CRI CARR RIGGS & INGRAM
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March 23, 2015

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

We are pleased to present the results of our audit of the 2014 financial statements of the Santa Rosa County District School Board, (the "District").

This report to the School Board and Superintendent of Schools summarizes our audit, the report issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the District's 2014 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of District personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the School Board, Superintendent of Schools, and others within the District, and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 850-837-3141 or ajowers@cricpa.com.

Very truly yours,

K. Alan Jowers, CPA
Partner

As discussed with the Santa Rosa County District School Board and Superintendent of Schools during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the School Board, 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, in order to express an opinion on the District's financial statements for the year ended June 30, 2014;

- Audit the District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014.

- Communicate directly with the School Board and Superintendent of Schools regarding the results of our procedures;

- Address with the School Board and Superintendent of Schools any accounting and financial reporting issues;

- Anticipate and respond to concerns of the School Board and Superintendent of Schools; and

- Other audit-related projects as they arise and upon request.

We have audited the financial statements of Santa Rosa County District School Board for the year ended June 30, 2014, and have issued our report thereon dated March 23, 2015. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards and *Governmental Auditing Standards*	See our engagement letter dated September 15, 2014.
Client's responsibility	See our engagement letter dated September 15, 2014.
Planned scope and timing of the audit	See our engagement letter dated September 15, 2014.
Significant accounting policies, sensitive estimates, and significant disclosures	Please see page 4 titled "Accounting Policies, Sensitive Estimates and Significant Disclosures."
Significant difficulties encountered in the audit	None.
Disagreements with management	None.
Other findings or issues	See item 2014-001 on the Schedule of Findings and Questioned Costs at page 62 of the District's audit report. The comment is regarding an instance of noncompliance with requirements relating to Pell Grant draws.
Corrected and uncorrected misstatements	Please see page 5 titled "Summary of Audit Adjustments."
Matters arising from the audit that were discussed with, or the subject of correspondence with, management	None.
Consultations with other accountants	None of which we are aware.
Written representations	We have requested certain representations from management that are included in the management representation letter dated March 23, 2015.

Account Policies, Sensitive Estimates and Significant Disclosures

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. In addition, certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The following table identifies the sensitive estimates and significant disclosures.

MATTER TO BE COMMUNICATED	SENSITIVE ESTIMATE OR DISCLOSURE
Details and changes in the District's debt instruments (Notes 5-8)	Significant disclosures
Other Postemployment Benefits Payable (Note 14)	Sensitive estimate
Risk Management Programs (Note 16)	Sensitive estimate
Litigation (Note 17)	Significant disclosure

During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under generally accepted accounting principles (GAAP). Those adjustments are either recorded (corrected) by the District or passed (uncorrected).

In connection with our audit, we did not identify any material adjustments.

Management has determined and we agree that the effect of the following uncorrected misstatements is immaterial to the financial statements taken as a whole:

- An immaterial $18,359 adjustment to record construction contracts payable and maintenance expenditures as of June 30, 2014.

- An immaterial $111,978 adjustment to correct an irreconcilable difference between the District's financial statements and applicable subsidiary ledgers.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.

- Whether the difference masks a change in earnings or other trends.

- Whether the difference changes a net decrease in assets to addition, or vice versa.

- Whether the difference concerns an area of the District's operating environment that has been identified as playing a significant role in the District's operations or viability.

- Whether the difference affects compliance with regulatory requirements.

- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.

- Whether the difference involves concealment of an unlawful transaction.

Santa Rosa County
District School Board

FINANCIAL STATEMENTS

June 30, 2014

Santa Rosa County District School Board
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June 30, 2014

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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

Report on the Financial Statements

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 "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Learning Academy, Inc. or Capstone Academy, LLC, as described in Note 1 to the financial statements, which represent 0.20% of the total assets of the District. 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 Learning Academy, Inc. or Capstone Academy, LLC, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Santa Rosa County District School Board as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 23, 2015

Management’s Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Santa Rosa County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2014. 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 found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- As of June 30, 2014, assets exceed liabilities by $240,394,507. In total, net position increased by $3,560,767, which represents a 1.50 percent increase from 2012-13 fiscal year.

- General revenues total $209,401,845, or 93.38 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $14,841,323, or 6.62 percent of all revenues.

- Expenses total $220,682,401. Only $14,841,323 of these expenses were offset by program specific charges, with the remaining paid from general revenues.

- At the end of the current fiscal year, the fund balance of the General Fund totals $17,817,097, which is $2,698,919 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances was $12,782,597, or approximately 7.21 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented

on the accrual basis of accounting. The statement of net position provides information about the District's financial position, and its assets and liabilities using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. 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 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. The Learning Academy, Inc., and Capstone Academy, LLC, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term

inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, the Special Revenue – Federal 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 – Federal Economic Stimulus Fund 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 required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indication of government's financial health. The following is a summary of the District's net position as of June 30, 2014, as compared to June 30, 2013:

Net Position, End of Year

	Governmental Activities		
	06/30/14	06/30/13	Increase (Decrease)
Current and Other Assets	$ 44,885,327	$ 44,020,552	$ 864,775
Other Assets	267,320,373	265,283,217	2,037,156
Total Assets	312,205,700	309,303,769	2,901,931
Long-term Liabilities	66,232,153	67,675,172	(1,443,019)
Other Liabilities	5,579,040	4,794,857	784,183
Total Liabilities	71,811,193	72,470,029	(658,836)
Net Position:			
Net Investment in Capital Assets	225,856,510	223,166,213	2,690,297
Restricted	22,361,730	21,718,594	643,136
Unrestricted Deficit	(7,823,733)	(8,051,067)	227,334
Total Net Postion	$ 240,394,507	$ 236,833,740	$ 3,560,767

