Upcoming changes to the State-administered Florida Retirement System (FRS) are as follows: Two retirement plans will be available. There will be a defined benefit pension plan (PP), which includes a Deferred Retirement Option Program (DROP) and a defined contribution plan, referred to as the Investment Plan (IP). PP members enrolling in the FRS for the first time on or after July 1, 2011 will vest after completion of 8 years of service. PP members are eligible for normal retirement benefits at age 65 with 8 years of service or 33 years of service regardless of age. Investment Plan (IP) members vest after one year of service. District employees participating in DROP are not eligible to participate in the IP. Effective July 1, 2011, the IP will be funded by employer and employee contributions.

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,

2011

	Primary Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 64,863,767	\$ 162,147
Investments	323,278	-
Accounts receivable	4,500	-
Due from other agencies	2,218,467	1,541
Inventories	276,719	-
Prepaid items	-	3,009
Capital assets, net	257,236,359	284,392
Total assets	\$ 324,923,090	\$ 451,089
Liabilities and Net assets		
Salaries and wages payable	\$ 4,169,165	\$ 2,261
Accounts payable and accrued expenses	767,724	3,046
Construction contracts payable	201,293	-
Construction contracts retainage payable	561,244	-
Due to other agencies	94,972	-
Deposits payable	136,054	-
Estimated insurance claims payable	949,152	-
Long-term liabilities:		
Portion due within one year	7,615,888	17,821
Portion due after one year	64,708,828	52,590
Total liabilities	79,204,320	75,718
Net assets		
Invested in capital assets, net of related debt	212,631,019	213,981
Restricted for:		
State categorical programs	2,780,749	-
Food service	1,722,732	-
Capital projects	24,943,461	-
Debt service	1,017,819	-
Other projects	-	72,200
Unrestricted	2,622,990	89,190
Total net assets	245,718,770	375,371
Total liabilities and net assets	\$ 324,923,090	\$ 451,089

See accompanying notes to financial statements.

		Program Revenue	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government			
Governmental Activities			
Instruction	\$ 116,448,341	\$ 1,901,581	\$ -
Pupil personnel services	8,929,066	-	-
Instructional media services	2,583,617	-	-
Instruction and curriculum development	5,231,801	-	-
Instructional staff training	3,654,107	-	-
Instruction related technology	2,843,281	-	-
School board	427,838	-	-
General administration	1,043,878	-	-
School administration	12,649,492	-	-
Facilities acquisition and construction	1,409,429	-	-
Fiscal services	1,125,597	-	-
Food services	11,792,201	5,110,132	6,212,673
Central services	2,339,957	-	-
Pupil transportation services	12,515,144	253,640	-
Operation of plant	14,294,101	-	-
Maintenance of plant	7,837,232	-	-
Administrative technology services	1,394,718	-	-
Community services	1,954,944	-	-
Interest on long-term debt	2,415,993	-	-
Unallocated depreciation/amortization expense	6,156,372	-	-
Total governmental activities	\$ 217,047,109	\$ 7,265,353	\$ 6,212,673
Component Units			
Charter schools/foundations	\$ 1,133,110	\$ -	\$ 333,025

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

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	
\$	-	\$ (114,546,760)	\$ -
	-	(8,929,066)	-
	-	(2,583,617)	-
	-	(5,231,801)	-
	-	(3,654,107)	-
	-	(2,843,281)	-
	-	(427,838)	-
	-	(1,043,878)	-
	-	(12,649,492)	-
1,087,987		(321,442)	-
	-	(1,125,597)	-
	-	(469,396)	-
	-	(2,339,957)	-
	-	(12,261,504)	-
	-	(14,294,101)	-
	-	(7,837,232)	-
	-	(1,394,718)	-
	-	(1,954,944)	-
823,635		(1,592,358)	-
	-	(6,156,372)	-
<u>\$ 1,911,622</u>		<u>(201,657,461)</u>	<u>-</u>
<u>\$ 57,064</u>		<u>-</u>	<u>(743,021)</u>

51,948,095	-
11,490,869	-
6,295,502	-
135,594,949	773,558
308,469	852
3,909,654	626
<u>209,547,538</u>	<u>775,036</u>
7,890,077	32,015
237,828,693	343,356
<u>\$ 245,718,770</u>	<u>\$ 375,371</u>

See accompanying notes to financial statements.

Santa Rosa County District School Board
Balance Sheet
Governmental Funds

June 30,

2011

	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	\$ 31,306,361	\$ 250,563	\$ 10,404,726	\$ 18,100,212	\$ 4,801,905	\$ 64,863,767
Investments	47,440	-	-	-	275,838	323,278
Accounts receivable, net	4,500	-	-	-	-	4,500
Due from other funds	169,395	-	-	-	-	169,395
Due from other agencies	320,120	140,360	13,938	548,135	1,195,914	2,218,467
Inventory	137,458	-	-	-	139,261	276,719
Total assets	\$ 31,985,274	\$ 390,923	\$ 10,418,664	\$ 18,648,347	\$ 6,412,918	\$ 67,856,126
Liabilities and fund balances						
Liabilities:						
Salaries and wages payable	\$ 3,509,265	\$ 374,824	\$ -	\$ -	\$ 285,076	\$ 4,169,165
Accounts payable	630,361	-	-	-	137,363	767,724
Construction contracts payable	-	-	201,293	-	-	201,293
Construction contracts payable - retainage	-	-	140,915	375,964	44,365	561,244
Deposits payable	-	-	-	-	136,054	136,054
Insurance claims payable	949,152	-	-	-	-	949,152
Due to other agencies	-	12,829	-	-	82,143	94,972
Due to other funds	-	3,270	-	-	166,125	169,395
Total liabilities	5,088,778	390,923	342,208	375,964	851,126	7,048,999
Fund balances:						
Nonspendable:						
Inventory	137,458	-	-	-	139,261	276,719
Fund B investments	47,440	-	-	-	126,205	173,645
Restricted for:						
State required carryover programs	2,780,749	-	-	-	-	2,780,749
Debt service	-	-	-	-	2,241,033	2,241,033
Capital projects	-	-	10,076,456	18,272,383	1,471,822	29,820,661
Food service	-	-	-	-	1,583,471	1,583,471
Committed to:						
Board approved carryover	1,892,362	-	-	-	-	1,892,362
School based budgets	187,005	-	-	-	-	187,005
Assigned to:						
Office and fee based budgets	1,537,045	-	-	-	-	1,537,045
Unassigned	20,314,437	-	-	-	-	20,314,437
Total fund balances	26,896,496	-	10,076,456	18,272,383	5,561,792	60,807,127
Total liabilities and fund balances	\$ 31,985,274	\$ 390,923	\$ 10,418,664	\$ 18,648,347	\$ 6,412,918	\$ 67,856,126

