COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

THE DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012


HERNANDO COUNTY SCHOOL BOARD
Quest for
Excellence

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FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

PREPARED BY:
FINANCE DEPARTMENT



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District School Board of Hernando County, Florida
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION


HERNANDO COUNTY SCHOOL BOARD
Quest for
Excellence

The School Board of Hernando County, Florida
919 North Broad Street
Brooksville, Florida 34601
(352) 797-7000
Fax (352) 797-7100

Superintendent
Bryan A. Blavatt
Chairperson
Matthew A. Foreman
Vice Chairperson
Gus Guadagnino
Members
Dianne Bonfield
Cynthia J. Moore
John K. Sweeney

January 22, 2013

District School Board of Hernando County
919 North Broad Street
Brooksville, Florida 34601

Dear Members of the Board and Citizens of Hernando County:

The Comprehensive Annual Financial Report of the District School Board of Hernando County, Florida (District) for the fiscal year ended June 30, 2012, is submitted herewith. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly, in all material respects, the financial position and the changes in financial position of the District as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the District's financial affairs have been included. The responsibility for the preparation of the accompanying financial statements and other information contained in this report, based on the above standards, rests with the District's management.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Florida Auditor General has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with

GAAP. The independent auditor's report on financial statements is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

The accompanying report includes all funds of both the District and the Hernando School Board Leasing Corporation (Leasing Corporation). The Leasing Corporation was formed by the School Board to be the lessor in connection with financing the acquisition and/or construction of certain educational facilities and is considered a blended component unit.

PROFILE OF THE DISTRICT

The District and its governing Board were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered, and supervised by the District school officials in accordance with Chapter 1001, Florida Statutes. The Board consists of five elected officials responsible for the adoption of policies, which govern the operation of District public schools. The Superintendent of Schools is responsible for the administration and management of the schools within the applicable parameters of Florida Statutes, State Board of Education Rules, and School Board policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts in the District by Section 1010.01, Florida Statutes, as prescribed by the State Board of Education.

This report contains the audited financial statements for all operations over which the School Board is financially accountable. Various potential component units were evaluated to determine whether they should be considered as a part of the District's reporting entity. Accordingly, included in the reporting entity are the Hernando County Education Direct Support Organization, Inc., (Foundation) a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, and the Gulf Coast Academy of Science and Technology, Inc., a Charter School that is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. Both the Foundation and the Charter School are included as discretely presented component units in the accompanying financial statements. Additional information regarding these component units can be found in the notes to financial statements.

The geographic boundaries of the District are those of Hernando County. Hernando County is located on the central-west coast of Florida, north of Tampa Bay. It is bounded by the Gulf of Mexico on the west, Citrus County to the north, Sumter County to the east, and Pasco County to the south. Hernando County stretches 37 miles east to west, and 18 miles north to south, for a total of 506 square miles, or approximately 323,700 acres.

During the 2011-2012 fiscal year, the District had 24 schools, including 9 elementary schools, 4 middle schools, 5 high schools, 4 K-8 schools (Challenger K-8, Explorer K-8, J.D. Floyd K-8,

and Winding Waters K-8), 1 alternative school, and 1 charter school, and served approximately 22,442 prekindergarten through adult students. The projected prekindergarten through grade 12 student enrollment, for fiscal year 2012-2013, is 22,646 unweighted full-time equivalent students. The average age of the schools within the District is approximately 25.5 years.

The District serves students from infants through adults. Students in the District represent a diverse community of learners, including a variety of ethnic and cultural backgrounds. In addition to the various educational programs offered to K-12 students, the District offers pre-kindergarten services including: programs for babies of teen parents who are progressing toward achieving high school diplomas; programs for special education infants and toddlers below the age of three; pre-kindergarten programs for three and four-year-old disabled students; and programs for eligible low-income, at-risk students.

The District also offers programs for adults to learn the necessary skills in order to enter the workforce or increase opportunities for advancement in current positions. Also, students from foreign countries have the opportunity to learn communication skills through the District's English for Speakers of Other Languages (ESOL) programs, and all citizens can take fee-supported courses to increase personal development in various subjects such as computers, photography, and personal financial planning.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Economic Conditions

Hernando County has experienced limited population growth, increasing 0.2 percent (364) since the 2010 census. The County's current population as of September 1, 2012, is 173,142 with anticipated growth estimated to be 184,200 in the year 2020 and 197,900 in the year 2030. The median age is 47.7 years.

The local area economy continues to be affected by the national and State economic downturn. Unemployment still remains high at 10.8 percent for Hernando County and 9.0 percent for the State as of August 2012. These rates are reportedly higher than the national average of 8.2 percent during the same period.

The final property tax roll for Hernando County increased approximately $339 million or 4.0 percent, bringing the tax roll to $8.80 billion. This marks the first year the final tax roll actually increased after three consecutive years of decline. Property values had grown steadily by double digit rates since the 2003-2004 fiscal year, and even with the current increase, the tax roll is at pre-2006-2007 fiscal year values.

Long-Term Financial Planning

The District follows procedures established by Florida Statutes and the State Board of Education rules in establishing and adopting annual budgets for each of the governmental fund

types. Budgets are prepared using the same modified accrual basis as is used to account for governmental funds. Appropriations are controlled at the object level (e.g. salaries, benefits, and purchased services) within each function 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.

Providing adequate facilities to all students is fundamental to maintaining an effective education system. It speaks to a range of standards, including safety, class size and equity. When there is not enough room, such standards may be compromised. With that in mind, the Board has adopted a construction program that is financially sound. However, we still need longer-term revenue sources.

There are no major construction projects planned for the next five years.

ACADEMIC ACCOMPLISHMENTS

One of the ways to judge a school district is to compare the results of its students on national and statewide testing and the accomplishments of its staff. The District believes that its students and staff have performed remarkably well based on various tests and accomplishments as noted below.

- Schools throughout Florida are held accountable and receive school grades based on the results of the Florida Comprehensive Assessment Test (FCAT). The 2011-2012 fiscal year marks the thirteenth year of this accountability program. The District received a 'C' grade in the 2011-2012 fiscal year under the State A+ Plan. This year six schools received a grade of 'A', seven received a grade of 'B', three received a grade of 'C', three received a grade of 'D', four are pending at December 2012, and one school was not rated.
- The District had 59 percent of all students scoring proficient in reading and 64 percent making learning gains in reading under the State's A+ Plan. Hernando had 66 percent of students in the lowest 25th percentile make learning gains in reading.
- District students scored at 54 percent proficient in math and 63 percent making learning gains in math under the State's A+ plan. Hernando had 60 percent of students in the lowest 25th percentile making learning gains in math.
- The District had 79 percent of students in grades 4, 8, and 10 who scored proficient at 3.5 or above in writing.

Nearly 36.2 percent of the District's teachers have earned a Master's degree or higher. Additionally, the District has 51 teachers that have successfully completed the rigorous and time-intensive program of the National Board of Professional Teaching Standards. To achieve the highly esteemed National Certification, teachers are required to provide a portfolio of information regarding teaching styles, examples of work performed by students, and successfully pass an examination. Teachers who gain this certification are provided incentives, including salary and mentoring bonuses.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the tenth consecutive year that the District has received this prestigious award. In order to be awarded the Certificate of Achievement for Excellence in Financial Reporting, the District must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

The Certificate of Achievement is valid for only one year. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance. Each member of the Department has our sincere appreciation for the contributions made in preparation of this report.

In closing, we would like to thank the School Board for their unfailing support for maintaining the highest standards of professionalism in conducting the financial operations of the District School Board of Hernando County.

Respectfully submitted,

Bryan A. Blavatt
Superintendent of Schools

Heather Martin
Executive Director of Business Services

Kendra Sittig
Coordinator of Accounting

District School Board of Hernando County, Florida

List of Principal Officials

Principal Officials – Elected



John K. Sweeney
District 1
Member since November 2006
Term expires November 2014

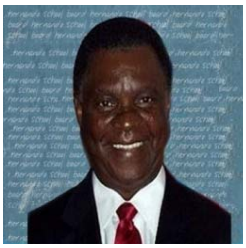
Matthew A. Foreman
District 2
Member since November 2011
Term expires November 2012





Dianne Bonfield
District 3
Member since November 2006
Term expires November 2014

James C. Yant
District 4
Member since November 2008
Term expires November 2012





Cynthia J. Moore
District 5
Member since November 2010
Term expires November 2014

Principal Officials - Appointed

Mr. Bryan A. Blavatt, Superintendent of Schools

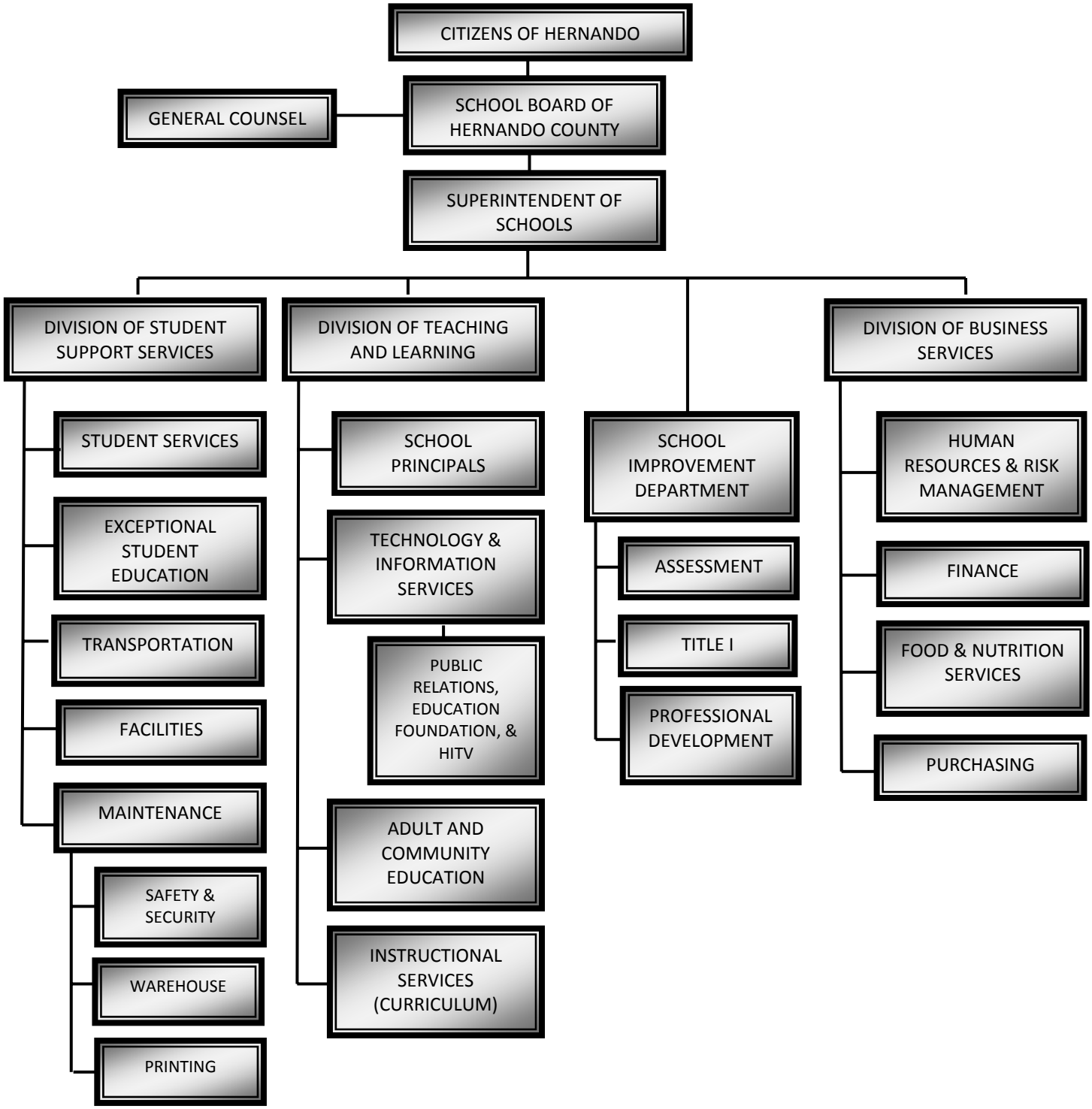
Ms. Sonya L. Jackson, Assistant Superintendent

Mr. Ken Pritz, Assistant Superintendent

Ms. Heather Martin, Executive Director of Business Services

District School Board of Hernando County, Florida

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

District School Board of Hernando County, Florida

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

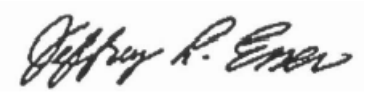
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.