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

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

They key elements of the changes in the District's net position for the fiscal year ended June 30, 2014, as compared to June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		
	06/30/14	06/30/13	Increase (Decrease)
Program Revenues:			
Charges for Services	$ 6,959,780	$ 6,867,891	$ 91,889
Operating Grants and Contributions	6,942,851	6,280,455	662,396
Capital Grants and Contributions	938,692	946,651	(7,959)
General Revenues:			
Property Taxes Levied for Operational Purposes	54,384,806	49,682,104	4,702,702
Property Taxes Levied for Capital Projects	12,019,708	11,084,435	935,273
Local Sales Taxes	7,264,333	6,870,007	394,326
Grants and Contributions Not Restricted to Specific Purposes	132,262,028	125,052,914	7,209,114
Unrestricted Investment Earnings	180,529	231,495	(50,966)
Miscellaneous	3,290,441	2,594,685	695,756
Total Revenues	224,243,168	209,610,637	14,632,531
Functions/Program Expenses:			
Instruction	$ 118,632,601	111,710,705	6,921,896
Pupil Personnel Services	9,680,193	9,192,655	487,538
Instructional Media Services	2,333,661	2,456,306	(122,645)
Instruction and Curriculum Development Services	5,873,834	5,851,983	21,851
Instructional Staff Training	1,929,889	2,311,538	(381,649)
Instruction Related Technology	4,830,016	4,382,608	447,408
School Board	516,038	486,844	29,194
General Administration	1,268,383	1,094,374	174,009
School Administration	12,791,717	12,326,692	465,025
Facilities Acquisition and Construction	944,817	1,357,618	(412,801)
Fiscal Services	1,102,768	1,112,208	(9,440)
Food Services	11,327,062	11,255,482	71,580
Central Services	2,529,109	2,536,704	(7,595)
Pupil Transportation Services	12,411,052	12,533,415	(122,363)
Operation of Plant	12,341,728	12,601,240	(259,512)
Maintenance of Plant	8,322,829	7,390,923	931,906
Administrative Technology Services	1,680,730	1,665,019	15,711
Community Services	2,274,229	2,382,598	(108,369)
Interest on Long-term Debt	2,209,625	2,231,393	(21,768)
Unallocated Depreciation Expense	7,682,120	7,277,080	405,040
Total Functions/Program Expenses	220,682,401	212,157,385	8,525,016
Change in Net Position	3,560,767	(2,546,748)	6,107,515
Net Position - Beginning	236,833,740	239,380,488	(2,546,748)
Net Position - Ending	$ 240,394,507	$ 236,833,740	$ 3,560,767

Grants and contributions not restricted to specific programs represent 58.98 percent of total governmental revenues in the 2013-14 fiscal year. Grants and contributions not restricted to specific programs increased by $7,209,114 or 5.76 percent, primarily due to increases in Florida Education Finance Program (FEFP) funds. The FEFP formula utilizes 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.

Instruction expenses represent 53.76 percent of total governmental expenditures for the 2013-14 fiscal year.

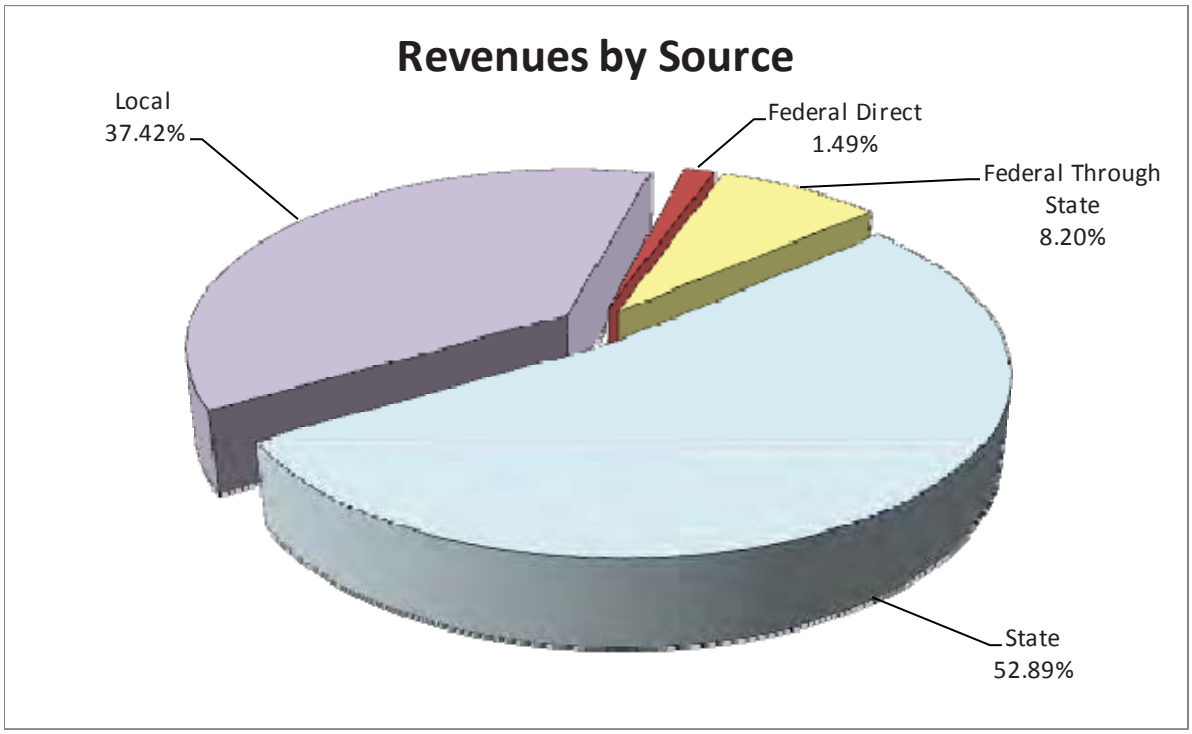
Instructional expenditures increased $6,921,896, or 6.20 percent, primarily due to an increase in salary expenses, additional purchases of instructional materials, an increase in dual enrollment costs, and an increase in other purchased services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes. The total fund balances of governmental funds increased by $80,592 during the fiscal year to $39,306,287 at June 30, 2014. Approximately 29 percent of this amount is unassigned fund balance ($11,344,612), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that is it 1) not in spendable form ($299,787), 2) restricted for particular purposes ($23,676,974), 3) committed for particular purposes ($2,546,929), or 4) assigned for particular purposes ($1,437,985).

In the governmental funds, revenues by source for the 2013-14 fiscal year were as follows:



The largest revenue source is the State of Florida (52.89 percent). Revenue from State sources for current operations are primarily received through the FEFP funding formula. Other State Revenues primarily fund specific projects. State revenues increased by $9,625,823, or 8.85 percent, primarily due to increase in FEFP funding.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $11,344,612, while the total fund balance is $17,817,097. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to General Fund total revenues. The total assigned and unassigned fund balance represents 7.21 percent of total General Fund revenues, while total fund balance represents approximately 10.05 percent of total General Fund revenues.