See accompanying notes to financial statements.

Santa Rosa County District School Board
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets

<u>June 30,</u>	<u>2011</u>
Total fund balances, governmental funds	\$ 60,807,127
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.	257,236,359
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(72,324,716)</u>
Net assets of governmental activities in the statement of net assets	<u>\$ 245,718,770</u>

See accompanying notes to financial statements.

Year ended June 30,

	General Fund	ARRA Economic Stimulus Funds
Revenues		
Intergovernmental		
Federal direct	\$ 679,589	\$ 42,684
Federal through state	699,770	17,493,121
State sources	103,026,760	-
Local sources	55,833,142	-
Total revenues	160,239,261	17,535,805
Expenditures		
Current:		
Instruction	95,222,686	13,505,737
Pupil personnel services	6,745,475	814,643
Instructional media services	2,455,950	36,839
Instructional and curriculum development	2,168,672	440,726
Instructional staff training	671,743	1,712,256
Instruction related technology	2,481,024	70,082
Board of education	428,073	8,624
General administration	554,195	135,761
School administration	12,267,249	224,344
Facilities acquisition and construction	36,255	-
Fiscal services	1,104,974	14,317
Food services	-	18,729
Central services	2,187,666	31,311
Pupil transportation services	12,168,630	81,317
Operation of plant	14,223,246	11,827
Maintenance of plant	4,045,557	32,403
Administrative technology services	1,331,191	12,810
Community services	1,516,348	7,912
Fixed capital outlay		
Facilities acquisition and construction	883,809	344,740
Other capital outlay	270,085	31,427
Debt Service:		
Retirement of principal	-	-
Interest and fiscal charges	-	-
Dues, fees, and issuance costs	-	-
Miscellaneous	-	-
Total expenditures	160,762,828	17,535,805
Excess (deficiency) of revenues over expenditures	(523,567)	-
Other financing sources (uses)		
Long-term bonds issued	-	-
Loss recoveries	78,593	-
Premium on sale of bonds	-	-
Transfers in	3,526,710	-
Transfers out	(327,894)	-
Total other financing sources and (uses)	3,277,409	-
Net change in fund balances	2,753,842	-
Fund balances, July 1, 2010	24,142,654	-
Fund balances, June 30, 2011	\$ 26,896,496	\$ -

See accompanying notes to financial statements.

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

2011

Capital Projects - Local Capital Improvement Tax Fund	Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,860,484	\$ 3,582,757
-	-	16,504,563	34,697,454
-	126,885	2,285,857	105,439,502
11,538,016	6,831,846	5,090,641	79,293,645
11,538,016	6,958,731	26,741,545	223,013,358
-	-	6,985,894	115,714,317
-	-	1,406,249	8,966,367
-	-	27,086	2,519,875
-	-	2,603,306	5,212,704
-	-	1,156,749	3,540,748
-	-	121,617	2,672,723
-	-	-	436,697
-	-	340,541	1,030,497
-	-	185,014	12,676,607
866,498	167,697	138,307	1,208,757
-	-	-	1,119,291
-	-	11,726,089	11,744,818
-	-	66,893	2,285,870
-	-	135,640	12,385,587
-	-	41,554	14,276,627
64,611	955,855	177,668	5,276,094
-	-	461	1,344,462
-	-	406,060	1,930,320
4,589,521	10,726,359	1,194,960	17,739,389
35,833	241,767	206,442	785,554
-	-	2,265,000	2,265,000
-	-	2,395,767	2,395,767
-	-	9,034	9,034
-	-	14,121	14,121
5,556,463	12,091,678	31,604,452	227,551,226
5,981,553	(5,132,947)	(4,862,907)	(4,537,868)
-	-	1,025,000	1,025,000
-	1,663,994	-	1,742,587
-	-	78,117	78,117
-	-	3,611,615	7,138,325
(6,595,566)	(214,865)	-	(7,138,325)
(6,595,566)	1,449,129	4,714,732	2,845,704
(614,013)	(3,683,818)	(148,175)	(1,692,164)
10,690,469	21,956,201	5,709,967	62,499,291
\$ 10,076,456	\$ 18,272,383	\$ 5,561,792	\$ 60,807,127

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>	2011
Net change in fund balances - total governmental funds:	\$ (1,692,164)
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 in the current period.	8,965,033
The net effect of miscellaneous transactions involving capital assets (i.e., donations and disposals) is to decrease capital assets.	(303,998)
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.	1,240,000
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 decreased.	291,759
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).	(584,730)
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.	(25,823)
Change in net assets of governmental activities	\$ 7,890,077

See accompanying notes to financial statements.