President



Executive Director

FINANCIAL SECTION


HERNANDO COUNTY SCHOOL BOARD
Quest for
Excellence

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S
REPORT ON 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 Hernando County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 23 percent of the assets and 44 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the 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 for the Hernando County District School Board as of June 30, 2012, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Hernando County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE – GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, 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. Such information 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. The combining and individual fund financial statements and schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, have 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, based on our audit and the reports of other auditors, the combining and individual fund financial statements and schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA
January 22, 2013
Audit Report No. 2013-083

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hernando County District School Board (District) has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal year are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $296,867,817.
- The District's total net assets decreased by $12,315,660, which represents a 3.98 percent decrease from the 2010-2011 fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of $65,731,144, a decrease of $15,228,858 in comparison with the prior fiscal year.
- At the end of the current fiscal year, the unassigned fund balances of the General Fund was $4,224,837, or 3.04 percent of total General Fund revenues, and is available for spending at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash

flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The government activities of the District include such functions as instruction, pupil personnel services, administration, pupil transportation, maintenance, and other items.

The government-wide financial statements include not only the District itself (known as the primary government), but also the Hernando County Education Direct Support Organization, Inc., and the Gulf Coast Academy of Science and Technology, Inc., a Charter School, both of which the District is required to report as discretely presented component units. Financial information for the component units is reported separately from the financial information presented for the primary government itself. Additionally, the District reports the Hernando County Leasing Corporation (Leasing Corporation), which was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 23 through 25 of this report.

Fund 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be classified under two categories: governmental funds and fiduciary funds.

- **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 funds 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 evaluating 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 District maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue – Federal Economic Stimulus Programs Fund, Debt Service – Other Debt Service Fund, and three capital project funds (Section 1011.14/1011.15 F.S. Loans Fund, Local Capital Improvement Fund, and Other Capital Projects Fund) are considered to be major funds. Data from the other seven 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 the Special Revenue – Federal Economic Stimulus Programs Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and the budgetary comparison schedules presented as required supplementary information can be found on pages 26 through 32 and 67 through 69, respectively, of this report.

- **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 financial 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 private-purpose trust funds to account for scholarship funds established by private donors. The District uses agency funds to account for resources held for student activities and groups.

  The basic fiduciary funds financial statements can be found on pages 33 through 34 of this report.

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. The notes to financial statements can be found on pages 35 through 64 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $296,867,817 at the close of the most recent fiscal year.

The following is a summary of the District's net assets as of June 30, 2012, compared to net assets as of June 30, 2011:

	Governmental Activities	
	June 30, 2012	June 30, 2011
Current and Other Assets	$ 75,440,222	$ 94,048,215
Capital Assets	417,317,112	424,459,177
Total Assets	492,757,334	518,507,392
Long-Term Liabilities	190,882,709	200,965,256
Other Liabilities	5,006,808	8,358,659
Total Liabilities	195,889,517	209,323,915
Net Assets:		
Invested in Capital Assets - Net of Related Debt	266,338,102	272,982,528
Restricted	30,470,226	31,888,578
Unrestricted	59,489	4,312,371
Total Net Assets	$ 296,867,817	$ 309,183,477

By far the largest portion of the District's net assets, $266,338,102 reflects its investment in capital assets (e.g., land, buildings, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to educate the students of Hernando County, Florida; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets, $30,470,226 represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets. The remaining balance of unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.

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

	Governmental Activities	
	June 30, 2012	June 30, 2011
Revenues:		
Program Revenues:		
Charges for Services	$ 2,539,437	$ 2,630,141
Operating Grants and Contributions	8,156,319	7,846,239
Capital Grants and Contributions	866,466	2,149,168
General Revenues:		
Property Taxes	61,049,759	65,176,752
Local Sales Taxes	7,832,909	7,828,758
Grants and Contributions Not Restricted to Specific Programs	101,639,556	118,663,422
Unrestricted Investment Earnings	459,580	652,985
Miscellaneous	4,047,285	2,802,386
Total Revenues	186,591,311	207,749,851
Functions/Program Expenses:		
Instruction	98,717,026	109,286,283
Pupil Personnel Services	9,550,196	11,190,219
Instructional Media Services	1,962,166	2,158,115
Instruction and Curriculum Development Services	3,661,358	3,607,898
Instructional Staff Training Services	3,122,643	3,695,145
Instruction Related Technology	1,283,515	1,078,892
Board of Education	371,024	470,422
General Administration	944,946	1,173,733
School Administration	11,041,666	11,630,524
Facility Services - Non-Capitalized	18,555,981	7,223,486
Fiscal Services	919,336	1,043,193
Food Services	10,458,339	10,123,836
Central Services	1,905,301	1,906,293
Pupil Transportation Services	7,675,794	9,464,261
Operation of Plant	14,319,724	15,095,661
Maintenance of Plant	4,554,190	5,073,419
Administrative Technology Services	1,722,324	1,884,354
Community Services	52,954	51,574
Unallocated Interest on Long-Term Debt	8,088,488	8,446,040
Unallocated Depreciation Expense		15,360,681
Total Functions/Program Expenses	198,906,971	219,964,029
Change in Net Assets	(12,315,660)	(12,214,178)
Net Assets, Beginning	309,183,477	321,397,655
Net Assets, Ending	$ 296,867,817	$ 309,183,477

The total governmental net assets decreased by $12,315,660 during the current fiscal year, as compared to a net decrease of $12,214,178 in the previous fiscal year. Key components of this change are as follows:

- Property tax collections in the District decreased by $4,126,993. This is due to the continued slow down in the economy. Tax collections as a percentage of property taxes levied have historically been between 96 and 98 percent in Hernando County. However, this past year collections were only 92.41 percent due to several large property owners' tax challenges on their assessments and the County's inability to sell all its tax certificates for unpaid taxes.
- Non-restricted grants and contributions decreased by $17,023,866. This is due to total Federal and Federal through State revenues decreasing $12,976,328 due mainly to the discontinuance of Federal stimulus funds. Total State non-restricted grants and contribution revenues decreased by $4,047,538 due to decreases in Florida Educational Finance

Program (FEFP), Discretionary Lottery, Class Size Reduction, School Recognition, and other State funding.

- Program revenues decreased by $1,063,326. Capital grants and contributions decreased by $1,282,702. The decrease to capital grants and contributions was primarily due to the State not providing allocations for the Public Education Capital Outlay program in the 2011-2012 fiscal year.
- Miscellaneous revenues increased by $1,244,899. This increase was primarily due to refunds received for expenses incurred in prior fiscal years.
- Investment earnings are down $193,405 due to a decrease in interest earnings. The reduction is due to interest rate decline over the past year and to a reduction of investment proceeds available for construction.
- District total expenses decreased $21,057,058. Direct instructional expenses, including school administration, decreased $13,308,506. District-level expenses increased $7,969,681. Unallocated expenses for interest and depreciation decreased $15,718,233. Decreases to direct instructional expenses were due in part to a reduction in the District's retirement contribution rate and the discontinuance of several Federal stimulus programs. Beginning in the 2011-2012 fiscal year, the District began allocating depreciation expense to all functions. Increases in District-level expenses and the decrease in unallocated depreciation expense can be attributed to this change.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $65,731,144, a decrease of $15,228,858 in comparison with the prior fiscal year. The following schedule indicates the fund balances and changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2011, and June 30, 2012.

Fund Balance	June 30, 2012	June 30, 2011	Increase (Decrease)	Percentage Change
Major Governmental Funds:				
General Fund	$ 16,859,932	$ 20,705,303	$ (3,845,371)	-18.57%
Debt Service - Other Debt Service	8,719,668	9,353,268	(633,600)	-6.77%
Capital Projects Funds:				
Section 1011.14/1011.15, F.S. Loans		(1,878,472)	1,878,472	-100.00%
Local Capital Improvement	4,753,862	5,104,006	(350,144)	-6.86%
Other	32,498,034	43,651,920	(11,153,886)	-25.55%
Other Governmental Funds (nonmajor)	2,899,648	4,023,977	(1,124,329)	-27.94%
Total Fund Balance	$ 65,731,144	$ 80,960,002	$ (15,228,858)	-18.81%

Note: Does not include Special Revenue - Federal Economic Stimulus Programs Fund, for which revenues are reported to the extent of expenditures and, therefore, does not maintain a fund balance.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $4,224,837, while total fund balance reached $16,859,932. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total revenues. Unassigned fund balance represents 3.04 percent of General Fund revenues, while total fund balance represents 12.12 percent of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by $3,845,371. Although a decrease occurred, in past years the Board planned for State reductions with the loss of Federal economic stimulus funds by building fund balance to cover such reductions. By aggressively cutting expenditures in salaries and benefits, the District was able to only see a nominal reduction especially given the $7,139,674 decline in revenues and other financing sources.

The following schedule shows the changes in General Fund revenues and transfers in for fiscal years ended June 30, 2011 and June 30, 2012.

General Fund Revenues and Other Financing Sources	June 30, 2012	June 30, 2011	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	$ 212,982	$ 225,623	$ (12,641)	-5.60%
Federal through State Sources:				
Medicaid	642,877	562,963	79,914	14.20%
State Sources:				
Florida Education Finance Program (FEFP)	60,448,872	63,220,906	(2,772,034)	-4.38%
Categorical Programs	24,712,124	25,614,280	(902,156)	-3.52%
Other State Sources	611,815	957,254	(345,439)	-36.09%
Local Sources:				
Ad Valorem Taxes	48,807,293	51,622,870	(2,815,577)	-5.45%
Interest Income	102,812	173,740	(70,928)	-40.82%
Other Local Sources	3,622,421	2,764,781	857,640	31.02%
Other Financing Sources:				
Transfers In	4,433,430	5,539,119	(1,105,689)	-19.96%
Insurance Loss Recoveries	75,157	127,921	(52,764)	-41.25%
Total Revenues and Other Financing Sources	$ 143,669,783	$ 150,809,457	$ (7,139,674)	-4.73%

During the fiscal year, the major impacts to funding were the reduction of $2,772,034 in Florida Education Finance Program (FEFP) funding, $902,156 in categorical program funding, $2,815,577 ad valorem tax collections and the reduction of $1,105,689 in Transfers In from other funds. These reductions were partially offset by the increase in other local sources of $857,640.