Total General Fund balance increased by $2,698,919. Key factors impacting the change in fund balance are as follows:

- Increases in current year property tax collections.
- Collection of ad valorem taxes resulting from the settlement of a suit established thirteen years ago relative to beach taxes.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of $697,185 each. The funding was primarily used for technology related expenses. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $6,518,036, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by $1,848,392, or 39.58 percent, during the 2013-14 fiscal year, primarily due to increases in tax collections and decreases in expenditures. It should be noted that $745,842 of fund balance has been encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of $10,456,829, of which $9,672,063 is restricted for financial resources generated by various capital funding sources. The fund balance decreased by $4,881,828, or 31.83 percent, during the 2013-14 fiscal year, primarily due to increases in expenditures. It should be noted that $2,641,313 of fund balance has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times; however, final budgeted revenues and expenditures were in line with original budgeted amounts.

Actual revenues are in line with final budgeted amounts, while actual expenditures are $8,099,554 less than final budgeted amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $10,945,837. Along with the decrease in expenditures, the District received $2.9 million of tax revenue that came in after year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to $267,320,373 (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.

Major capital asset events included the following:

- During the current fiscal year, the District completed multiple projects, including classroom additions, cafeteria expansions, athletic field houses, and press box renovations.

- At June 30, 2014, construction in progress includes additions, kitchen expansions / renovations, and chiller plant / HVAC renovations.

Additional information on the District's capital assets can be found in Note 1 and 4 to the financial statements.

Long-Term Debt

At June 30, 2014, the District has total long-term debt outstanding of $42,967,734, comprised of $4,485,350 of bonds payable and $38,482,384 of certificates of participation payable. During the 2013-14 fiscal year, retirement of debt totaled $3,012,374.

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

OTHER MATTERS OF SIGNIFICANCE

The District started offering self-funding health insurance beginning January 1, 2015. This move to self-insurance will potentially save the District over $600,000 and allow the District to keep health insurance plans and premiums more stable.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional 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 web at http://www.santarosa.k12.fl.us/finance.

Basic Financial Statements

June 30,	2014	
	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 39,094,216	$ 184,565
Investments	354,943	-
Taxes receivable	26,069	-
Accounts receivable	83,021	40,356
Due from other agencies	5,064,621	5,897
Inventories	262,457	-
Prepaid items	-	10,121
Capital assets, net	267,320,373	373,785
Total assets	$ 312,205,700	$ 614,724
Liabilities and Net Position		
Salaries and wages payable	$ 3,280,445	$ 7,200
Accounts payable and accrued expenses	1,533,741	7,931
Construction contracts retainage payable	457,938	-
Deposits payable	116,354	-
Due to other agencies	2,810	26,955
Deferred revenues	-	60,022
Estimated insurance claims payable	187,752	-
Long-term liabilities:		
Portion due within one year	8,160,755	17,591
Portion due after one year	58,071,398	-
Total liabilities	71,811,193	119,699
Net Position		
Net investment in capital assets	225,856,510	235,962
Restricted for:		
State categorical programs	3,161,176	-
Food service	2,004,146	-
Capital projects	16,046,929	-
Debt service	1,149,479	-
Other projects	-	2,475
Unrestricted	(7,823,733)	256,588
Total net position	240,394,507	495,025
Total liabilities and net position	$ 312,205,700	$ 614,724

The accompanying footnotes are an integral part of these financial statements.

	2014					
					Net (Expense) Revenue and Changes in Net Position	
		Program Revenue			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
	$ 118,632,601	$ 2,287,592	$ -	$ -	$ (116,345,009)	$ -
	9,680,193	-	-	-	(9,680,193)	-
es	2,333,661	-	-	-	(2,333,661)	-
n development	5,873,834	-	-	-	(5,873,834)	-
g	1,929,889	-	-	-	(1,929,889)	-
ology	4,830,016	-	-	-	(4,830,016)	-
	516,038	-	-	-	(516,038)	-
	1,268,383	-	-	-	(1,268,383)	-
	12,791,717	-	-	-	(12,791,717)	-
construction	944,817	-	-	938,692	(6,125)	-
	1,102,768	-	-	-	(1,102,768)	-
	11,327,062	4,461,776	6,942,851	-	77,565	-
	2,529,109	-	-	-	(2,529,109)	-
ces	12,411,052	210,412	-	-	(12,200,640)	-
	12,341,728	-	-	-	(12,341,728)	-
	8,322,829	-	-	-	(8,322,829)	-
y services	1,680,730	-	-	-	(1,680,730)	-
	2,274,229	-	-	-	(2,274,229)	-
t	2,209,625	-	-	-	(2,209,625)	-
/amortization						
	7,682,120	-	-	-	(7,682,120)	-
ivities	$ 220,682,401	$ 6,959,780	$ 6,942,851	$ 938,692	(205,841,078)	-
	$ 1,452,375	$ 15,101	$ -	$ 54,749	-	(1,382,525)
units	$ 1,452,375	$ 15,101	$ -	$ 54,749	-	(1,382,525)

The accompanying footnotes are an integral part of these financial statements.

	2014	
General revenues:		
Taxes:		
Property taxes, levied for general purposes	54,384,806	-
Property taxes, levied for capital purposes	12,019,708	-
Local sales tax	7,264,333	-
Grants and contributions not restricted to specific programs	132,262,028	1,470,605
Investment earnings	180,529	-
Miscellaneous	3,290,441	38,679
Total general revenues	209,401,845	1,509,284
Change in net position	3,560,767	126,759
Net position - beginning	236,833,740	368,266
Net position - ending	$ 240,394,507	$ 495,025

The accompanying footnotes are an integral part of these financial statements.

June 30,		2014	
	General Fund	ARRA Economic Stimulus Funds	Capital Projects - Local Capital Improvement Tax Fund
Assets			
Cash and cash equivalents	$ 18,225,662	$ (21,274)	$ 6,151,884
Investments	10,193	-	-
Taxes receivable, net	21,310	-	4,759
Accounts receivable, net	83,021	-	-
Due from other agencies	3,073,623	24,528	645,649
Inventory	100,968	-	-
Total assets	$ 21,514,777	$ 3,254	$ 6,802,292
Liabilities and fund balances			
Liabilities:			
Salaries and wages payable	$ 3,029,538	$ 3,254	$ -
Accounts payable	477,750	-	279,463
Construction contracts payable - retainage	-	-	4,793
Deposits payable	-	-	-
Insurance claims payable	187,752	-	-
Due to other agencies	2,640	-	-
Total liabilities	3,697,680	3,254	284,256
Fund balances:			
Nonspendable:			
Inventory	100,968	-	-
Fund B investments	10,193	-	-
Restricted for:			
State required carryover programs	3,161,176	-	-
Debt service	-	-	-
Capital projects	-	-	6,518,036
Food service	-	-	-
Committed to:			
Contractual agreements	-	-	-
Board approved carryover	1,600,132	-	-
School based budgets	162,031	-	-
Assigned to:			
Office and fee based budgets	1,437,985	-	-
Unassigned	11,344,612	-	-
Total fund balances	17,817,097	-	6,518,036
Total liabilities and fund balances	$ 21,514,777	$ 3,254	$ 6,802,292

The accompanying footnotes are an integral part of these financial statements.

Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 11,059,584	$ 3,678,360	$ 39,094,216
-	344,750	354,943
-	-	26,069
-	-	83,021
583,883	736,938	5,064,621
-	161,489	262,457
$ 11,643,467	$ 4,921,537	$ 44,885,327
$ -	$ 247,653	$ 3,280,445
733,493	43,035	1,533,741
453,145	-	457,938
-	116,354	116,354
-	-	187,752
-	170	2,810
1,186,638	407,212	5,579,040
-	161,489	262,457
-	27,137	37,330
-	-	3,161,176
-	2,375,659	2,375,659
9,672,063	107,383	16,297,482
-	1,842,657	1,842,657
784,766	-	784,766
-	-	1,600,132
-	-	162,031
-	-	1,437,985
-	-	11,344,612
10,456,829	4,514,325	39,306,287
$ 11,643,467	$ 4,921,537	$ 44,885,327

The accompanying footnotes are an integral part of these financial statements.

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

June 30,		**2014**
Total fund balances, governmental funds	$	39,306,287
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.		267,320,373
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(66,232,153)
Total net position - governmental activities	$	240,394,507

The accompanying footnotes are an integral part of these financial statements.

	2014					
	General Fund	ARRA Economic Stimulus Funds	Capital Projects - Local Capital Improvement Tax Fund	Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
	$ 581,403	$ -	$ -	$ -	$ 2,751,376	$ 3,332,779
	614,463	697,185	-	-	17,139,422	18,451,070
	116,940,119	-	-	136,205	1,259,596	118,335,920
	59,235,884	-	12,041,062	7,823,233	4,624,013	83,724,192
	177,371,869	697,185	12,041,062	7,959,438	25,774,407	223,843,961
	111,147,792	118,442	-	-	6,077,612	117,343,846
	7,598,892	-	-	-	2,005,548	9,604,440
s	2,329,083	-	-	-	10,727	2,339,810
m development services	2,909,800	192,703	-	-	2,745,096	5,847,599
services	719,592	266,146	-	-	928,788	1,914,526
ogy	4,063,310	-	-	-	120,297	4,183,607
	515,723	-	-	-	-	515,723
	657,778	28,179	-	-	564,694	1,250,651
	12,518,202	-	-	-	185,852	12,704,054
onstruction	17,030	-	532,359	-	-	549,389
	1,096,571	-	-	-	-	1,096,571
	-	-	-	-	11,217,545	11,217,545
	2,337,076	76,049	-	-	14,990	2,428,115
vices	12,412,917	-	-	-	11,825	12,424,742
	12,273,347	3,290	-	-	41,821	12,318,458
	3,774,631	-	196,471	2,083,236	89,965	6,144,303
services	1,599,108	-	-	-	-	1,599,108
	1,687,319	-	-	-	596,068	2,283,387

The accompanying footnotes are an integral part of these financial statements.

of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)

onstruction	45,737	-	2,263,090	9,742,131	50,028	12,100,986
	953,652	12,376	69,393	288,215	119,154	1,442,790
	-	-	-	-	2,590,000	2,590,000
	-	-	-	-	2,099,459	2,099,459
	-	-	-	-	22,403	22,403
	178,657,560	697,185	3,061,313	12,113,582	29,491,872	224,021,512
over expenditures	(1,285,691)	-	8,979,749	(4,154,144)	(3,717,465)	(177,551)
	-	-	-	-	319,000	319,000
	30,844	-	-	-	-	30,844
s	-	-	-	-	50,071	50,071
escrow agent	-	-	-	-	(141,772)	(141,772)
	4,292,491	-	-	-	3,905,275	8,197,766
	(338,725)	-	(7,131,357)	(727,684)	-	(8,197,766)
nd (uses)	3,984,610	-	(7,131,357)	(727,684)	4,132,574	258,143
	2,698,919	-	1,848,392	(4,881,828)	415,109	80,592
	15,118,178	-	4,669,644	15,338,657	4,099,216	39,225,695
	$ 17,817,097	$ -	$ 6,518,036	$ 10,456,829	$ 4,514,325	$ 39,306,287

The accompanying footnotes are an integral part of these 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

Year ended June 30,		**2014**
Net change in fund balances - total governmental funds:	$	80,592
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount of capital outlay in excess of depreciation expense in the current period.		2,081,237
Donated capital assets, capital assets purchased with school internal funds, assets purchased with proceeds from insurance, all decrease net assets in the Statement of Activities, but do not provide current financial resources and, therefore, are not reported in the govermental funds statements.		(44,081)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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 Position. This is the amount by which the debt repayments exceeded the proceeds in the current period.		2,631,000
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.		(787,837)
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). This is the amount which other post employment benefits decreased.		(412,447)
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.		12,303
Change in net position of governmental activities	$	3,560,767

The accompanying footnotes are an integral part of these financial statements.

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

June 30,		**2014**
		Agency Funds
Assets		
Cash and cash equivalents	$	3,341,359
Investments		20,000
Total assets	$	3,361,359
Liabilities		
Payroll deductions and withholdings	$	126,276
Accounts payable		265,139
Due to other funds		83,021
Internal accounts payable		2,886,923
Total liabilities	$	3,361,359

The accompanying footnotes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from certain legally separated component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Santa Rosa County School District's ("District") 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.

Reporting Entity

The Santa Rosa County District School Board ("Board") has direct responsibility for operation, control and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the 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 legally separate 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. Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Unit – A blended component unit is, in substance, part of the primary District operations even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as a fund of the District. The Santa Rosa School Board Leasing Corporation ("Leasing 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units - The component units columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The Learning Academy, Inc. and Capstone Academy, LLC, ("charter schools") are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by their sponsor, the Santa Rosa County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2014. The audit reports are filed in the District's administrative offices.

Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Basis of Presentation: Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).

- 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 on certificates of participation.