Santa Rosa County District School Board

Statement of Fiduciary Assets and Liabilities

<i>June 30,</i>	2011
	Agency Funds
Assets	
Cash and cash equivalents	\$ 3,047,594
Total assets	\$ 3,047,594
Liabilities	
Payroll deductions and withholdings	\$ 135,797
Accounts payable	269,613
Internal accounts payable	2,642,184
Total liabilities	\$ 3,047,594

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District School Board 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 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, 2011. 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 Fund – 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, 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 0.78965331 at June 30, 2011. 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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 that 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the construction.

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

<u>Description</u>	<u>Estimated Lives</u>
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 fund are reported as liabilities in the government-wide Statement of Net Assets. Certificates of participation (Certificates) premiums and discounts are deferred and amortized over the life of the Certificates, and Certificates of participation payable are reported net of the applicable premiums or discounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2010 tax levy on July 29, 2010. 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.
- 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.
- For the fiscal year ended June 30, 2011, expenditures exceeded appropriations in the General Fund for the Operation of plant object code by an immaterial amount due to increases in actual cleaning contracts and workers' compensation claims. In addition, expenditures in the School board object code and Facilities acquisition and construction object code of the ARRA Economic Stimulus Funds exceeded appropriations.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 3 – INVESTMENTS

Investments at June 30, 2011, are shown below:

Investment	Maturities	Fair Value
State Board of Administration:		
Florida PRIME (1)(2)	31 day average	\$ 5,049,205
Fund B Surplus Funds Trust Fund (Fund B) (2)	7.16 Year Avg	173,645
Debt Service Accounts	6 Months	149,633
Certificate of deposit (1)	August 23, 2011	20,000
Total investments, primary government		\$ 5,392,483

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 \$1,005,156 and Fund B \$126,205.

Interest Rate Risk

- 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 31 days at June 30, 2011. 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 7.16 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, 2011. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Credit Risk

- 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

NOTE 3 – INVESTMENTS (CONTINUED)

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.
- As of June 30, 2011, 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.

Custodial Credit Risk

- 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.

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, 2011 are shown below:

	Balance 7/1/2010	Additions	Deletions	Transfers	Balance 6/30/2011
Governmental Activities					
<i>Capital assets not being depreciated:</i>					
Land	\$ 6,847,360	\$ -	\$ -	\$ -	\$ 6,847,360
Land improvements	2,786,191	268,236	-	606,619	3,661,046
Construction in progress	14,318,066	13,617,144	-	(16,004,582)	11,930,628
Total capital assets not being depreciated	23,951,617	13,885,380	-	(15,397,963)	22,439,034
<i>Capital assets being depreciated:</i>					
Improvements other than buildings	22,109,894	402,972	(37,304)	181,152	22,656,714
Buildings and fixed equipment	290,426,493	1,886,707	(112,416)	15,216,811	307,417,595
Furniture, fixtures and equipment	13,944,103	2,423,086	(1,098,714)	-	15,268,475
Motor vehicles	4,239,336	175,804	(742,546)	-	3,672,594
Audio-visual materials and computer software	5,607,696	163,112	(138,881)	-	5,631,927
Total capital assets being depreciated	336,327,522	5,051,681	(2,129,861)	15,397,963	354,647,305
<i>Less accumulated depreciation for:</i>					
Improvements other than buildings	11,237,413	915,973	(28,108)	-	12,125,278
Buildings and fixed equipment	83,235,961	7,469,367	(103,766)	-	90,601,562
Furniture, fixtures and equipment	8,877,104	1,206,325	(1,056,583)	-	9,026,846
Motor vehicles	3,496,998	212,023	(639,072)	-	3,069,949
Audio-visual materials and computer software	4,856,339	303,794	(133,788)	-	5,026,345
Total accumulated depreciation	111,703,815	10,107,482	(1,961,317)	-	119,849,980
Total capital assets being depreciated, net	224,623,707	(5,055,801)	(168,544)	15,397,963	234,797,325
Governmental activities - capital assets, net	\$ 248,575,324	\$ 8,829,579	\$ (168,544)	\$ -	\$ 257,236,359

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	\$ 351,755
Pupil personnel services	17,694
Instructional media services	72,110
Instruction and curriculum development	17,082
Instructional staff training	79,239
Instruction related technology	157,980
School board	533
General administration	1,968
School administration	8,836
Fiscal services	3,816
Food services	110,696
Central services	56,519
Pupil transportation services	101,364
Operation of plant	16,390
Maintenance of plant	2,880,421
Administrative technology services	58,355
Community services	16,352
Unallocated	6,156,372
	\$ 10,107,482

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, 2011:

Original		Principal Paid to Date	Balance
Series	Amount		
1997-1	5,660,000	5,140,000	\$ 520,000
2006-1	12,370,000	715,000	11,655,000
2006-2	18,870,000	-	18,870,000
2009	12,585,000	625,000	11,960,000
			\$ 43,005,000

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, ends on the earlier of (a) the date on which the Series 1997-1 Certificates have been paid in full or provision for their payment has been made, or (b) June 30, 2022. The lease payments are payable semiannually, on February 1 and August 1 at interest rates of 5.25%.

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

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 5 – CERTIFICATES OF PARTICIPATION PAYABLE (CONTINUED)

Series 2009

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

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
2012	\$ 1,645,000	\$ 2,002,883	\$ 3,647,883
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
2017-2021	11,035,000	7,162,535	18,197,535
2022-2026	12,380,000	4,524,672	16,904,672
2027-2031	10,615,000	1,729,088	12,344,088
Total minimum lease payments	43,005,000	22,677,395	65,682,395
Plus: unamortized premium	785,477	-	785,477
Total certificates of participation	\$ 43,790,477	\$ 22,677,395	\$ 66,467,872