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2011, and June 30, 2012.

General Fund Expenditures by Major Object	June 30, 2012	June 30, 2011	Increase (Decrease)	Percentage Change
Salaries	$ 98,618,783	$ 94,678,503	$ 3,940,280	4.16%
Employee Benefits	28,651,861	33,518,535	(4,866,674)	-14.52%
Purchased Services	5,651,434	5,982,916	(331,482)	-5.54%
Energy Services	6,959,432	6,993,378	(33,946)	-0.49%
Materials and Supplies	4,596,522	4,946,583	(350,061)	-7.08%
Capital Outlay	652,139	481,925	170,214	35.32%
Other Expenditures	2,370,520	2,401,870	(31,350)	-1.31%
Total Expenditures by Major Object	$ 147,500,691	$ 149,003,710	$ (1,503,019)	-1.01%

As the table above illustrates, the largest portions of General Fund expenditures are for salaries and employee benefits with $127,270,644 expended or 86.28 percent of total expenditures in the 2011-2012 fiscal year compared to $128,197,038 or 86.04 percent in the 2010-2011 fiscal year. The District is a service entity and as such is labor intensive.

Total General Fund expenditures are down $1,503,019 or 1.01 percent lower than the 2010-2011 fiscal year due to the reduction of the retirement rates. Purchased service expenditures decreased by 5.54 percent, due mostly to decrease in Exceptional Student Education (ESE) purchased services. Energy costs decreased slightly as did materials and supplies and other expenditures.

Special Revenue – Federal Economic Stimulus Programs Fund. These funds are federally provided revenues that passed through to the State to provide for the stabilization of jobs and stimulus to the economy. Special revenue funds do not report fund balance because revenues are reported to the extent of expenditures. Revenues and expenditures decreased $14,123,389 each from the previous fiscal year. The following schedule shows the changes in Special Revenue - Federal Economic Stimulus Programs Fund revenues and expenditures for fiscal years ended June 30, 2011 and June 30, 2012.

Special Revenue - Federal Economic Stimulus Programs Fund	June 30, 2012	June 30, 2011	Increase (Decrease)	Percentage Change
State Fiscal Stabilization Funds	$	$ 7,229,595	$ (7,229,595)	-100.00%
Targeted ARRA Stimulus Funds	1,360,283	4,612,116	(3,251,833)	-70.51%
Race- to- the-Top	959,904	64,542	895,362	1387.25%
Education Jobs Fund	68,057	4,605,380	(4,537,323)	-98.52%
Total Federal Economic Stimulus Programs	$ 2,388,244	$ 16,511,633	$(14,123,389)	-85.54%

Debt Service Fund – Other Debt Service Fund. The fund balance of the Other Debt Service Fund decreased $633,600. This decrease was the result of payment of debt.

Capital Projects – Section 1011.14/1011.15, F. S. Loans Fund. The purpose of this fund is to account for funds received through the issuance of short-term notes (Revenue Anticipation Notes or RANs) to fund projects authorized pursuant to the provisions of Sections 1011.14 and 1011.15, Florida Statutes. On September 22, 2010, the Board borrowed $3,600,000.

Capital Projects – Local Capital Improvement Fund. The fund balance of the Capital Projects – Local Capital Improvement Fund decreased from $5,104,006 to $4,753,862. Capital property tax revenues, and interest were used to fund capital outlay projects of $2,397,119, $4,433,430 was transferred to the General Fund for payment of property-casualty insurance premiums and for other maintenance needs, $4,355,338 was transferred to debt service funds for payment of principal and interest, and $1,921,996 was transferred to Section 1011.14/1011.15 F.S. Loans Fund for debt service. It should be noted that $447,248 of fund balance has been encumbered for specific projects.

Capital Projects – Other Fund. The fund balance of the Capital Projects – Other Fund decreased from $43,651,920 to $32,498,034. This decrease is primarily due to transfers to debt service and payments for current projects funded by the Certificates of Participation, Series 2005 issue. It should be noted that $1,290,987 of fund balance has been encumbered for specific purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following schedule shows the changes in General Fund revenues and other financing sources between the original and final budgets for the fiscal year ended June 30, 2012.

General Fund Revenues and Other Financing Sources	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	$ 216,700	$ 212,982	$ (3,718)	-1.72%
Federal through State and Local Sources:				
Medicaid	400,000	642,877	242,877	60.72%
State Sources:				
Florida Education Finance Program (FEFP)	62,094,430	60,448,872	(1,645,558)	-2.65%
Categorical Programs	25,196,280	24,712,124	(484,156)	-1.92%
Other State Sources	732,961	611,815	(121,146)	-16.53%
Local Sources:				
Ad Valorem Taxes	49,944,559	48,807,293	(1,137,266)	-2.28%
Interest Income	65,500	102,812	37,312	56.96%
Other Local Sources	2,107,361	3,622,421	1,515,060	71.89%
Other Financing Sources:				
Transfers In	4,168,685	4,433,430	264,745	6.35%
Insurance Loss Recoveries	110,000	75,157	(34,843)	-31.68%
Total Revenues and Other Financing Sources	$ 145,036,476	$ 143,669,783	$ (1,366,693)	-0.94%

Final budgeted revenues and other financing sources for the General Fund, when compared to the initial budget, were .94 percent lower. Reductions in FEFP and categorical programs funding from the State, totaling $2,129,714, were due to decreases in the number of full-time students from the amounts projected. Ad Valorem Tax collections were budgeted at 96 percent as required by Section 1011.62(4)(a), Florida Statutes. However, actual collections were only 92.41 percent, or a reduction of $1,137,266.

The following schedule shows the changes in General Fund expenditures by function between the original and final budgets for the fiscal year ended June 30, 2012.

General Fund Expenditures and Other Financing Uses	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Current:				
Instruction	$ 99,366,146	$ 92,219,812	$ (7,146,334)	-7.19%
Pupil Personnel Services	7,867,486	7,198,207	(669,279)	-8.51%
Instructional Media Services	2,141,693	1,952,070	(189,623)	-8.85%
Instruction and Curriculum Development Services	1,471,833	1,479,623	7,790	0.53%
Instructional Staff Training Services	1,173,578	1,033,762	(139,816)	-11.91%
Instruction Related Technology	789,395	785,159	(4,236)	-0.54%
Board of Education	522,778	370,010	(152,768)	-29.22%
General Administration	495,729	498,802	3,073	0.62%
School Administration	11,240,665	10,735,137	(505,528)	-4.50%
Facility Services - Non Capitalized	556,669	443,720	(112,949)	-20.29%
Fiscal Services	919,033	916,353	(2,680)	-0.29%
Food Services	18,967	18,443	(524)	-2.76%
Central Services	2,021,639	1,769,356	(252,283)	-12.48%
Pupil Transportation Services	10,848,475	7,452,452	(3,396,023)	-31.30%
Operation of Plant	14,865,073	14,270,730	(594,343)	-4.00%
Maintenance of Plant	5,212,678	4,482,917	(729,761)	-14.00%
Administrative Related Technology Services	1,818,612	1,639,822	(178,790)	-9.83%
Community Services	59,691	52,702	(6,989)	-11.71%
Capital Outlay		181,614	181,614	
Other Financing Uses:				
Transfers Out	30,000	14,463	(15,537)	-51.79%
Total Expenditures and Other Financing Uses	$ 161,420,140	$ 147,515,154	$ (13,904,986)	-8.61%

The final budgeted expenditures and other financing sources were lower than the original budget by $13,904,986 or 8.61 percent. One major reason for the decrease was the District utilizing certified

teachers as long-term substitutes to meet the mandates of the Class-Size amendment. Also, the District did not incur any increases in health insurance, for which a 15 percent increase was included in the original budget. Other reductions were realized through the District's conservative spending and through savings initiatives that were implemented during the fiscal year. An example of such savings is the reduced fuel and utilities costs of $2,192,775.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets. The District's investment in capital assets for governmental activities as of June 30, 2012, amounts to $417,317,112 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and property under capital leases. The total decrease of $7,142,065 in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was 1.68 percent.

The only significant capital assets event during the current fiscal year was the completion of a new K-8 school and major renovations at a high school.

	Governmental Activities	
	June 30, 2012	June 30, 2011
Land	$ 10,317,174	$ 10,317,174
Improvements Other Than Buildings	15,634,358	16,493,444
Buildings and Fixed Equipment	382,496,881	369,275,182
Furniture, Fixtures, and Equipment	1,977,250	806,128
Motor Vehicles	1,980,303	3,621,294
Construction in Progress		17,573,316
Property Under Capital Leases	4,911,146	6,372,639
Total Capital Assets	$ 417,317,112	$ 424,459,177

Additional information on the District's capital assets can be found in Note 4 on page 47 of this report.

Long-Term Debt. At the end of the current fiscal year, the District has total long-term debt outstanding of $171,959,624. This amount is comprised of a note payable of $9,438,299, $1,041,954 of obligations under capital lease agreements, $134,691,670 in Certificates of Participation (COPs), and $26,787,701 in bonded debt, $5,620,931 of which is backed by the full faith and credit of the State of Florida.

The District's current rating on outstanding COPs from Fitch Ratings is A+ with a negative outlook. Although the District does not currently have any outstanding general obligation bonds, also from Fitch Ratings the District general obligation bonds rating is AA- with a negative outlook.

During the current fiscal year, the District paid $11,182,245 for principal payments on long-term debt as follows:

State School Bonds	$	505,000
Other Debt Service:		
District Revenue Bonds		75,000
Sales Tax Revenue Bonds		5,750,000
Certificates of Participation		1,550,000
Note Payable		1,027,198
Obligations Under Capital Leases		2,275,047
Total Principal Payments	$	11,182,245

Additional information on the District's long-term debt can be found in Notes 5 and 7 through 11 on pages 48 through 54, respectively, of this report.

ECONOMIC FACTORS AND FORECAST

As of August 2012, the unemployment rate for Hernando County is currently 10.80 percent, which is a decrease from the rate of 13.80 percent a year ago. This compares to the State's average unemployment rate of 9.00 percent. These factors were considered in preparing the District budget for the 2012-2013 fiscal year.

During the current fiscal year, the fund balance in the General Fund decreased by $3,845,371 to $16,859,932. Included in this total, the District has inventories and frozen investments of $1,440,561 that are classified as nonspendable, $978,496 in State categorical funds reported as restricted, and $761,193 reported as assigned for purchase obligations, which are reappropriated in the budget for the 2012-2013 fiscal year. Assigned fund balance also includes $1,015,534 for the return of FEFP funds to DOE for FTE audits and for health insurance rebates, which will be held in fund balance until appropriated. In addition, the District has appropriated $8,439,311 in unassigned fund balance for spending in the 2012-2013 fiscal year. As a result, this amount was moved from unassigned to assigned fund balance at June 30, 2012. It is anticipated that this use of unassigned fund balance will be replenished at year-end through unspent appropriations and operating fund tax revenues in excess of the budget. It is anticipated that the fund balance at June 30, 2013, will be in excess of 3 percent of General Fund revenues.