- Capital Projects – Other – to account for the 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.

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.

During the course of operations, the District has activity between funds for various purposes. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Cash Equivalents

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of June 30, 2014, the special revenue funds cash accounts reflect a negative cash balance that represents timing differences between expenditures and the receipt of the reimbursement from the cash drawdown request. As the cash is part of pooled accounts, no cash account is overdrawn per bank records at June 30, 2014.

Investments

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 Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, 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 1.84438408 at June 30, 2014. 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.

Investments made locally consist of certificates of deposit which are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000, except for buildings and improvements other than buildings which are defined as assets 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 cost of construction.

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

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

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

Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt. Bonds and certificates of participation payable are reported net of the applicable premiums or discounts.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation. In July 2013, the Board gave its approval to commit certain project balances during the budget process.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

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 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.

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

District Property Taxes

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Board adopted the 2013 tax levy on September 12, 2013. 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 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.

Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that 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 for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance on average daily balances.

NOTE 3 – INVESTMENTS

Investments at June 30, 2014, are shown below:

Investment	Maturities		Fair Value
State Board of Administration:			
Florida PRIME (1)(2)	40 day average	$	1,885,342
Fund B Surplus Funds Trust Fund (Fund B)(2)	2.86 Year Avg		37,331
Debt Service Accounts	6 Months		317,613
Certificate of deposit (1)	August 23, 2013		20,000
Total investments, primary government		$	2,260,286

Notes:

1) These investments are reported as cash and cash equivalents for financial statement reporting purposes.
2) Pursuant to the trust agreements, the trustee for the District's Certificates of Participation, Series 2006, and 2009 holds all or part of these investments in trust accounts as follows: Florida PRIME $914,790 and Fund B $27,127.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy states that the highest priority shall be given to the safety and liquidity of funds. The policy limits the types of authorized investments as a means of managing the exposure to fair value losses from increasing interest rates.

NOTE 3 – INVESTMENTS (CONTINUED)

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. 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. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

Credit Risk

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

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

As of June 30, 2014, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

The District's investment in a certificate of deposit is in a qualified public depository as required by Chapter 280, Florida Statutes.

NOTE 4 – CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2014 are shown below:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 7,317,360	$ -	$ -	$ 7,317,360
Land improvements	4,361,890	242,858	-	4,604,748
Construction in progress	3,103,686	8,438,801	(3,475,921)	8,066,566
Total capital assets not being depreciated	14,782,936	8,681,659	(3,475,921)	19,988,674
Capital assets being depreciated:				
Improvements other than building	24,406,578	565,117	-	24,971,695
Buildings and fixed equipment	337,707,138	6,720,946	(1,153,564)	343,274,520
Furniture, fixtures and equipment	16,596,143	1,141,805	(1,247,942)	16,490,006
Motor vehicles	3,774,157	123,885	(234,738)	3,663,304
Audio-visual materials and computer software	5,414,000	463,417	(509,558)	5,367,859
Total capital assets being depreciated	387,898,016	9,015,170	(3,145,802)	393,767,384
Less accumulated depreciation for:				
Improvements other than building	13,888,070	909,072	(4,281)	14,792,861
Buildings and fixed equipment	105,681,592	8,146,462	(111,314)	113,716,740
Furniture, fixtures and equipment	9,769,404	1,555,387	(1,153,456)	10,171,335
Motor vehicles	3,326,430	119,142	(178,614)	3,266,958
Audio-visual materials and computer software	4,732,239	261,800	(506,248)	4,487,791
Total accumulated depreciation	137,397,735	10,991,863	(1,953,913)	146,435,685
Total capital assets being depreciated, net	250,500,281	(1,976,693)	(1,191,889)	247,331,699
Governmental activities - capital assets, net	$265,283,217	$6,704,966	$(4,667,810)	$267,320,373

NOTE 4 – CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Function	Amount
Instruction	$ 272,616
Pupil personnel services	14,871
Instructional media services	14,331
Instruction and curriculum development	18,850
Instructional staff training	34,262
Instruction related technology	629,074
General administration	2,001
School administration	5,016
Fiscal services	3,768
Food services	98,004
Central services	24,200
Pupil transportation services	4,057
Operation of plant	12,533
Maintenance of plant	2,086,685
Administrative technology services	72,355
Community services	17,120
Unallocated	7,682,120
	$ 10,991,863

NOTE 5 – CERTIFICATES OF PARTICIPATION

The District has entered into financing arrangements with the 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, 2014:

Series	Original Amount	Principal Paid to Date	Balance
2006-1	$ 12,370,000	$ 3,325,000	$ 9,045,000
2006-2	18,870,000	-	18,870,000
2009	12,585,000	2,655,000	9,930,000
			$ 37,845,000

NOTE 5 – CERTIFICATES OF PARTICIPATION (CONTINUED)

As a condition of the financing arrangement, the District has given ground leases on District property to the Leasing Corporation.

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 2006 (as amended):

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

Series 2009

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

NOTE 5 – CERTIFICATES OF PARTICIPATION (CONTINUED)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	$ 1,865,000	$ 1,777,303	$ 3,642,303
2016	1,950,000	1,697,357	3,647,357
2017	2,035,000	1,614,583	3,649,583
2018	2,110,000	1,526,534	3,636,534
2019	2,200,000	1,436,083	3,636,083
2020-2024	12,435,000	5,669,290	18,104,290
2025-2029	10,675,000	2,806,505	13,481,505
2030-2031	4,575,000	363,300	4,938,300
Total mimimum lease payments	37,845,000	16,890,955	54,735,955
Plus: unamortized premium	637,384	-	637,384
Total certificates of participation	$ 38,482,384	$ 16,890,955	$ 55,373,339

NOTE 6 – BONDS PAYABLE

Bonds payable at June 30, 2014, are as follows:

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2005A	5.0	2017	$ 1,210,000
Series 2005B, Refunding	5.0	2018	455,000
Series 2006A	4.0 - 4.625	2026	220,000
Series 2009A, Refunding	4.0 - 5.0	2019	240,000
Series 2010A	3.5 - 5.0	2030	1,000,000
Series 2011A, Refunding	3.0 - 5.0	2023	335,000
Series 2014A, Refunding	2.0 - 5.0	2025	319,000
District Revenue Bonds:			
Racetrack, Series 1996	5.8	2016	540,000
Bonds payable			4,319,000
Plus: unamortized premium			166,350
Total bonds payable			$ 4,485,350

NOTE 6 – BONDS PAYABLE (CONTINUED)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
State School Bonds:			
2015	$ 620,000	$ 174,349	$ 794,349
2016	655,000	146,125	801,125
2017	677,000	113,963	790,963
2018	287,000	80,495	367,495
2019	174,000	66,258	240,258
2020-2024	762,000	219,831	981,831
2025-2029	504,000	76,376	580,376
2030	100,000	4,000	104,000
Total State School Bonds	3,779,000	881,397	4,660,397
District Revenue Bonds:			
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	540,000	48,140	588,140
Total	$ 4,319,000	$ 929,537	$ 5,248,537

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

These 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 bond

NOTE 6 – BONDS PAYABLE (CONTINUED)

resolution, the District established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of $784,100 of pari-mutuel tax revenues in connection with the revenue bonds. During the 2013-2014 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $196,710 (88%) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on August 1, 2016. Assuming no growth rate in the collection of pari-mutuel funds, 100% of this revenue stream has been pledged in connection with debt service on the revenue bonds.