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 6 – BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2002B, Refunding	4.0-5.375	2014	\$ 245,000
Series 2003A	3.0-4.25	2023	450,000
Series 2004A	3.35-4.625	2024	165,000
Series 2005A	4.0-5.0	2025	2,505,000
Series 2005B, Refunding	5.000	2018	730,000
Series 2006A	4.0-4.625	2026	245,000
Series 2009A, Refunding	3.0-5.0	2019	345,000
Series 2010A	3.0-5.0	2030	1,025,000
District Revenue Bonds:			
Racetrack, Series 1996	5.8	2016	990,000
Total bonds payable			\$ 6,700,000

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

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 6 – BONDS PAYABLE (CONTINUED)

The District has pledged a total of \$1,172,410 of pari-mutuel tax revenues in connection with the revenue bonds. During the 2010-2011 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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
State School Bonds:			
2012	\$ 590,000	\$ 277,813	\$ 867,813
2013	615,000	240,795	855,795
2014	645,000	210,545	855,545
2015	625,000	178,732	803,732
2016	665,000	147,997	812,997
2017-2021	1,465,000	376,476	1,841,476
2022-2026	735,000	156,875	891,875
2027-2030	370,000	37,575	407,575
Total State School Bonds	5,710,000	1,626,808	7,336,808
District Revenue Bonds:			
2012	140,000	53,360	193,360
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	990,000	182,410	1,172,410
Total	\$ 6,700,000	\$ 1,809,218	\$ 8,509,218

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2010	Additions	Deductions	Balance 6/30/2011	Due in One Year
Certificates of participation payable	\$ 44,580,000	\$ -	\$ 1,575,000	\$ 43,005,000	\$ 1,472,542
Unamortized premium	834,842	-	49,365	785,477	49,365
Total certificates of participation	45,414,842	-	1,624,365	43,790,477	1,521,907
Bonds payable	6,365,000	1,025,000	690,000	6,700,000	725,000
Unamortized premium	-	78,117	2,929	75,188	-
Total bonds payable	6,365,000	1,103,117	692,929	6,775,188	725,000
Compensated absences payable	18,762,982	6,066,789	6,358,548	18,471,223	5,368,981
Other post employment benefits payable	2,703,098	1,586,004	1,001,274	3,287,828	-
Total	\$ 73,245,922	\$ 8,755,910	\$ 9,677,116	\$ 72,324,716	\$ 7,615,888

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

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	Interfund Payables
Major funds:		
General	\$ 169,395	\$ -
Special Revenue - ARRA Fund	-	3,270
Nonmajor governmental funds	-	166,125
TOTAL	\$ 169,395	\$ 169,395

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.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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

Funds	Interfund	
	Transfers In	Transfers Out
Major funds:		
General	\$ 3,526,710	\$ 327,894
Capital projects:		
Capital improvement tax	-	6,595,566
Other capital projects	-	214,865
Nonmajor governmental funds	3,611,615	-
TOTAL	\$ 7,138,325	\$ 7,138,325

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 and to facilitate the transfer of State funds to its charter school. 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 implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ending June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. 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 and investment in the Fund B Surplus Funds Trust Fund 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.

NOTE 9 – FUND BALANCE REPORTING (CONTINUED)

- 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 if 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.

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, 2011, the General Fund unassigned fund balance of \$20,314,437 is 12.7% of General Fund revenues.

NOTE 10 – 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.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 10 – RESERVE FOR ENCUMBRANCES (CONTINUED)

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 2011-2012 fiscal year budget as a result of purchase orders outstanding at June 30, 2011.

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. However, purchase orders outstanding for grants accounted for in the Special Revenue - ARRA Economic Stimulus Funds total \$142,915 at June 30, 2011.

NOTE 11 – SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2010-2011 fiscal year:

Sources	Amount
Florida education finance program	\$ 74,260,076
Class size reduction categorical	25,597,235
Workforce development	1,573,373
School recognition	1,350,750
Motor vehicles license tax (capital outlay and debt service)	963,977
Gross receipts tax (Public Education Capital Outlay)	947,645
Food service supplement	131,060
Discretionary lottery funds	87,649
Charter school capital outlay	57,064
Adults with disabilities	35,626
State license tax	33,891
Workforce education performance incentive	32,949
Miscellaneous	368,207
Total	\$ 105,439,502

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

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 12 – PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-2011 fiscal year:

	Millages	Taxes Levied
<u>General Fund</u>		
Nonvoted School Tax:		
Required local effort	5.578	\$ 47,388,870
Basic discretionary local effort	0.748	6,354,764
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local capital improvements	1.400	11,893,944
<u>Total</u>	<u>7.726</u>	<u>\$ 65,637,578</u>

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).

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. 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.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 13 – FLORIDA RETIREMENT PROGRAM (CONTINUED)

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 2010-2011 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	-	10.77
Florida Retirement System, Elected County Officers	-	18.64
Deferred Retirement Option Program - Applicable to Members From		
All of the Above Classes	-	12.25
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 0.05% for administrative costs of the PEORP.

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

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, 2011, June 30, 2010, and June 30, 2009, totaled \$11,750,737, \$9,538,882, and \$10,040,596, respectively, which were equal to the required contributions for each fiscal year. There were 374 PEORP participants during the 2010-2011 fiscal year. Required contributions made to PEORP totaled \$1,110,309.

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.

NOTE 13 – FLORIDA RETIREMENT PROGRAM (CONTINUED)

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 2010-2011 fiscal year, 455 retirees received other postemployment benefits. The District provided required contributions of \$1,001,274 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees, and net of retiree contributions totaling \$4,580,568, which represents 7.0% of covered payroll.

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.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 14 – POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

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>	2011
Normal Cost (service cost for one year)	\$ 744,901
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	889,300
Interest on Normal Cost and Amortization	-
Annual Required Contribution (ARC)	1,634,201
Interest on Net OPEB Obligation	108,124
Adjustment to Annual Required Contribution	(156,321)
Annual OPEB Cost (Expense)	1,586,004
Contributions made	(1,001,274)
Increase (decrease) in Net OPEB Obligation	584,730
Net OPEB Obligation, beginning of year	2,703,098
Net OPEB Obligation, end of year	\$ 3,287,828

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, 2011 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
6/30/2009	\$ 1,863,535	\$ 903,950	48.50%	\$ 1,982,143
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

Funded Status and Funding Progress

As of July 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$15,377,798, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,377,798 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$65,536,617 and the ratio of unfunded actuarial accrued liability to the covered payroll was 23.5%.