The Legislature provided the District with an increase in formula funding of $8,982,406, or an increase of 9.84 percent, in per student funding for the 2012-2013 fiscal year. Another financial impact is the reduction in the taxable assessed valuation for Hernando County by approximately $471.74 million or 5.45 percent. This reduction in property values is predicted to decrease tax collections by $2,460,282.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Hernando County District School Board, 919 North Broad Street, Brooksville, Florida, 34601.

BASIC
FINANCIAL STATEMENTS



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 31,712,241	$ 160,959
Investments	34,734,163	
Accounts Receivable	704,455	150
Due from Other Agencies	2,410,688	1,038
Prepaid Items		12,852
Inventories	1,176,405	
Capital Credits Receivable	3,101,138	
Deferred Charges	1,601,132	
Capital Assets:		
Nondepreciable Capital Assets	10,317,174	
Depreciable Capital Assets, Net	406,999,938	54,782
Total Assets	492,757,334	229,781
LIABILITIES		
Salaries and Benefits Payable	1,687,171	16,900
Accounts Payable	544,312	1,560
Construction Contracts Payable	68,877	
Construction Contracts Payable - Retainage	46,688	
Due to Other Agencies	1,303	
Section 1011.14/1011.15 Notes Payable	1,799,909	
Deposits Payable	79,530	
Unearned Revenue	779,018	
Long-Term Liabilities:		
Due Within One Year	13,416,719	5,020
Due in More Than One Year	177,465,990	2,158
Total Liabilities	195,889,517	25,638
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	266,338,102	47,604
Restricted for:		
State Required Carryover Programs	978,496	
Food Service	1,935,700	
Debt Service	9,143,434	
Capital Projects	18,412,596	
Other Purposes		53,072
Unrestricted	59,489	103,467
Total Net Assets	$ 296,867,817	$ 204,143

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction	$ 98,717,026	$ 56,592	$	$
Pupil Personnel Services	9,550,196			
Instructional Media Services	1,962,166			
Instruction and Curriculum Development Services	3,661,358			
Instructional Staff Training Services	3,122,643			
Instruction Related Technology	1,283,515			
Board of Education	371,024			
General Administration	944,946			
School Administration	11,041,666			
Facility Services - Non-Capitalized	18,555,981			102,399
Fiscal Services	919,336			
Food Services	10,458,339	2,473,071	8,156,319	
Central Services	1,905,301			
Pupil Transportation Services	7,675,794	9,774		
Operation of Plant	14,319,724			
Maintenance of Plant	4,554,190			
Administrative Technology Services	1,722,324			
Community Services	52,954			
Unallocated Interest on Long-Term Debt	8,088,488			764,067
Total Primary Government	$ 198,906,971	$ 2,539,437	$ 8,156,319	$ 866,466
Component Units				
Educational Foundation/Charter School	$ 1,036,149	$ 11,151	$ 142,717	$ 46,743

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Local Sales Taxes
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2011

Net Assets - June 30, 2012

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

(Continued)

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Component Units
$ (98,660,434)	$
(9,550,196)	
(1,962,166)	
(3,661,358)	
(3,122,643)	
(1,283,515)	
(371,024)	
(944,946)	
(11,041,666)	
(18,453,582)	
(919,336)	
171,051	
(1,905,301)	
(7,666,020)	
(14,319,724)	
(4,554,190)	
(1,722,324)	
(52,954)	
(7,324,421)	
(187,344,749)	
	(835,538)
48,807,293	
12,242,466	
7,832,909	
101,639,556	673,511
459,580	15
4,047,285	86,611
175,029,089	760,137
(12,315,660)	(75,401)
309,183,477	279,544
$ 296,867,817	$ 204,143

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue - Federal Economic Stimulus Programs Fund	Debt Service - Other Debt Service Fund
ASSETS			
Cash and Cash Equivalents	$ 19,279,620	$ 5	$ 3,668,725
Investments	5,189,395		2,151,010
Accounts Receivable	697,998		
Due from Other Funds			3,586,780
Due from Other Agencies	246,280	254,992	
Inventories	1,081,917		
TOTAL ASSETS	$ 26,495,210	$ 254,997	$ 9,406,515
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 1,113,790	$ 6,138	$
Accounts Payable	267,338	28,941	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds	8,244,372	219,918	686,847
Due to Other Agencies	1,303		
Section 1011.14/1011.15 Notes Payable			
Deposits Payable	5,320		
Deferred Revenue	3,155		
Total Liabilities	9,635,278	254,997	686,847
Fund Balances:			
Nonspendable	1,440,561		18,775
Spendable:			
Restricted	978,496		8,700,893
Assigned	10,216,038		
Unassigned	4,224,837		
Total Fund Balances	16,859,932		8,719,668
TOTAL LIABILITIES AND FUND BALANCES	$ 26,495,210	$ 254,997	$ 9,406,515

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

Capital Projects - Section 1011.14/ 1011.15 F.S. Loans Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 1,799,909	$ 3,941,762	$ 1,015,865	$ 2,006,355	$ 31,712,241
	461,931	26,734,866	196,961	34,734,163
		3,040	3,417	704,455
	2,000,000	5,009,720	1,028,209	11,624,709
	14,434	566,688	1,328,294	2,410,688
			94,488	1,176,405
$ 1,799,909	$ 6,418,127	$ 33,330,179	$ 4,657,724	$ 82,362,661
$	$	$	$ 567,243	$ 1,687,171
	6,443	25,794	215,796	544,312
			68,877	68,877
	2,809	20,220	23,659	46,688
	1,655,013	10,268	808,291	11,624,709
				1,303
1,799,909				1,799,909
			74,210	79,530
		775,863		779,018
1,799,909	1,664,265	832,145	1,758,076	16,631,517
	198,649	2,128,614	106,144	3,892,743
	4,555,213	30,369,420	2,793,504	47,397,526
				10,216,038
				4,224,837
	4,753,862	32,498,034	2,899,648	65,731,144
$ 1,799,909	$ 6,418,127	$ 33,330,179	$ 4,657,724	$ 82,362,661



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances - Governmental Funds		$ 65,731,144
Amounts reported for governmental activities in the statement of net assets are different because:		
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.		
Nondepreciable Capital Assets	$ 10,317,174	
Depreciable Capital Assets, Net	406,999,938	417,317,112
Capital credits to be received in future years are not available to liquidate liabilities in governmental funds, but are accrued in the government-wide statements.		3,101,138
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.		1,601,132
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ 26,787,701	
Certificates of Participation Payable	134,691,670	
Obligations Under Capital Leases	1,041,954	
Note Payable	9,438,299	
Other Postemployment Benefits Payable	5,618,025	
Compensated Absences Payable	13,305,060	(190,882,709)
Total Net Assets - Governmental Activities		$ 296,867,817

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue - Federal Economic Stimulus Programs Fund	Debt Service - Other Debt Service Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 212,982	$	$
Federal Through State and Local	642,877	2,388,244	
State	85,772,811		
Local:			
Property Taxes Levied for Operational Purposes	48,807,293		
Property Taxes Levied for Capital Projects			
Local Sales Taxes			
Charges for Service - Food Services			
Impact Fees			
Other Local Revenue	3,725,233		15,276
Total Revenues	139,161,196	2,388,244	15,276
Expenditures			
Current:			
Instruction	92,219,812	795,699	
Pupil Personnel Services	7,198,207	78,649	
Instructional Media Services	1,952,070		
Instruction and Curriculum Development Services	1,479,623	26,811	
Instructional Staff Training Services	1,033,762	368,525	
Instruction Related Technology	785,159	36,986	
Board of Education	370,010		
General Administration	498,802	139,753	
School Administration	10,735,137	189,957	
Facility Services - Non-Capitalized	443,720		
Fiscal Services	916,353		
Food Services	18,443		
Central Services	1,769,356	34,500	
Pupil Transportation Services	7,452,452	9,070	
Operation of Plant	14,270,730		
Maintenance of Plant	4,482,917		
Administrative Technology Services	1,639,822	47,095	
Community Services	52,702		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	107,696		
Other Capital Outlay	73,918	661,199	
Debt Service:			
Principal			10,602,245
Interest and Fiscal Charges			7,514,714
Dues and Fees			33,525
Total Expenditures	147,500,691	2,388,244	18,150,484
Excess (Deficiency) of Revenues Over Expenditures	(8,339,495)		(18,135,208)
Other Financing Sources (Uses)			
Transfers In	4,433,430		17,501,608
Refuding Bonds Issued			
Premium on Refunding Bonds			
Inception of Capital Leases			
Payments to Refunded Bond Escrow Agent			
Insurance Loss Recoveries	75,157		
Transfers Out	(14,463)		
Total Other Financing Sources (Uses)	4,494,124		17,501,608
Net Change in Fund Balances	(3,845,371)		(633,600)
Fund Balances, July 1, 2011	20,705,303		9,353,268
Fund Balances, June 30, 2012	$ 16,859,932	$	$ 8,719,668

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

Capital Projects - Section 1011.14/ 1011.15 F.S. Loans Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$	$ 212,982
			20,329,336	23,360,457
		50,176	1,260,837	87,083,824
				48,807,293
	12,242,466			12,242,466
		7,832,909		7,832,909
			2,473,071	2,473,071
		156,980		156,980
21	32,176	412,328	12,844	4,197,878
21	12,274,642	8,452,393	24,076,088	186,367,860
			5,051,165	98,066,676
			2,234,258	9,511,114
			1,258	1,953,328
			2,145,834	3,652,268
			1,711,536	3,113,823
			369,439	1,191,584
				370,010
			305,145	943,700
			14,299	10,939,393
	1,342,272	2,640,515	480,487	4,906,994
				916,353
			10,147,329	10,165,772
			3,607	1,807,463
			152,522	7,614,044
			7,295	14,278,025
				4,482,917
			26,958	1,713,875
				52,702
	489,038	3,035,065	969,763	4,601,562
	565,809	784,429	612,493	2,697,848
			580,000	11,182,245
36,539			400,277	7,951,530
7,006			2,300	42,831
43,545	2,397,119	6,460,009	25,215,965	202,156,057
(43,524)	9,877,523	1,992,384	(1,139,877)	(15,788,197)
1,921,996			14,463	23,871,497
			365,000	365,000
			55,865	55,865
	483,097			483,097
			(419,780)	(419,780)
				75,157
	(10,710,764)	(13,146,270)		(23,871,497)
1,921,996	(10,227,667)	(13,146,270)	15,548	559,339
1,878,472	(350,144)	(11,153,886)	(1,124,329)	(15,228,858)
(1,878,472)	5,104,006	43,651,920	4,023,977	80,960,002
$	$ 4,753,862	$ 32,498,034	$ 2,899,648	$ 65,731,144