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014	Due in One Year
Certificates of participation payable	$ 39,640,000	$ -	$(1,795,000)	$ 37,845,000	$1,865,000
Unamortized premium	686,749	-	(49,365)	637,384	49,365
Total certificates of participation payable	40,326,749	-	(1,844,365)	38,482,384	1,914,365
Bonds payable	5,155,000	319,000	(1,155,000)	4,319,000	790,000
Unamortized premium	129,288	50,071	(13,009)	166,350	7,208
Total bonds payable	5,284,288	369,071	(1,168,009)	4,485,350	797,208
Compensated absences payable	18,717,462	6,509,045	(5,721,208)	19,505,299	5,449,182
Other post employment benefits payable	3,346,673	1,049,404	(636,957)	3,759,120	-
Total	$ 67,675,172	$7,927,520	$(9,370,539)	$ 66,232,153	$8,160,755

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

NOTE 8 – DEFEASED DEBT

During the current fiscal year, the Florida Department of Education issued Capital Outlay Bonds, Series 2014A, dated May 22, 2014, with interest rates ranging from 2 to 5 percent to refund certain callable portions of the SBE Capital Outlay Bonds, Series 2004A and Series 2005A.

NOTE 9 – INTERFUND TRANSFERS

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major funds:		
General	$ 4,292,491	$ 338,725
Capital projects:		
Local capital improvement tax	-	7,131,357
Other capital projects	-	727,684
Nonmajor governmental funds	3,905,275	-
TOTAL	$ 8,197,766	$ 8,197,766

The District made transfers to the General Fund to cover payments on the student transportation contract, pay for certain property and casualty insurance premiums, cover payments for computer upgrades and Computer on Wheels, to facilitate the transfer of State funds to its charter school, to pay for network infrastructure, and to pay contractual payments for tennis courts usage. The District made transfers to the nonmajor governmental funds to facilitate debt service payments on certificates of participation, payments of school recognition bonuses to food service personnel, and to cover the District's portion of Reserve Officer Training Corps.

NOTE 10 – FUND BALANCE REPORTING

In addition to committed and assigned fund balance categories discussed in the Fund Balance Policies note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance** – Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

NOTE 10 – FUND BALANCE REPORTING (CONTINUED)

- **Restricted Fund Balance** – Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.

- **Unassigned Fund Balance** – The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

NOTE 11 – SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2013-2014 fiscal year:

Sources	Amount
Florida education finance program	$ 86,599,795
Class size reduction categorical	26,689,360
School recognition	1,463,055
Workforce development	1,417,807
Motor vehicles license tax (capital outlay and debt service)	938,692
Voluntary prekindergarten program	254,475
Discretionary lottery funds	239,570
Racing commission funds (debt service)	223,250
Food service supplement	111,674
Charter school capital outlay	61,007
Mobile home license tax	26,691
Miscellaneous	310,544
Total	$ 118,335,920

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

NOTE 12 – PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-2014 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required local effort	5.600	$ 46,163,708
Basic discretionary local effort	0.748	6,166,152
Capital Projects Funds		
Nonvoted Tax:		
Local capital improvements	1.400	11,540,927
Total	7.748	$ 63,870,787

NOTE 13 – FLORIDA RETIREMENT SYSTEM

Essentially all regular employees of the District are eligible to enroll as members of 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. The 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 pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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

NOTE 13 – FLORIDA RETIREMENT SYSTEM (CONTINUED)

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest after one year of service.

The State of Florida established contribution rates for participating employers and employees. Contribution rates during the 2013-2014 fiscal year were as follows:

	Percent of Gross Salary	
Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Elected County Officers	3.00	33.03
Deferred Retirement Option Program - Applicable to Members From All of the Above Classes	-	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:
(A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, includes 0.03 percent for administative costs of the Investment Plan.
(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 for the for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $5,322,460, $5,808,791 and $8,659,576, respectively, which were equal to the required contributions for each fiscal year.

NOTE 13 – FLORIDA RETIREMENT SYSTEM (CONTINUED)

There were 394 District participants in the Investment Plan during the 2013-2014 fiscal year. The District's required contributions including employee contributions to the Investment Plan totaled $1,199,041, which was equal to the required contribution for the 2013-2014 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, 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 14 – OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB 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 OPEB 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

Plan contribution requirements of the District and OPEB Plan members are established and may be amended through Board action. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-2014 fiscal year, 272 retirees received other postemployment benefits. The District provided required contributions of $636,957 toward the annual OPEB cost, net of retiree contributions totaling $1,685,033, which represents 2.6% of covered payroll.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

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

Year ended June 30,	**2014**
Normal Cost (service cost for one year)	$ 534,785
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	574,290
Annual Required Contribution (ARC)	1,109,075
Interest on Net OPEB Obligation	133,867
Adjustment to Annual Required Contribution	(193,538)
Annual OPEB Cost (Expense)	1,049,404
Contributions made	(636,957)
Increase (decrease) in Net OPEB Obligation	412,447
Net OPEB Obligation, beginning of year	3,346,673
Net OPEB Obligation, end of year	$ 3,759,120

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2014, and the previous two fiscal years, were as follows:

Fiscal year Ending	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
6/30/2012	$ 850,381	98.28%	$ 3,302,457
6/30/2013	858,464	94.85%	3,346,673
6/30/2014	1,049,404	60.70%	3,759,120

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $9,930,640, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $9,930,640 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was $65,789,331 and the ratio of unfunded actuarial accrued liability to the covered payroll was 15.09%.