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.

Santa Rosa County District School Board

Notes to Financial Statements

NOTE 14 – POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

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, 2010, used the unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District's 2010-2011 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 7.3% for the 2010-2011 fiscal year, reduced periodically thereafter to an ultimate rate of 4.8% beginning in the 2076-2077 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, 2011, was 26 years.

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
Central School			
5 classroom additions	\$ 1,716,444	\$ 95,358	\$ 1,621,086
Dixon Intermediate/Sims Middle - 4 classroom addition	1,181,795	618,784	563,011
Holley Navarre Primary-4 classroom addition	712,804	486,682	226,122
Holley Navarre Intermediate			
Kitchen/cafeteria exp/renovation	1,726,920	95,940	1,630,980
Jay High - new building 1	4,298,456	3,173,087	1,125,369
Milton High - kitchen/cafeteria expansion/renovation	2,079,000	115,500	1,963,500
West Navarre Intermediate - 4 classroom addition	844,247	507,957	336,290
West Navarre Primary			
4 classroom addtn/kitchen exp/fire sprnk	1,696,417	497,349	1,199,068
Total	\$ 14,256,083	\$ 5,590,657	\$ 8,665,426

Santa Rosa County District School Board

Notes to Financial Statements

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, 2011, a liability in the amount of \$949,152 was recorded to cover future claims payments relating to this former self-insurance program.

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
2009 - 2010	\$ 918,347	\$ (375,845)	\$ (57,060)	\$ 485,442
2010 - 2011	485,442	549,162	(85,452)	949,152

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.

Required Supplementary Information
(Other Than MD&A)

Santa Rosa County District School Board
Budgetary Comparison Schedule
General Fund

Year ended June 30,

2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues				
Intergovernmental:				
Federal direct	\$ 650,000	\$ 650,000	\$ 679,589	\$ 29,589
Federal through state	400,000	400,000	699,770	299,770
State sources	103,039,924	102,999,178	103,026,760	27,582
Local sources	54,514,326	54,803,884	55,833,142	1,029,258
Total revenues	158,604,250	158,853,062	160,239,261	1,386,199
Expenditures				
Instruction	104,714,814	99,841,546	95,222,686	4,618,860
Pupil personnel services	6,576,271	7,303,861	6,745,475	558,386
Instructional media services	2,955,614	2,787,618	2,455,950	331,668
Instructional and curriculum development	2,497,853	2,389,821	2,168,672	221,149
Instructional staff training	618,146	920,049	671,743	248,306
Instruction related technology	3,329,561	3,473,209	2,481,024	992,185
Board of education	478,995	497,439	428,073	69,366
General administration	574,241	567,651	554,195	13,456
School administration	11,717,799	12,621,336	12,267,249	354,087
Facilities acquisition and construction	24,606	99,753	36,255	63,498
Fiscal services	1,184,473	1,188,147	1,104,974	83,173
Central services	2,239,328	2,497,270	2,187,666	309,604
Pupil transportation services	12,159,676	12,232,311	12,168,630	63,681
Operation of plant	14,502,932	14,053,588	14,223,246	(169,658)
Maintenance of plant	4,752,384	4,559,761	4,045,557	514,204
Administrative technology services	1,589,201	1,473,727	1,331,191	142,536
Community services	1,704,535	1,647,791	1,516,348	131,443
Fixed capital outlay:				
Facilities acquisition and construction	-	883,809	883,809	-
Other capital outlay	-	270,085	270,085	-
Total expenditures	171,620,429	169,308,772	160,762,828	8,545,944
Excess (deficiency) of revenues over expenditures	(13,016,179)	(10,455,710)	(523,567)	9,932,143
Other financing sources (uses)				
Loss recoveries	-	78,593	78,593	-
Transfers in	-	3,526,710	3,526,710	-
Transfers out	(3,773)	(327,894)	(327,894)	-
Total other financing sources and (uses)	(3,773)	3,277,409	3,277,409	-
Net change in fund balances	(13,019,952)	(7,178,301)	2,753,842	9,932,143
Fund balances - beginning	24,142,654	24,142,654	24,142,654	-
Fund balances - ending	\$ 11,122,702	\$ 16,964,353	\$ 26,896,496	\$ 9,932,143

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

Year ended June 30,

2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal direct	\$ 46,918	\$ 46,918	\$ 42,684	\$ (4,234)
Federal through state	13,190,034	18,363,504	17,493,121	(870,383)
Total revenues	13,236,952	18,410,422	17,535,805	(874,617)
Expenditures				
Instruction	9,163,464	13,899,357	13,505,737	393,620
Pupil personnel services	546,844	837,588	814,643	22,945
Instructional media services	9,227	39,939	36,839	3,100
Instructional and curriculum development	1,070,206	669,547	440,726	228,821
Instructional staff training	2,187,821	2,163,034	1,712,256	450,778
Instruction related technology	35,549	128,657	70,082	58,575
School board	-	-	8,624	(8,624)
General administration	138,863	157,491	135,761	21,730
School administration	5,293	225,423	224,344	1,079
Facilities acquisition and construction	7	7	-	7
Fiscal services	-	14,317	14,317	-
Food services	-	37,058	18,729	18,329
Central services	46,189	33,859	31,311	2,548
Pupil transportation	650	81,967	81,317	650
Operation of plant	815	37,327	11,827	25,500
Maintenance of plant	-	32,403	32,403	-
Administrative technology services	-	12,810	12,810	-
Community services	-	7,912	7,912	-
Fixed capital outlay:				
Facilities acquisition and construction	-	-	344,740	(344,740)
Other capital outlay	32,024	31,726	31,427	299
Total expenditures	13,236,952	18,410,422	17,535,805	874,617
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Santa Rosa County District School Board