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Governmental Funds			$ (15,228,858)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays and donations in excess of depreciation expense in the current period.			
Capital Outlay - Facilities and Construction - Governmental Funds		$ 4,601,562	
Capital Outlay - Other Capital Outlay - Governmental Funds		2,697,848	
Donated and Other Items		241,585	
Less: Depreciation Expense		(14,683,060)	(7,142,065)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.			10,749,148
Premiums and debt issuance costs are reported in the governmental funds in the year debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities.			
Unamortized Premium:			
Prior Year	$ 1,323,160		
Less: Current Year	(1,299,371)		
Increase in Unamortized Premiums		23,789	
Deferred Charges:			
Prior Year	(1,770,133)		
Less: Current Year	1,601,132		
Decrease in Deferred Charges		(169,001)	(145,212)
Capital credits to be received in future years are accrued in the government-wide statements, but the credits do not provide current financial resources and are not recognized in the governmental funds.			
Current Year Accruals		3,101,138	
Less: Prior Year		(2,959,421)	
Net Increase in Capital Assets Receivable			141,717
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period.			354,587
Other postemployment benefits costs are recorded in the governmental funds under the pay-as-you-go method, but under the full accrual method in the government-wide statements. This is the net increase in the other postemployment benefits liability for the current period.			(1,044,977)
Change in Net Assets - Governmental Activities			$ (12,315,660)

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2012

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$	$ 1,370,175
Investments	67,763	
Accounts Receivable		13,084
TOTAL ASSETS	$ 67,763	$ 1,383,259
LIABILITIES		
Accounts Payable	$	$ 10,657
Internal Accounts Payable		1,372,602
Total Liabilities		$ 1,383,259
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	67,763	
TOTAL LIABILITIES AND NET ASSETS	$ 67,763	

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2012

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings:	
Interest Income	$ 11,082
DEDUCTIONS	
Scholarship Payments	6,400
Change in Net Assets	4,682
Net Assets, July 1, 2011	63,081
Net Assets, June 30, 2012	$ 67,763

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Reporting Entity***

The Hernando 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 Hernando County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Hernando County.

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

Based on the application of these criteria, the following component units are included within the Board's reporting entity:

- Blended Component Unit. The Hernando School Board Leasing Corporation (Leasing Corporation) was formed in July 2011 to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 8. The governing board of the Leasing Corporation is the Board. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements of the Leasing Corporation are not published.

- Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the Hernando County Education Direct Support Organization, Inc. (Foundation), and the Gulf Coast Academy of Science and Technology, Inc. (Charter School).

  The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the District. The Foundation is considered to be a component unit of the District because of the nature and significance of its relationship to the District.

  The Charter School is a separate not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School

operates under a charter of the sponsoring School District and is considered a component unit since it is fiscally dependent on the District to levy taxes for its support.

On October 17, 2006, the District extended the original Charter School contract fifteen more years, until June 30, 2023. At the end of the term of a charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the charter school in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, in the event the charter school is dissolved or terminated, any unencumbered funds and all charter school property purchased with public funds shall automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

Annual postaudits of the Foundation's and the Charter School's financial statements are conducted by independent certified public accountants and are filed in the District's administrative office.

- **Measurement Focus, Basis of Presentation and Financial Statement Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is allocated to functions/programs of the primary government.

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- Special Revenue– Federal Economic Stimulus Programs Fund – to account for revenues received as part of the American Recovery and Restoration Act (ARRA) and Education Jobs Fund.

- Debt Service – Other Debt Service Fund – to account for the principal, interest and related costs of the obligations under capital leases, notes payable; Sales Tax Revenue Bonds, Series 2006; and the Certificates of Participation (COPs), Series 2003 and 2005.

- Capital Projects – Section 1011.14/1011.15, F.S. Loans Fund – to account for funds received through the issuance of short-term notes to fund projects authorized pursuant to the provisions of Sections 1011.14 and 1011.15, Florida Statutes. On September 22, 2010, the Board borrowed $3,600,000.

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation, and remodeling projects.

- Capital Projects – Other Fund – to account for the financial resources generated by COPs, the local voted sales tax, and the impact fees levied by the Hernando County Board of County Commissioners. The COPs must be used for new construction and renovation and remodeling projects specifically identified in the Master Lease Agreement, the sales tax is to be used for new school construction. The impact fees may be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Fund – to account for resources of the Hernando High School Renaissance Scholarship Endowment Fund which are used for student scholarships.

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers property taxes, sales taxes, and interest to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

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

Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value and (b) non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange. Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions are further classified into (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government-mandated non-exchange transactions, and (d) voluntary non-exchange transactions. Derived tax revenues (e.g., sales tax) are recorded when the exchange transaction occurs. Imposed non-exchange transactions (e.g., property taxes) are recorded when use of the resource is required or first permitted by time requirements (e.g., for property taxes, the period for which they are levied). Government-mandated and voluntary non-exchange transactions, (e.g., Federal mandates, grants, and donations) are recorded when all eligibility requirements have been met. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The Gulf Coast Academy of Science and Technology, Inc., shown as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

The Hernando County Education Direct Support Organization, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

- ***Deposits and Investments***

The District's cash and cash equivalents are considered to be demand deposits except that the certificates of deposit in the agency funds are considered to be cash equivalents. On June 30, 2012, the carrying amount of the District's bank deposit accounts was $31,712,241.

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

Investments consist of amounts placed in the State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys, amounts placed with the SBA for participation in Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund Investment Pool) and the Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the 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 date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

The Reserve Primary Fund Valuation - On September 18, 2008, the net asset value of the Reserve Primary Fund was 97 cents, which is the date that the Reserve Primary Fund ceased calculating net asset value.

The District classified a portion of fund balances as nonspendable for investments in the SBA Fund B and the Reserve Primary Fund, because the funds are not available for appropriation and the actual percentage at final distribution is not known.

Investments made locally consist of certificates of deposit, money market mutual funds, and United States Treasury securities and 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 average cost, except for transportation and food service inventories which are stated at last invoice, which approximates the first-in, first-out basis. The United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

- ***Capital Assets***

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. 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 method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Fixed Equipment	50 years
Improvements Other than Buildings	25 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years
Property Under Capital Leases	7 - 25 years

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

- ***Long-Term Liabilities***

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premiums or discounts.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are 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, for example, unused reimbursable leave still outstanding following employee resignations and retirements.

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

- ***State Revenue Sources***

Revenues from State sources for current operations are primarily from 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 period 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 categorical 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 unexpended balance of categorical and 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.

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

The Board adopted the 2011 tax levy on September 6, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on 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 fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Hernando 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.

- ***Local Sales Tax***

  On March 9, 2004, the voters of Hernando County approved a one-half cent school capital outlay sales tax on sales in Hernando County for ten years, effective January 1, 2005, to pay for the construction of certain educational facilities and other related costs, in accordance with Section 212.055(6), Florida Statutes. The school capital outlay sales tax expires December 31, 2014.

- ***Educational Impact Fees***

  The District receives educational impact fees based on an ordinance adopted by the Hernando Board of County Commission (County) on October 28, 1986. The fees are collected by the County and each municipality within the County for most new residential construction based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to: land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. In November 2011, the County adopted Ordinance 2011-20, which suspended impact fee collections for one year beginning November 15, 2011.

- ***Federal Revenue Sources***

  The District receives Federal awards for the enhancement of various educational programs, including American Recovery and Reinvestment Act (ARRA) funds. 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.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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

- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds except that no budget appropriation is made for capital leases in the year of inception.

- 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.

3. INVESTMENTS

Cash and Cash Equivalents and Investment Portfolio. The District's investment policy allows for the following investments: SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, United States Government securities, United States Government agencies, Federal instrumentalities, interest bearing time deposit or saving accounts, registered investment companies (mutual funds), and other investments permitted by Section 218.415, Florida Statutes.

The District maintains a common cash and investment pool for the use of all funds. In addition, cash and investments are separately held by the District's General, special revenue, debt service, capital projects, and trust funds.

Investment Portfolio. Investment holdings consist of $34,801,926 in direct obligations of the United States Treasury Securities, PRIME, Fund B, mutual funds, FEIT and certificates of deposit, which are reported at fair value.

As of June 30, 2012, the District has the following investments and maturities:

Security Type	Fair Value	Duration (Years)
State Board of Administration:		
Florida PRIME (1)	$ 17,137,404	0.10
Fund B Surplus Funds Trust Fund (2)	2,572,595	5.73
Debt Service Accounts	135,551	0.50
Money Market Funds:		
Reserve Primary Fund (3)	143,848	N/A
Intergovernmental Investment Pool		
Florida Education Investment Trust Fund	14,719,977	0.13
Bank of America Certificates of Deposit	25,067	1.42
U.S. Treasury Bonds	67,484	10.64
Total	**$ 34,801,926**	**0.55**

Notes: (1) At June 30, 2012, investments totaling $15,104,194 are held under trust agreements in connection with Certificates of Participation, Series 2003 and 2005 financing agreements (See Note 8).

(2) Investments totaling $1,064,577 are held under trust agreements in connection with Certificates of Participation, Series, 2003 and 2005 financing agreements (See Note 8).

(3) At June 30, 2012, investments totaling $31,076 are held under trust agreements in connection with Certificates of Participation, Series 2003 and 2005 financing agreements (See Note 8).

Interest Rate Risk. Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of short-term funds will have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other nonoperating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but should not exceed five (5) years. In the case of moneys which are construction proceeds of tax exempt debt issues, such investments shall not exceed three (3) years.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days, and FEIT had a WAM of 46 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 5.73 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2012. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding its WAL. At June 30, 2012, no WAL or maturity information is available for the Reserve Primary Fund.

Although the District has investments held in SBA Fund B with an average maturity of 5.73 years, which is beyond the five-year maximum established by District policy, participation in Fund B is strictly involuntary. Participation in the Reserve Primary Fund is also involuntary. The Hernando High School Renaissance Scholarship Endowment Fund, a Private-Purpose Trust Fund, has investments in U.S. Treasury Bonds with an average maturity of 10.64 years. These bonds were purchased prior to the establishment of the District's investment policy in February 2000.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy permits investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

- Intergovernmental investment pools shall be rated "AAAm" by Standard & Poor's or the equivalent by another national rating agency.
- Money market mutual funds shall be rated "AAAm" by Standard & Poor's or the equivalent by another national rating agency.

As of June 30, 2012, investments had the following credit quality:

Security Type	Credit Rating	Portfolio Asset Allocation
State Board of Administration:		
Florida PRIME	AAAm	49.24%
Fund B Surplus Funds Trust Fund	Unrated	7.40%
Debt Service Accounts (1)	N/A	0.39%
Money Market Funds:		
Reserve Primary Fund	Unrated	0.41%
Intergovernmental Investment Pool		
Florida Education Investment Trust Fund	AAAm	42.30%
Bank of America Certificates of Deposit (2)	N/A	0.07%
U.S. Treasury Bonds (2)	N/A	0.19%
Total		**100.00%**

Notes: (1) The 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 investment.

(2) Disclosure of credit risk is not required for this investment type.