Actuarial valuations of an ongoing OPEB 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 OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of the OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive OPEB 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 June 30, 2013, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2014, and to estimate the District’s 2013-2014 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included an inflation rate of 2.5% and an annual healthcare cost trend rate of 6.6% for the 2013-2014 fiscal year, reduced periodically thereafter to an ultimate rate of 4.5% in the 2089-90 fiscal year for claims prior to age 65 and to an ultimate rate of 4.5% percent in the 2082-2083 fiscal year for claims after age 65. The unfunded actuarial accrued liability is being amortized using a level dollar amount on an open basis over a 30 year period.

NOTE 15 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Contracts

Encumbrances include the following major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Chumuckla Elementary - Kitchen / Cafeteria / Music / Art Addition	$1,615,589	$1,586,621	$ 28,968
Gulf Breeze Elementary - Chiller Plant & Bldg 1 HVAC Renovation	2,674,333	642,281	2,032,052
Jay High - Kitchen / Cafeteria / Band / Chorus	1,983,519	1,892,365	91,154
Milton High - Science Labs	1,406,469	1,223,039	183,430
Total	$7,679,910	$5,344,306	$2,335,604

Encumbrances

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

The following is a schedule of encumbrances at June 30, 2014:

Major Funds				
General	Capital Projects - Local Capital Improvement	Capital Projects - Other	Special Revenue - Federal Economic Stimulus	Total Governmental Funds
$ 1,820,800	$ 745,842	$ 2,641,313	$ 1,240	$ 5,209,195

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.

NOTE 16 – RISK MANAGEMENT PROGRAMS (CONTINUED)

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, and cyber liability coverage. 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, 2014, a liability in the amount of $185,752 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
2012-13	$ 213,169	$ 248,425	$ (156,707)	$ 304,887
2013-14	304,887	59,307	(176,442)	187,752

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 Supplemental Information
(Other Than MD&A)

Santa Rosa County District School Board
Budget to Actual Comparison Schedule: General Fund

Year ended June 30, **2014**

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal direct	$ 850,000	$ 600,000	$ 581,403	$ (18,597)
Federal through state	452,855	584,884	614,463	29,579
State sources	115,512,967	116,936,013	116,940,119	4,106
Local sources	54,253,549	56,405,049	59,235,884	2,830,835
Total revenues	171,069,371	174,525,946	177,371,869	2,845,923
Expenditures				
Instruction	116,207,169	114,880,144	111,147,792	3,732,352
Student personnel services	7,336,180	8,046,320	7,598,892	447,428
Instructional media services	2,419,986	2,546,146	2,329,083	217,063
Instructional and curriculum development services	3,111,765	3,139,477	2,909,800	229,677
Instructional staff training services	714,463	896,026	719,592	176,434
Instruction related technology	4,605,947	4,931,612	4,063,310	868,302
Board of education	603,213	540,143	515,723	24,420
General administration	614,397	669,457	657,778	11,679
School administration	11,990,825	12,713,019	12,518,202	194,817
Facilities acquisition and construction	44,258	72,879	17,030	55,849
Fiscal services	1,153,266	1,152,676	1,096,571	56,105
Central services	2,309,440	2,622,115	2,337,076	285,039
Student transportation services	12,559,260	12,662,737	12,412,917	249,820
Operation of plant	12,912,100	12,700,355	12,273,347	427,008
Maintenance of plant	4,593,974	4,690,354	3,774,631	915,723
Administrative technology services	1,810,746	1,684,396	1,599,108	85,288
Community services	1,833,298	1,809,869	1,687,319	122,550
Fixed capital outlay:				
Facilities acquisition and construction	-	45,737	45,737	-
Other capital outlay	-	953,652	953,652	-
Total expenditures	184,820,287	186,757,114	178,657,560	8,099,554
Excess (deficiency) of revenues over expenditures	(13,750,916)	(12,231,168)	(1,285,691)	10,945,477
Other financing sources (uses)				
Loss recoveries	1,413	30,484	30,844	(360)
Transfers in	4,239,378	4,292,491	4,292,491	-
Transfers out	(310,773)	(338,725)	(338,725)	-
Total other financing sources	3,930,018	3,984,250	3,984,610	(360)
Net change in fund balances	(9,820,898)	(8,246,918)	2,698,919	10,945,837
Fund balances - beginning	15,118,178	15,118,178	15,118,178	-
Fund balances - ending	$ 5,297,280	$ 6,871,260	$ 17,817,097	$ 10,945,837

Santa Rosa County District School Board
Budget to Actual Comparison Schedule: Special Revenue Fund – ARRA Economic Stimulus Funds

Year ended June 30, **2014**

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal through state	$ 600,073	$ 745,403	$ 697,185	$ (48,218)
Total revenues	600,073	745,403	697,185	(48,218)
Expenditures				
Instruction	-	130,818	118,442	12,376
Instructional and curriculum development	192,704	192,704	192,703	1
Instructional staff training	292,184	312,436	266,146	46,290
General administration	35,893	30,106	28,179	1,927
Central services	76,002	76,049	76,049	-
Operation of plant	3,290	3,290	3,290	-
Fixed capital outlay:				
Other capital outlay	-	12,376	12,376	-
Total expenditures	600,073	757,779	697,185	60,594
Net change in fund balances	-	(12,376)	-	12,376
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ (12,376)	$ -	$ 12,376

Santa Rosa County District School Board
Schedule of Funding Progress for Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)-(1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UALL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2011	$ -	$ 9,357,953	$9,357,953	0.00%	$ 63,749,441	14.68%
July 1, 2012	$ -	$ 9,247,801	$9,247,801	0.00%	$ 64,129,466	14.42%
July 1, 2013	$ -	$ 9,930,640	$9,930,640	0.00%	$ 65,789,331	15.09%

Note (1): The District's actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.

- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

- Budgetary information is integrated into the accounting system, and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end, and encumbrances outstanding are honored from the subsequent year's appropriations.