Schedule of Funding Progress for Other Postemployment 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
7/1/08	\$ -	\$ 16,977,124	\$ 16,977,124	0.00%	\$ 72,637,328	23.37%
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%

Supplementary Information

Santa Rosa County District School Board
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, June 30, 2011

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	321	\$ 1,126,250	\$ -
National School Lunch Program	10.555	300	4,105,998	-
Summer Food Service Program for Children	10.559	323	132,427	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	300	662,840	-
Total Child Nutrition Cluster			6,027,515	-
Florida Department of Education:				
Team Nutrition Training Grants	10.574	301	111,891	-
ARRA - Child Nutrition Discretionary Grants, Limited Availability	10.579	371	16,460	-
Total United States Department of Agriculture			6,155,866	-
United States Department of Commerce:				
Indirect:				
Dauphin Island Sea Lab:				
Coastal Services Center Grants	11.473	none	16,151	-
Total United States Department of Commerce			16,151	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	12	N/A	52,219	-
Navy Junior Reserve Officers Training Corps	12	N/A	185,413	-
Total United States Department of Defense			237,632	-
United States Department of Labor:				
Indirect:				
Workforce Escarosa, Inc.:				
WIA Youth Activities	17.259	none	256,645	-
Total United States Department of Labor			256,645	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	4,082,951	-
Special Education - Preschool Grants	84.173	267	111,447	-
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	2,504,591	-
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	65,025	-
University of South Florida				
Special Education - Grants to States	84.027	none	6,077	-
Total Special Education Cluster			6,770,091	-

(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, June 30, 2011

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:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	203,897	-
Career and Technical Education - Basic Grants to States	84.048	161	211,110	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	627	-
Even Start - State Educational Agencies	84.213	219	154,615	-
Charter Schools	84.282	298	116,830	116,830
English Language Acquisition Grants	84.365	102	37,408	-
Improving Teacher Quality State Grants	84.367	224	1,019,539	-
			<u>1,744,026</u>	<u>116,830</u>
Title I, Part A Cluster:				
Florida Department of Education:		212, 222, 223, 226,		
Title I Grants to Local Educational Agencies	84.010	228	4,100,305	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	1,314,529	-
Total Title I, Part A Cluster			<u>5,414,834</u>	<u>-</u>
Education of Homeless Children & Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	113,169	-
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	27,128	-
Total Education of Homeless Children & Youth Cluster			<u>140,297</u>	<u>-</u>
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	5,111	-
ARRA - Education Technology State Grants, Recovery Act	84.386	121, 122	679,090	-
Total Educational Technology State Grants Cluster			<u>684,201</u>	<u>-</u>
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	591, 592	7,721,390	25,000
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	592	18,329	-
Total State Fiscal Stabilization Fund Cluster			<u>7,739,719</u>	<u>25,000</u>

(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, June 30, 2011

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	392,234	-
Education Jobs Fund:				
Florida Department of Education				
ARRA - Education Jobs Fund	84.410	541	4,754,344	21,253
Total Indirect			27,639,746	163,083
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703	-
Federal Work-Study Program	84.033	N/A	5,142	-
Federal Pell Grant Program	84.063	N/A	329,172	-
Total Student Financial Assistance Cluster			340,017	-
Impact Aid	84.041	N/A	679,589	-
Total Direct			1,019,606	-
Total United States Department of Education			28,659,352	163,083
United States Department of Health and Human Services:				
Direct:				
Head Start Cluster:				
Head Start (Note 3)	93.600	N/A	2,308,677	-
ARRA - Head Start	93.708	N/A	33,227	-
ARRA - Early Head Start	93.709	N/A	9,458	-
Total United States Department of Health and Human Services			2,351,362	-
Corporation for National and Community Services:				
Indirect:				
Florida Department of Education:				
Learn & Serve America - School and Community Based Programs	94.004	234	1,997	-
Total Corporation for National and Community Services:			1,997	-
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 4)	97.036	none	1,654,784	-
Total United States Department of Homeland Security			1,654,784	-
Total Expenditures of Federal Awards			\$ 39,333,789	\$ 163,083

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, June 30, 2011

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2010-2011 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) 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.
- (3) Head Start - Expenditures include \$1,280,955 for grant number/program year 04CH0384/20 and \$1,027,722 for grant number/program year 04CH0384/21.
- (4) Disaster Grants - Public Assistance (Presidentially Declared Disasters). The amount disclosed as expenditures represents hurricane-loss recoveries for the 2010-11 fiscal year as follows: \$2,288,318 for large projects for which the District is required to make an accounting of eligible costs for each approved project; an adjustment of \$(642,838) for small projects reclassified as large projects; and \$9,305 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2012. 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 2011-1, that we consider to be a significant deficiency in internal control over financial reporting.

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 certain other matter that we reported to management of the District in a separate letter dated March 23, 2012.

The District's response and corrective action plan to the findings identified in our audit are listed at pages 68 through 70. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of District management, the School Board, 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 23, 2012

**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, 2011. 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 are applicable to each of its major federal programs for the fiscal year ended June 30, 2011.

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.