The District has $25,067 invested in certificates of deposit in a qualified public depository, as required by Chapter 280, Florida Statutes.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and is doing business in the State of Florida. Certificates of Deposit will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2012, the only District investment subject to custodial credit risk is the U.S. Treasury Bonds of $67,484. The bonds are held by the counterparty, but not in the name of the District.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	$ 10,317,174	$	$	$	$ 10,317,174
Construction in Progress	17,573,316	3,286,146	20,859,462		
Total Capital Assets Not Being Depreciated	27,890,490	3,286,146	20,859,462		10,317,174
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	27,924,103	268,623			28,192,726
Buildings and Fixed Equipment	451,963,283	22,035,854	276,888	1,138,439	474,860,688
Furniture, Fixtures, and Equipment	25,784,607	2,221,327	657,640		27,348,294
Motor Vehicles	17,430,012	105,410	71,407		17,464,015
Property Under Capital Leases	9,483,408	483,097		(1,138,439)	8,828,066
Total Capital Assets Being Depreciated	532,585,413	25,114,311	1,005,935		556,693,789
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	11,430,659	1,127,709			12,558,368
Buildings and Fixed Equipment	82,688,101	9,497,214	276,888	455,380	92,363,807
Furniture, Fixtures, and Equipment	24,978,479	1,050,205	657,640		25,371,044
Motor Vehicles	13,808,718	1,746,401	71,407		15,483,712
Property Under Capital Leases	3,110,769	1,261,531		(455,380)	3,916,920
Total Accumulated Depreciation	136,016,726	14,683,060	1,005,935		149,693,851
Total Capital Assets Being Depreciated, Net	396,568,687	10,431,251			406,999,938
Governmental Activities Capital Assets, Net	$ 424,459,177	$ 13,717,397	$ 20,859,462	$	$ 417,317,112

The classes of property under capital leases are presented in Note 5.

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental Activities	
Instruction	$ 233,390
Pupil Personnel Services	963
Instructional Staff Training Services	3,323
Instruction Related Technology	87,164
General Administration	1,185
School Administration	53,623
Facility Services - Non-Capitalized	13,764,634
Food Services	389,645
Central Services	91,491
Operation of Plant	2,845
Maintenance of Plant	52,575
Administrative Technology Services	2,222
Total Depreciation Expense - Governmental Activities	$ 14,683,060

5. OBLIGATIONS UNDER CAPITAL LEASES

The classes and amounts of property being acquired under capital leases are as follows:

	Asset Balance
Data Processing Equipment	$ 8,828,066

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2013	$ 810,517	$ 758,322	$ 52,195
2014	250,634	233,359	17,275
2015	53,313	50,273	3,040
Total Minimum Lease Payments	$ 1,114,464	$ 1,041,954	$ 72,510

The imputed interest rates range from 3.99 to 6.25 percent.

6. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
GOVERNMENTAL ACTIVITIES				
Revenue Anticipation Notes	$ 3,600,000	$	$ 1,800,091	$ 1,799,909
Total Governmental Activities	$ 3,600,000	$	$ 1,800,091	$ 1,799,909

On September 22, 2010, the District issued Revenue Anticipation Notes (RAN), Series 2010A and 2010B in the amount of $3,600,000. The notes were used to fund acquisition and renovation costs for certain facilities and equipment within the District. The notes were issued at 1.22 percent for Series 2010A and 1.42 percent for Series 2010B, and mature on July 1, 2011 subject to one additional one-year extension. The series 2010A was paid off during the 2011-2012 fiscal year and the District extended the maturity date for the Series 2010B to July 1, 2012. These notes are payable and secured by a pledge of the proceeds of the discretionary capital outlay ad valorem tax levy. The Series 2010B was paid off on July 3, 2012.

7. NOTE PAYABLE

Note payable is comprised of the following:

	Balance at June 30, 2012
Banc of America Public Capital Corp	
$14,419,695, Borrowed 3-16-07. Under Provisions of Section 1013.23, Florida Statutes. Interest Rate of 3.83 percent. Proceeds Used to Refinance the Purchase of Energy Savings Equipment. Matures 2-28-20. Repayment of the Loan is Expected to be Extended Over the Next Eight Years.	$ 9,438,299

Amounts payable for the planned extended repayment of the Section 1013.23, Florida Statutes, financing agreement are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2013	$ 1,413,189	$ 1,067,087	$ 346,102
2014	1,413,189	1,108,526	304,663
2015	1,413,189	1,151,573	261,616
2016	1,413,189	1,196,292	216,897
2017	1,413,189	1,242,748	170,441
2018-2020	3,885,600	3,672,073	213,527
Total	$ 10,951,545	$ 9,438,299	$ 1,513,246

8. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on November 1, 1991, which was characterized as a lease-purchase agreement, with the Florida School Boards Association, Inc., whereby the District secured financing of various educational facilities in the total amount of $11,435,000 for the Certificates of Participation, Series 1993; $30,000,000 for the Certificates of Participation, Series 2003A; $7,175,000 for the Certificates of Participation, Series 2003B; and $106,670,000 for the Certificates of Participation, Series 2005. The Certificates of Participation, Series 2003B, were used to advance refund the outstanding Certificates of Participation, Series 1993, maturing on or after July 1, 2004. The financings were accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

On August 10, 2011, the Florida School Boards Association, Inc., irrevocably assigned to the Hernando School Board Leasing Corporation (Leasing Corporation) all of its rights, title and interest under the Master Trust Agreement and the Ground Lease Agreements.

As a condition of the financing arrangement, the District has given ground leases on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of two leases is 20 years commencing on April 1, 1993, and November 1, 2003, and they are referred to as the Series 1993 Project and the Series 2003A Project, respectively. The term for the lease referred to as the Series 2005 Project, commencing on January 1, 2006, is 30 years.

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 lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements for the benefit of the securers of the certificates for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangements.

The District properties included in the ground leases under this arrangement include land on which the projects have been constructed. The projects related to the ground leases are as follows:

Refunding Series 2003B Certificates
Additions to Westside Elementary School
New District Transportation Complex
Suncoast Elementary School

Series 2003A Certificates
Challenger K-8 School Science and Mathematics

Series 2005 Certificates
Explorer K-8 School
Winding Waters K-8 School
Grade Specific Additions at Pine Grove Elementary School, West Hernando Middle School, and Central High School
Improvements and Additions to Hernando High School
Improvements and Additions to Springstead High School
Improvements and Additions to Spring Hill Elementary School

The lease payments for the 2003, and 2005 Series are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3.5 to 5.0 percent. The payment of principal and interest on the bonds underlying the lease agreements are

due on July 1 and January 1 of each year. The July 1 payment is typically made on or around June 15 and is considered to be a reduction of bond principal as of June 30.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2013	$ 9,666,403	$ 3,500,000	$ 6,166,403
2014	9,667,168	3,630,000	6,037,168
2015	9,667,775	3,765,000	5,902,775
2016	9,666,588	3,905,000	5,761,588
2017	9,662,938	4,065,000	5,597,938
2018-2022	48,327,319	23,115,000	25,212,319
2023-2027	48,329,138	28,890,000	19,439,138
2028-2032	48,327,800	36,480,000	11,847,800
2033-2035	28,991,675	26,405,000	2,586,675
Total Minimum Lease Payments	222,306,804	133,755,000	88,551,804
Unamortized COP Premiums	936,670	936,670	
Total	$ 223,243,474	$ 134,691,670	$ 88,551,804

9. BONDS PAYABLE

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

Bond Type	Original Debt Issue Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 2003A	$ 670,000	$ 30,000	3.125	2013
Series 2004A	460,000	310,000	4.000 - 4.625	2024
Series 2005A	545,000	390,000	4.00 - 5.00	2025
Series 2005B, Refunding	3,885,000	2,575,000	5.00	2018
Series 2009A, Refunding	370,000	235,000	4.00 - 5.00	2019
Series 2010A	1,435,000	1,355,000	3.50 - 5.00	2030
Series 2011A, Refunding	365,000	365,000	3.00 - 5.00	2023
Subtotal	7,730,000	5,260,000		
Unamortized Premium	586,332	360,931		
State School Bonds	8,316,332	5,620,931		
District Revenue Bonds:				
Series 2001, Refunding	3,290,000	2,575,000	4.400 - 5.125	2031
Sales Tax Revenue Bonds:				
Series 2006	45,000,000	18,590,000	3.50 - 4.25	2014
Unamortized Bond Premium	5,304	1,770		
Sales Tax Revenue Bonds	45,005,304	18,591,770		
Total Bonds Payable	$ 56,611,636	$ 26,787,701		

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***

  Refunding and Capital Improvement Revenue Bonds, Series 2001. These bonds were issued in June 2001 to refund the Refunding and Improvement Revenue Bonds, Series 1992, and to finance the costs of various capital improvements within the school district. These bonds were authorized by Chapter 79-471, Laws of Florida, which provides that the bonds be secured from racetrack funds and jai alai fronton funds accruing 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)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2011)). The annual distribution is remitted by the Florida Department of Financial Services to the District.

  The District has pledged a combined total of $4,083,535 of sales tax revenues in connection with the 2001 District Revenue Bonds, described above. During the 2011-2012 fiscal year, the District recognized sales tax revenues totaling $209,750 and expended $204,830 (97.65 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on December 1, 2031. Approximately 97 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

- ***Sales Tax Revenue Bonds***

  Sales Tax Revenue Bonds, Series 2006. These bonds are authorized by Chapters 1001 and 212, Florida Statutes. Principal and interest on these bonds are payable solely from and secured by a lien upon and pledge of proceeds from the levy and collection of the one-half cent local capital outlay sales surtax pursuant to Section 212.055(6), Florida Statutes. The bonds were issued for the principal purpose of acquiring, construction, and equipping a new high school.

  The sales tax collection began on January 1, 2005, and will be in place for ten years. The sales tax was projected to generate at least $68,708,600 or 130.44 percent of the principal and interest payments over the eight years of the bonds. During the 2011-2012 fiscal year, the District recognized sales tax revenues totaling $7,832,909 and expended $6,542,834 (83.53 percent) of these revenues for debt service directly collateralized by these revenues.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	$ 776,508	$ 530,000	$ 246,508
2014	766,351	545,000	221,351
2015	774,301	580,000	194,301
2016	765,551	600,000	165,551
2017	775,751	640,000	135,751
2018-2022	1,719,536	1,380,000	339,536
2023-2027	786,900	655,000	131,900
2028-2030	357,200	330,000	27,200
Unamortized Bond Premium	360,931	360,931	
Total State School Bonds	7,083,029	5,620,931	1,462,098
District Revenue Bonds:			
2013	206,458	80,000	126,458
2014	207,785	85,000	122,785
2015	203,918	85,000	118,918
2016	204,825	90,000	114,825
2017	205,372	95,000	110,372
2018-2022	1,025,052	550,000	475,052
2023-2027	1,015,839	695,000	320,839
2028-2032	1,014,286	895,000	119,286
Total District Revenue Bonds	4,083,535	2,575,000	1,508,535
Sales Tax Revenue Bonds:			
2013	6,572,038	5,995,000	577,038
2014	6,532,049	6,180,000	352,049
2015	6,531,775	6,415,000	116,775
Unamortized Bond Premium	1,770	1,770	
Total Sales Tax Revenue Bonds	19,637,632	18,591,770	1,045,862
Total	$ 30,804,196	$ 26,787,701	$ 4,016,495

10. DEFEASED DEBT

In prior years, the Board defeased in substance certain outstanding bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements. On June 30, 2012, bonds considered defeased in substance are as follows:

Bond Issues	Amount Outstanding
Refunding and Capital Improvement Revenue Bonds, Series 1992	$ 1,140,000

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 32,805,000	$ 365,000	$ 6,745,000	$ 26,425,000	$ 6,605,000
Unamortized Premium	345,764	55,865	38,928	362,701	43,585
Total Bonds Payable	33,150,764	420,865	6,783,928	26,787,701	6,648,585
Certificates of Participation Payable	135,305,000		1,550,000	133,755,000	3,500,000
Unamortized Premium	977,396		40,726	936,670	40,725
Total Certificates of Participation Payable	136,282,396		1,590,726	134,691,670	3,540,725
Obligations Under Capital Leases	2,833,904	483,097	2,275,047	1,041,954	758,322
Note Payable	10,465,497		1,027,198	9,438,299	1,067,087
Other Postemployment Benefits	4,573,048	1,208,791	163,814	5,618,025	
Compensated Absences Payable	13,659,647	1,047,864	1,402,451	13,305,060	1,402,000
Total Governmental Activities	$ 200,965,256	$ 3,160,617	$ 13,243,164	$ 190,882,709	$ 13,416,719

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

12. FUND BALANCE REPORTING

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has frozen investments and inventory items that are considered nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

- Unassigned: fund balance of the General Fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

Nonspendable: The District has inventories and frozen investments totaling $3,892,743 that are classified as nonspendable.