NOTE 2 – SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The June 30, 2014 unfunded actuarial accrued liability of $3,759,120 was significantly higher than the June 30, 2013 obligation of $3,346,673 as a result of the following changes:

- The current year normal cost for benefits increased

- The amortization of unfunded liability increased

- Assumed employer contributions decreased

Other Information

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (Note 1)	Amount Provided To Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	300	$ 1,292,588	$ -
National School Lunch Program	10.555	321	4,582,558	-
Summer Food Service Program for Children	10.559	323	119,619	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	300	510,134	-
Total Child Nutrition Cluster			6,504,899	-
Florida Department of Education:				
Team Nutrition Training Grants	10.574	301	2,837	-
Fresh Fruit and Vegetable Program	10.582	330, 331	6,811	
Florida Department of Financial Services				
Schools and Roads - Grants to States	10.665	none	2	-
Total United States Department of Agriculture			6,514,549	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	12	N/A	51,028	-
Navy Junior Reserve Officers Training Corps	12	N/A	232,752	-
Total United States Department of Defense			283,780	-
United States Department of Labor:				
Indirect:				
Workforce Escarosa, Inc.:				
WIA Youth Activities	17.259	none	292,392	-
Total United States Department of Labor			292,392	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703	-
Federal Work-Study Program	84.033	N/A	5,613	-
Federal Pell Grant Program	84.063	N/A	515,246	-
Total Student Financial Assistance Cluster			526,562	-
Impact Aid	84.041	N/A	581,403	-
Total Direct			1,107,965	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262,263	5,153,579	-
Special Education - Preschool Grants	84.173	267	190,290	-
Washington County District School Board				
Special Education - Grants to States	84.027	none	100	-
University of South Florida				
Special Education - Grants to States	84.027	none	5,481	-
Total Special Education Cluster			5,349,450	-

Santa Rosa County District School Board
Schedule of Expenditures of Federal Awards

	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (Note 1)	Amount Provided To Subrecipients
United States Department of Education:				
Indirect:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	241,869	-
Title I Grants to Local Education Agencies	84.010	212, 223, 226, 228	3,414,582	23,569
Career and Technical Education - Basic Grants to	84.048	161	161,738	-
Education for Homeless Children and Youth	84.196	127	102,968	-
English Language Acquisition Grants	84.365	102	33,095	-
Improving Teacher Quality State Grants	84.367	224	708,608	-
			4,662,860	23,569
State Fiscal Stabilization Fund:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grants, Recovery Act	84.395	111, 311, 411	697,185	-
Total Indirect			10,709,495	23,569
Total United States Department of Education			11,817,460	23,569
United States Department of Health and Human Services:				
Indirect:				
University of South Florida				
Teenage Pregnancy Prevention Program	93.297	none	3,513	-
Direct:				
Head Start Cluster:				
Head Start (Note 3)	93.600	N/A	2,000,466	-
Total United States Department of Health and Human Services			2,003,979	-
Total Expenditures of Federal Awards			$20,912,160	$ 23,569

Notes: (1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2013-2014 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 $1,085,190 for grant number/program year 04CH0384/23 and $915,276 for grant number/program year 04CH0384/24.

Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Rosa County District School Board (hereinafter referred to as the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws 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*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 23, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT 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

Report on Compliance for Each Major Federal Program

We have audited the Santa Rosa County District School Board's ("the District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Santa Rosa County District School Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 23, 2015

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, 2014:

- The auditor's report expresses an unmodified opinion on the basic financial statements of the Santa Rosa County District School Board.

- No significant deficiencies relating to the audit of the basic financial statements are 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*.

- No instances of noncompliance material to the basic financial statements of 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 Independent Auditor's Report on Compliance For Each Major Federal Program and Report on 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 unmodified on all major federal programs.

- The auditor identified one (1) audit finding relative to the major federal award programs for Santa Rosa County District School Board.

- The programs tested as major programs included: ARRA - State Fiscal Stabilization Fund - Race to the Top (CFDA 84.395), Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063), Title I Grants to Local Educational Agencies (CFDA 84.010), and Improving Teacher Quality State Grants (CFDA 84.367).

- The threshold for distinguishing between Types A and B programs was $627,365.

- The Santa Rosa County District School Board was determined to be a low risk auditee, as defined in *OMB Circular A-133*.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2014-001: Cash Management – Pell Grant Draws

Federal Agency:	**U.S. Department of Education**
Program:	**Student Financial Aid Cluster (CFDA No. 84.007, 84.033, 84.063)**
Finding Type:	**Noncompliance**
Questioned Costs:	**Not Applicable**
Grant Period:	**2013-2014**

Criteria: Title 34, Section 668.162 CFR, states that under the advance payment method of requesting funds, an institution must disburse the funds requested as soon as administratively feasible but no later than three business days following the date the institution received those funds.

Condition: The District reported expenditures totaling approximately $515,000 from the Federal Pell Grant Program (Pell) for the year ended June 30, 2014. The District generally draws down funds from the Department of Education and reimburses Locklin Tech students any remaining funds after tuition, books, and fees are paid. Federal administrative requirements call for Pell disbursements to be made within three (3) working days of receiving a drawdown request. Excess cash tolerances are allowed but must be eliminated within the next seven (7) working days. Interest earnings in excess of $250 must be returned annually. The District has not completely complied with these requirements.

Context: A sample of 14 Pell disbursements identified 4 instances where disbursements were not made available to students within the 3 working days requirement. All of the sample items were issued within the additional 7 working days allowance. However, based on discussions with District personnel, it appears that no calculation of potential excess interest earnings was made.

Cause: While District employees were aware of the compliance requirements, certain instances occurred where the requirements were not comprehensively applied.

Effect: Based on the applicable interest rates and the relatively short time frame of the excess cash tolerances, we do not believe it is likely that the District exceeded $250 of annual interest earnings as allowed by federal administrative requirements. However, the District has not determined such an amount.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

Recommendation: We recommend that the District either a) change its procedures to utilize the reimbursement payment method whereby the District would disburse funds to students prior to requesting reimbursement from the Department of Education or b) establish a procedure under the existing advance payment method for disbursement of Pell funds to ensure that internal delays do not occur between draws and disbursement of funds to students. If such a delay does occur, we recommend the District make a determination regarding the $250 annual interest earning maximum.

Management Response: The District has modified its payment procedures to ensure that delays do not occur between draws and disbursement of funds to students.

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.

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Santa Rosa County District School Board ("District") as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated March 23, 2015.

Auditor's Responsibility

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.800, Rules of the Florida Auditor General.

Other Reporting Requirements

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 For Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs; and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 23, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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 findings and recommendations made in the preceding annual financial report.

Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the District has met 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)5.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires the auditor to state whether or not the District complied with transparency requirements (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District school board complied with transparency requirements.

Other Matters

Section 10.804(1)(f)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 23, 2015

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ATTESTATION REPORT ON COMPLIANCE WITH SECTION 218.415 FLORIDA STATUTES

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

We have examined Santa Rosa County District School Board's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2014.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 23, 2015