This report is intended solely for the information and use of District management, the School Board, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Miramar Beach, Florida
March 23, 2012

Santa Rosa County District School Board Schedule of Findings and Questioned Costs For The Year Ended June 30, June 30, 2011

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, 2011:

- 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), State Fiscal Stabilization Fund Cluster (CFDA 84.394, 84.397), Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392), Title I Cluster (CFDA 84.010, 84.389), Education Grants Technology Cluster (CFDA 84.318, 84.386) and Improving Teacher Quality State Grants (CFDA 84.367).
- The threshold for distinguishing between Types A and B programs was \$1,180,014.
- The Santa Rosa County District School Board was determined not 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, June 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

Finding 2011-1: 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. 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 2010-2011 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:

- In efforts to correct beginning fund balances for audit adjustments made to the 2009-2010 fiscal year financial statements, the District incorrectly reported a transfer transaction.
- District procedures did not properly identify and report construction contracts payable at year-end, resulting in understatement of fixed capital outlay expenditures totaling approximately \$201,000 in the Capital Projects – Local Capital Improvement tax Fund. These reporting errors occurred because the District does not properly accrue for expenditures after the initial preparation of the annual financial report. Additionally, the District did not properly identify and consider certain other year-end accruals, resulting in understatement of Pupil Transportation Services of approximately \$629,000. Reporting errors such as those noted above may cause financial statement users to misunderstand the District's financial activities and to incorrectly assess the District's financial position.

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 implement adequate controls over financial reporting. Similar findings were noted in previous audit reports.

Santa Rosa County District School Board
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended June 30, June 30, 2011

Effect

The District's financial statements could be materially misstated.

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 and completeness 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, June 30, 2011

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, 2011

Finding 2011-1: Financial Reporting

See the District's response and corrective action plan at pages 68 through 70.

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, 2011, and have issued our report thereon dated March 23, 2012.

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 23, 2012, 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 has been included again in the current year schedule of findings and questioned costs: 2011-1.

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 recommendations in the following Appendix A - Current Year Recommendations.

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 115A 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 met the requirement.

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.

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

Miramar Beach, Florida
March 23, 2012

Santa Rosa County District School Board
Appendix A – Current Year Recommendations
For the Year Ended June 30, June 30, 2011

Journal Entries

Accounting personnel prepare journal entries to record certain District transactions. While performing our audit procedures, we noted instances in various areas where some of these entries did not indicate the employee who performed the supervisory review and approval process.

Recommendation: We recommend that management ensure all significant journal entries are subject to some level of supervisory review and that the review process is documented in the appropriate area on the journal entry supporting documentation.

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. While policies and procedures are silent to the required time frame for submission, semi-annual time certifications should be submitted in a timely manner 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 even after multiple requests were made by program managers. Employee certifications document compliance that federally funded personnel are performing duties based on their funded position.

In addition, certain employees are funded by more than one program. These employees are required to complete and submit personal activity reports (PARS). PARS should be submitted within 5 days after the reporting period in accordance with the District's State approved policies. Instances were noted during testing where PARS were not submitted within the required timeframe. Should federal program allocation changes need to be made in the system, adjustments would not be timely made if PARS are not submitted properly.

Recommendation: We recommend that management enforce 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. We recommend that the District reiterate the policies governing personal activity reports and the limited timeframe for submission of PARS within five days after month end for September, January, and May reporting periods.

Cross-train Employees

During the time when our audit procedures were performed, the District employee with primary responsibility for preparation of the annual financial report was unexpectedly out of work for an extended period of time. The remaining finance staff were sometimes unable to locate requested information or answer audit inquiries. Certainly this situation was unusual, but the District should be prepared in the event something similar happens again.

Santa Rosa County District School Board
Appendix A – Current Year Recommendations (Continued)
For the Year Ended June 30, June 30, 2011

Recommendation: We recommend that the District cross-train employees to perform other functions so that every position is appropriately backed-up in the event of an unexpected absence. The District has a procedure manual that employees can follow to prepare and understand the annual financial report, but training and experience with preparation can sometimes be a more valuable exercise. Cross-trained employees will ensure that someone will be able to perform all the tasks required by the District.

Information Technology

Risk Assessment

A risk assessment is a process to determine what information resources exist that require protection, and to understand and document potential risks from IT security failures that may cause loss of information confidentiality, integrity, or availability. The purpose of a risk assessment is to help management create appropriate strategies and controls for stewardship of information assets. All risks to IT systems should be clearly identified and scored by likelihood and exposure. This should be considered when technology is added or changed. Preferably, risks are considered prior to changes in order to provide a complete impact analysis on the overall system. The risk assessment serves as a basis for the IT security policy.

Issue: We noted a formalized IT risk assessment has not been completed.

Recommendation: We recommend the School System complete a formalized IT risk assessment using a recognized authority such as the National Institute of Standards and Technology (NIST 800-30) annually or when a significant change in technology occurs.

Disaster Recovery and Business Continuity

A disaster recovery plan covers both the hardware and software required to run critical business applications and the associated processes to transition smoothly in the event of a natural or human-caused disaster. To plan effectively, a formalized assessment of mission-critical business processes and associated applications should be identified in the risk assessment and a full disaster recovery plan documented and tested.

Issue: A recovery/business continuity plan is in place and virtualizations of systems are in the process of completion; however, the District's recovery/business continuity plan has not been formalized.

Recommendation: We recommend the District continue its process for completing the virtualization of servers and completion of the disaster recovery and business continuity process. Further, disaster recovery and business continuity testing and recovery procedures should be completed at least once annually to ensure data integrity and recovery capability.

Santa Rosa County District School Board
Appendix A – Current Year Recommendations (Continued)
For the Year Ended June 30, June 30, 2011

Physical Security

Physical security primarily involves the inspection of the District's computer center for the controls that should reasonably secure the operations of the computer center from foreseeable and preventable threats from fire, water, electrical problems, and vandalism.

Issue: As part of our inspection, we noted that fire protection in the server room is inadequate.

Recommendation: We recommend the District consider proper fire protection for the server room.