Spendable: The District has classified the spendable fund balances as *Restricted, Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as *Committed*.

- Restricted for State Categorical Programs, Food Services, Debt Service, and Capital Projects:

  Federal Laws, Florida Statutes and local ordinances require that certain revenues be specifically designated for the purposes of State required programs, food service, debt service, and capital projects. These funds have been included in the restricted category of fund balance. The restricted fund balance totaled $47,397,526 and represented $978,496 for State categorical programs, $1,835,474 in food services, $9,121,601 in debt service, and $35,461,955 in capital projects.

- Assigned for School Operations, Department of Education (DOE) Obligations, and Health Insurance Rebates:

  The Board has set aside certain spendable fund balance for school operations. At year end, the assigned general fund balance is $10,216,038 of which $9,200,504 is for school operations, $341,249 is for the return of FEFP funds to the Florida DOE for FTE audits, and $674,285 is for health insurance rebates received that can only be used for premium increases. The assigned fund balance for school operations includes $761,193 for outstanding encumbrances and $8,439,311 for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in next year's budget.

- Unassigned:

  The unassigned fund balance for the General Fund is $4,224,837.

	Major Funds							
				Capital Projects				
	General	Federal Stimulus Programs	Other Debt Service	Section 1011.14/1011.15 Loans	Local Capital Improvement	Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:								
Nonspendable:								
Inventory	$ 1,081,917	$	$	$	$	$	$ 94,488	$ 1,176,405
Other Not in Spendable Form	358,644		18,775		198,649	2,128,614	11,656	2,716,338
Restricted:								
State Categoricals	978,496							978,496
Debt Service			8,700,893				420,708	9,121,601
Capital Projects					4,555,213	30,369,420	537,322	35,461,955
Food Services							1,835,474	1,835,474
Assigned:								
School Operations:								
Purchase Obligations	761,193							761,193
Next Year Budget Deficit	8,439,311							8,439,311
FDOE Obligations	341,249							341,249
Health Insurance Rebates	674,285							674,285
Unassigned:	4,224,837							4,224,837
Total Fund Balances	$ 16,859,932	$	$8,719,668	$	$ 4,753,862	$ 32,498,034	$ 2,899,648	$ 65,731,144

The District has not established a contingency reserve or “rainy day fund.” At the end of the fiscal year, the unassigned general fund balance was $4,244,837, or 3.04 percent, of General Fund revenues.

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

	Interfund	
Funds	Receivables	Payables
Major Funds:		
General	$	$ 8,244,372
Special Revenue:		
Federal Economic Stimulus Programs		219,918
Debt Service:		
Other Debt Service	3,586,780	686,847
Capital Projects:		
Local Capital Improvement	2,000,000	1,655,013
Other	5,009,720	10,268
Nonmajor Governmental	1,028,209	808,291
Total Governmental Funds	$ 11,624,709	$ 11,624,709

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09, Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement.

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

	Interfund	
Funds	Transfers In	Transfers Out
Major Funds:		
General	$ 4,433,430	$ 14,463
Debt Service:		
Other Debt Service	17,501,608	
Capital Projects:		
Section 1011.14/1011.15 F.S. Loans	1,921,996	
Local Capital Improvement		10,710,764
Other		13,146,270
Nonmajor Governmental	14,463	
Total Governmental Funds	$ 23,871,497	$ 23,871,497

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from the General Fund and capital projects funds to the debt service funds for annual debt payments and from the capital projects funds to the General Fund to assist in financing maintenance operations of the District and payment of property-casualty insurance premiums.

14. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program:	
Transportation	$ 4,411,767
Instructional Materials	1,731,933
School Recognition	480,823
Florida Teachers Lead	273,968
Other	54,031,204
Categorical Educational Program - Class Size Reduction	24,160,280
Motor Vehicle License Tax (Capital Outlay and Debt Service)	857,309
Workforce Development Program	388,350
Food Service Supplement	148,847
Discretionary Lottery Funds	71,021
Charter School Capital Outlay	46,743
Interest on Investment of Bond Reserves	9,156
Miscellaneous	472,423
Total	$ 87,083,824

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

15. PROPERTY TAXES

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.260	$ 46,285,914
Basic Discretionary Local Effort	0.748	6,582,103
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	13,199,405
Total	7.508	$ 66,067,422

16. FLORIDA RETIREMENT SYSTEM

Florida Retirement System. Essentially all regular employees of the District are eligible to enroll as members of the Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and 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 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 Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of credible service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of credible service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or any time after 30 years of credible 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.

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-2012 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (a)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(b)	(b)

Notes:

(a) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative 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, including employee contributions for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012, totaled $9,579,698, $10,739,645 and $7,047,278, respectively, which were equal to the required contributions for each fiscal year.

There were 445 District participants in the Investment Plan during the 2011-2012 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled $1,123,076, which was equal to the required contribution for the 2011-2012 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

17. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District’s fully insured group health plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as

they are eligible. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Benefit provisions for the Plan are pursuant to provisions of Section 112.081, Florida Statutes, and are amended through negotiations between the District and the respective unions.

The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-2012 fiscal year, 79 retirees received other postemployment group healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was $163,814. Plan members receiving benefits contributed $992,550, through their required contributions ranging from $542 to $576 per month for retiree-only coverage and from $1,036 to $1,096 for retiree and spouse coverage, depending on the health plan selected.

Annual OPEB Cost and Net OPEB Obligations. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that is 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 year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for Postemployment Healthcare Benefits:

Description	Amount
Normal Cost (service cost for one year)	$ 870,636
Amortization of Unfunded Actuarial Accrued Liability	329,980
Annual Required Contribution	1,200,616
Interest on Net OPEB Obligation	182,922
Adjustment to Annual Required Contribution	(174,747)
Annual OPEB Cost (Expense)	1,208,791
Contribution Toward the OPEB Cost	(163,814)
Increase in Net OPEB Obligation	1,044,977
Net OPEB Obligation, Beginning of Year	4,573,048
Net OPEB Obligation, End of Year	$ 5,618,025

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-2010	$ 1,276,923	12.4%	$ 3,600,313
2010-2011	1,207,052	19.5%	4,573,048
2011-2012	1,208,791	13.6%	5,618,025

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date accrued liability for benefits was $8,635,415, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $8,635,415 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $107,619,848, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.0 percent.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress can be found on page 70 of this report.

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

The District's OPEB actuarial valuation as of July 1, 2010, used the projected unit credit actuarial cost method to estimate the unfunded actuarial accrued liability as of June 30, 2012, and to estimate the District's 2011-2012 annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumption included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3 percent annually and an annual healthcare cost trend of 9.5 percent for the 2011-2012 fiscal year, reduced by 1 percent per year to 6.5 percent and then further reduced 0.5 percent per year, to an ultimate rate of 5 percent after six years. These trend rates were developed using an inflation rate of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis.

18. COMMITMENTS

The District uses encumbrance accounting for recording purchase order commitments for goods and services. The following is a schedule of encumbrances at June 30, 2012.

Major Funds					
		Capital Projects			
General	Other Debt Service	Local Capital Improvement	Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$761,193	$ 2,000	$ 447,248	$1,290,987	$ 903,987	$ 3,405,415

19. MEMBERSHIP IN NONPROFIT CORPORATION

The District participated in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc., established under the provisions of Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless determined by a vote of the membership, are distributed by the Cooperative on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2012, the accumulated credits to the District's account are $3,101,138. During the 2011-2012 fiscal year, the District received $141,717 in capital credits.

20. 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 is a participating district of the North East Florida Educational Consortium (Consortium), under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members and participants of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member and participant assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess property coverage of up to $75 million during the 2011-2012 fiscal year, which is the same excess property coverage provided during the 2010-2011 fiscal year. The Board of Directors for the Consortium is composed of superintendents of all member districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

21. LITIGATION AND CONTINGENCIES

The District is subject to potential litigation in the normal course of business. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liability on uninsured risks, that the amount of losses resulting from litigation, which exceed the above-mentioned limits, would not be material to the financial position of the District.

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by grantors, cannot be determined at this time. In the opinion of the management of the District, no material refunds will be required as a result of expenditures disallowed by grantors.