Access to Programs, Data and General Security

The access control environment consists of access control software and information security policies and procedures. A sound security management structure should include a method of classifying and establishing ownership of resources, proper segregation of duties, a security organization and resources, policies regarding access to the computer systems and a security education program. An individual or a group with responsibility for security administration should develop information security policies, perform account administration functions, and establish procedures to monitor and report security violations. We reviewed access controls for District's financial operating systems. We identified issues in access and general security which are detailed below.

Access Issue 1: During the review of the District's banking system application we noted a single user with 2 IDs of which one is an administrator. This could allow initiation and approval of an ACH by a single user. Furthermore, all users with ACH transfer rights limits are set to the MAX amount (\$999,999,999.00). This should be limited to a reasonable amount.

Recommendation: We recommend no user have more than one sign on account and the duplicate account be removed from the system. The limits should be evaluated and updated to properly reflect usage.

Access Issue 2: User access should be periodically evaluated by management to ensure all access is appropriate for job roles. We evaluated user access to determine all application access is properly reviewed under a "least privilege required" basis. It was noted that a regular review of user access for applications and networks is not documented.

Recommendation: We recommend user access to applications be conducted on a regular basis with proper approvals documented.

Access Issue 3: We noted the system password length for TERMS and Active Directory (AD) is not aligned with the District Password Policy which states "passwords should be at least eight characters long". The password length is not currently set in TERMS and AD to meet this requirement.

Recommendation: Password properties should be aligned with the District's password policy.

Santa Rosa County District School Board
Appendix A – Current Year Recommendations (Continued)
For the Year Ended June 30, June 30, 2011

Program Changes and System Development

Program change and system development consists of making changes to existing applications and systems and the creation of applications. Administrators and programmers should follow change procedures to ensure that changes are authorized, made according to specifications, properly tested, and thoroughly documented. When possible, application administrators and programmers should be restricted to a test environment to ensure that all changes to production resources are tested and approved before publishing the changes to production. Changes to application system production programs should be logged and monitored by management. System development should consist of a well-defined system development life cycle (SDLC). We identified issues in program changes and system development which are detailed below.

Issue: A well-defined system development life cycle (SDLC) process is not in place. A well-defined SDLC process provides a method of managing unique project efforts, which increases the odds of attaining cost, schedule and quality goals. There is no formalized SDLC process in place.

Recommendation: The District should consider implementing a formalized SDLC process such as COBIT (Control Objectives for Information and Related Technology) which includes proper segregation of programmers from development and production where possible.



Timothy S. Wyrosdick
Superintendent of Schools

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March 23, 2012

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, 2011. As a matter of organization and clarification, the responses can be referenced using the headings as submitted from your office.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Reporting

Response:

- The financial statements will be reviewed by additional personnel. Changes will be made in the posting of audit adjustments to try and meet both the auditor requirements and the state requirements. Recommendations suggested by the audit team will be evaluated and incorporated systemically as appropriate.
- The expenditures reported for Pupil Transportation Services will be verified with the director to make sure all twelve invoices have been included in the total.

The June Visa receipts for construction contracts will be sent to the Finance department so that all payables can be included. The June invoices that are received in July and August will be flagged when sent to Finance so that they can be included as construction contract payables.

APPENDIX A – CURRENT YEAR RECOMMENDATIONS

Journal Entries

Response: Journal entries will continue to be reviewed by accounting staff but the significant journal entries will be reviewed and initialed by a supervisor.

Employee Time Certifications and Personal Activity Reports

Response: The Federal Programs and Finance Staff have reviewed the current *Time Distribution Certifications for Personnel Hired through Federal Programs Procedures* and have taken the following steps:

- To ensure compliance regarding the timely submission of Personnel Activity Report (PAR) forms and Time Distribution Certification (TDC) forms, revisions have been made to the district procedures, clearly delineating the recommended timelines for TDC forms (30 days) and PAR forms (5 days after the end of the reporting period).
- Revisions have also been made to the TDC instructions included with the TDC Forms for teachers and principals.
- An additional procedure has been added for Finance Staff to monitor and notify school principals who have not submitted signed TDCs by the deadline.
- The Federal Program staff will provide an annual copy of the PAR procedures.
- A self-audit will be completed prior to each reporting period.

Federal Programs staff will monitor the timely submission of PAR forms and notify any staff for whom the required documentation has not been received by the deadline.

Cross-train Employees

Response: The Accounting Supervisor will cross-train an accountant on the preparation of the annual financial report. The Assistant Superintendent for Finance and the Accounting Supervisor will assist in training of staff.

Information Technology

Risk Assessment

Response: Our attempt to identify a company that can provide this service has been difficult. We have located some companies that could do small parts of the assessment; however, we are in the process of searching for a single company that can do a complete analysis.

Disaster Recovery and Business Continuity

Response: Virtualization of servers is an ongoing process. The decision to virtualize a server is addressed as the need arises or new services are required.

The disaster recovery site at Sims Middle School is fully operational for essential services should the need arise. We will implement a policy for documenting Disaster Recovery site testing.

Physical Security

Response: Manually operated fire extinguishers are available at each entrance to the server room. We are investigating the possibility of adding a professional fire suppression system.

Access to Programs, Data and General Security

Access Issue 1

Response: The Automated Clearing House (ACH) transfer rights limits have been reduced and are not at the maximum. The user with two identifications (ID) has been changed to having only one ID and sign-on.

Access Issue 2

Response: Review of user access to applications is conducted annually. We will implement a policy to document the date of such reviews and the results from the review.

- **Access Issue 3**

Response: Mainframe security access rules have been in place for several years using the strongest possible policies available for Access Control Facility, Version 2 based systems.

Strong Active Directory password policies have been in place from the initial use of Active Directory.

Program Changes and System Development

Response: This type of control has been discussed for possible implementation, but has been deemed impractical for our district due to the limitations of staff, funding and space.

Sincerely,



Timothy S. Wyrosdick
Superintendent of Schools

/chm