REQUIRED SUPPLEMENTARY INFORMATION



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 216,700	$ 212,982	$ 212,982	$
Federal Through State and Local	400,000	642,877	642,877	
State	88,023,671	85,772,811	85,772,811	
Local:				
Property Taxes Levied for Operational Purposes	49,944,559	48,807,293	48,807,293	
Miscellaneous	2,172,861	3,725,233	3,725,233	
Total Revenues	140,757,791	139,161,196	139,161,196	
Expenditures				
Current:				
Instruction:				
Salaries	70,393,850	67,365,065	67,365,065	
Employee Benefits	21,265,547	18,995,534	18,995,534	
Purchased Services	2,409,888	1,164,611	1,164,611	
Energy Services	500	669	669	
Materials and Supplies	3,611,464	3,004,672	3,004,672	
Capital Outlay	205,983	264,806	264,806	
Other Expenses	1,478,914	1,424,455	1,424,455	
Total Instruction	99,366,146	92,219,812	92,219,812	
Pupil Personnel Services:				
Salaries	5,710,279	5,195,323	5,195,323	
Employee Benefits	1,586,058	1,382,441	1,382,441	
Purchased Services	513,591	569,205	569,205	
Energy Services	4,500	7,517	7,517	
Materials and Supplies	43,726	32,319	32,319	
Capital Outlay	874	2,641	2,641	
Other Expenses	8,458	8,761	8,761	
Total Pupil Personnel Services	7,867,486	7,198,207	7,198,207	
Instructional Media Services:				
Salaries	1,516,999	1,398,662	1,398,662	
Employee Benefits	432,060	395,685	395,685	
Purchased Services	13,735	17,022	17,022	
Energy Services	75	155	155	
Materials and Supplies	23,326	13,575	13,575	
Capital Outlay	152,452	116,975	116,975	
Other Expenses	3,046	9,996	9,996	
Total Instructional Media Services	2,141,693	1,952,070	1,952,070	
Instruction and Curriculum Development Services:				
Salaries	1,111,676	1,136,004	1,136,004	
Employee Benefits	300,040	278,522	278,522	
Purchased Services	26,903	14,315	14,315	
Materials and Supplies	27,515	41,030	41,030	
Capital Outlay	2,854	4,776	4,776	
Other Expenses	2,845	4,976	4,976	
Total Instruction and Curriculum Development Services	1,471,833	1,479,623	1,479,623	
Instructional Staff Training Services:				
Salaries	854,334	767,892	767,892	
Employee Benefits	233,892	195,985	195,985	
Purchased Services	37,586	38,791	38,791	
Materials and Supplies	6,379	6,043	6,043	
Capital Outlay	20,487	16,656	16,656	
Other Expenses	20,900	8,395	8,395	
Total Instructional Staff Training Services	1,173,578	1,033,762	1,033,762	
Instruction Related Technology:				
Salaries	605,848	624,100	624,100	
Employee Benefits	183,547	156,271	156,271	
Materials and Supplies		4,788	4,788	
Total Instruction Related Technology	789,395	785,159	785,159	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures				
Current (Continued)				
Board of Education:				
Salaries	317,955	193,804	193,804	
Employee Benefits	58,562	59,405	59,405	
Purchased Services	120,836	99,362	99,362	
Materials and Supplies	4,990	1,169	1,169	
Capital Outlay		98	98	
Other Expenses	20,435	16,172	16,172	
Total Board of Education	522,778	370,010	370,010	
General Administration:				
Salaries	367,558	345,560	345,560	
Employee Benefits	79,114	89,588	89,588	
Purchased Services	24,840	36,244	36,244	
Materials and Supplies	11,515	4,098	4,098	
Capital Outlay		3,024	3,024	
Other Expenses	12,702	20,288	20,288	
Total General Administration	495,729	498,802	498,802	
School Administration:				
Salaries	8,559,719	8,274,318	8,274,318	
Employee Benefits	2,447,292	2,234,709	2,234,709	
Purchased Services	75,375	55,802	55,802	
Energy Services	200			
Materials and Supplies	51,628	53,227	53,227	
Capital Outlay	771	9,590	9,590	
Other Expenses	105,680	107,491	107,491	
Total School Administration	11,240,665	10,735,137	10,735,137	
Facility Services - Non-Capitalized:				
Salaries	379,481	341,443	341,443	
Employee Benefits	95,175	90,590	90,590	
Purchased Services	75,322	4,946	4,946	
Materials and Supplies	6,000	3,529	3,529	
Capital Outlay		2,167	2,167	
Other Expenses	691	1,045	1,045	
Total Facility Services - Non-Capitalized	556,669	443,720	443,720	
Fiscal Services:				
Salaries	543,360	552,628	552,628	
Employee Benefits	164,749	149,839	149,839	
Purchased Services	134,975	124,564	124,564	
Materials and Supplies	4,172	3,011	3,011	
Capital Outlay		1,376	1,376	
Other Expenses	71,777	84,935	84,935	
Total Fiscal Services	919,033	916,353	916,353	
Food Services:				
Salaries	13,297	13,297	13,297	
Employee Benefits	5,670	5,146	5,146	
Total Food Services	18,967	18,443	18,443	
Central Services:				
Salaries	1,015,628	930,083	930,083	
Employee Benefits	328,654	290,731	290,731	
Purchased Services	585,212	490,421	490,421	
Materials and Supplies	76,638	51,557	51,557	
Capital Outlay		1,793	1,793	
Other Expenses	15,507	4,771	4,771	
Total Central Services	2,021,639	1,769,356	1,769,356	
Pupil Transportation Services:				
Salaries	4,374,069	3,275,886	3,275,886	
Employee Benefits	2,008,972	1,450,497	1,450,497	
Purchased Services	418,347	197,583	197,583	
Energy Services	3,507,600	1,557,858	1,557,858	
Materials and Supplies	530,660	467,332	467,332	
Capital Outlay		10,983	10,983	
Other Expenses	8,827	492,313	492,313	
Total Pupil Transportation Services	10,848,475	7,452,452	7,452,452	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures				
Current (Continued)				
Operation of Plant:				
Salaries	4,531,257	4,346,354	4,346,354	
Employee Benefits	1,979,815	1,692,848	1,692,848	
Purchased Services	2,327,178	2,311,266	2,311,266	
Energy Services	5,330,172	5,215,667	5,215,667	
Materials and Supplies	546,125	521,188	521,188	
Capital Outlay	7,524	9,637	9,637	
Other Expenses	143,002	173,770	173,770	
Total Operation of Plant	14,865,073	14,270,730	14,270,730	
Maintenance of Plant:				
Salaries	2,857,698	2,728,773	2,728,773	
Employee Benefits	953,188	854,182	854,182	
Purchased Services	588,237	328,201	328,201	
Energy Services	309,160	177,566	177,566	
Materials and Supplies	462,146	361,028	361,028	
Capital Outlay	41,049	20,673	20,673	
Other Expenses	1,200	12,494	12,494	
Total Maintenance of Plant	5,212,678	4,482,917	4,482,917	
Administrative Technology Services:				
Salaries	1,161,839	1,117,579	1,117,579	
Employee Benefits	345,390	321,640	321,640	
Purchased Services	268,234	170,735	170,735	
Materials and Supplies	32,658	26,788	26,788	
Capital Outlay	10,262	2,517	2,517	
Other Expenses	229	563	563	
Total Administrative Technology Services	1,818,612	1,639,822	1,639,822	
Community Services:				
Salaries	11,650	12,012	12,012	
Employee Benefits	8,338	8,248	8,248	
Purchased Services	38,931	28,366	28,366	
Materials and Supplies	657	1,168	1,168	
Capital Outlay	115	2,813	2,813	
Other Expenses		95	95	
Total Community Services	59,691	52,702	52,702	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		107,696	107,696	
Other Capital Outlay		73,918	73,918	
Total Fixed Capital Outlay		181,614	181,614	
Total Expenditures	161,390,140	147,500,691	147,500,691	
Deficiency of Revenues Over Expenditures	(20,632,349)	(8,339,495)	(8,339,495)	
Other Financing Sources (Uses)				
Transfers In	4,168,685	4,433,430	4,433,430	
Insurance Loss Recoveries	110,000	75,157	75,157	
Transfers Out	(30,000)	(14,463)	(14,463)	
Total Other Financing Sources (Uses)	4,248,685	4,494,124	4,494,124	
Net Change in Fund Balances	(16,383,664)	(3,845,371)	(3,845,371)	
Fund Balances, July 1, 2011	20,705,303	20,705,303	20,705,303	
Fund Balances, June 30, 2012	$ 4,321,639	$ 16,859,932	$ 16,859,932	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FEDERAL ECONOMIC STIMULUS PROGRAMS FUND
For the Fiscal Year Ended June 30, 2012

	Special Revenue Fund - Federal Economic Stimulus Programs Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	$ 1,399,304	$ 2,388,244	$ 2,388,244	$
Total Revenues	1,399,304	2,388,244	2,388,244	
Expenditures				
Current:				
Instruction:				
Salaries	335,609	434,039	434,039	
Employee Benefits	90,750	93,274	93,274	
Purchased Services	15,000	22,328	22,328	
Materials and Supplies	67,951	118,737	118,737	
Capital Outlay	200,086	116,036	116,036	
Other Expenses	4,936	11,285	11,285	
Total Instruction	714,332	795,699	795,699	
Pupil Personnel Services:				
Salaries	38,973	20,315	20,315	
Employee Benefits	13,264	6,768	6,768	
Purchased Services	9,947	51,484	51,484	
Materials and Supplies		82	82	
Total Pupil Personnel Services	62,184	78,649	78,649	
Instruction & Curriculum Development Services:				
Salaries	20,350	23,406	23,406	
Employee Benefits	5,652	3,405	3,405	
Total Instruction & Curriculum Development Services	26,002	26,811	26,811	
Instructional Staff Training Services:				
Salaries	52,134	237,621	237,621	
Employee Benefits	16,777	59,961	59,961	
Purchased Services	53,820	57,369	57,369	
Materials and Supplies	2,657	1,370	1,370	
Capital Outlay	220	1,666	1,666	
Other Expenses	4,245	10,538	10,538	
Total Instructional Staff Training Services	129,853	368,525	368,525	
Instruction Related Technology:				
Salaries	45,309	19,749	19,749	
Employee Benefits	21,834	9,362	9,362	
Capital Outlay		7,875	7,875	
Total Instruction Related Technology	67,143	36,986	36,986	
General Administration:				
Salaries	21,570	69,781	69,781	
Employee Benefits	6,835	19,288	19,288	
Other Expenses	32,369	50,684	50,684	
Total General Administration	60,774	139,753	139,753	
School Administration:				
Salaries	31,150	146,972	146,972	
Employee Benefits	7,070	42,985	42,985	
Capital Outlay	2,500			
Total School Administration	40,720	189,957	189,957	
Central Services				
Purchased Services	217,776	34,500	34,500	
Total Central Services	217,776	34,500	34,500	
Transportation				
Salaries	1,670	2,836	2,836	
Employee Benefits	290	532	532	
Purchased Supplies	5,596	797	797	
Energy Services	10,000	3,144	3,144	
Other Expenses		1,761	1,761	
Total Transportation	17,556	9,070	9,070	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FEDERAL ECONOMIC STIMULUS PROGRAMS FUND (continued)
For the Fiscal Year Ended June 30, 2012

	Special Revenue Fund - Federal Economic Stimulus Programs Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures				
Current (Continued)				
Administrative Technology Services:				
Salaries	45,994	36,816	36,816	
Employee Benefits	16,970	10,279	10,279	
Total Administrative Technology Services	62,964	47,095	47,095	
Fixed Capital Outlay:				
Other Capital Outlay		661,199	661,199	
Total Expenditures	1,399,304	2,388,244	2,388,244	
Net Change in Fund Balances				
Fund Balances, July 1, 2011				
Fund Balances, June 30, 2012	$	$	$	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2006	$	$ 8,161,669	$ 8,161,669	0.0%	$ 79,177,114	10.3%
July 1, 2008		9,152,972	9,152,972	0.0%	103,207,238	8.9%
July 1, 2010		8,635,415	8,635,415	0.0%	107,619,848	8.0%

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

1. GAAP TO BUDGET COMPARISON

There is no GAAP reconciliation required between budgetary inflows and outflows and generally accepted accounting principles revenues and expenditures since both reflect the modified accrual basis of accounting.



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OTHER SUPPLEMENTARY INFORMATION



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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Food Service Fund – To account for and report on the activities of the food service program in serving breakfast and lunch at the schools. These activities are primarily funded through local charges and Federal awards.

Other Federal Programs Fund – To account for and report on activities of various funding sources, which require separate accountability due to legal or regulatory restrictions.

Debt Service Funds

The Debt Service Funds are used to account for the payment of interest and principal of the current portion on long-term debt.

SBE/COBI Bonds Fund – To account for and report on payment of principal, interest, and related costs of the state school bonds issued by the State Board of Education on behalf of the District. These bonds are payable from the District's portion of the state-assessed motor vehicle license tax.

Special Act Bonds Fund – To account for and report on payment of principal, interest, and related costs on the Special Acts bonds. These bonds are authorized by Chapter 79-471, Laws of Florida, which provides that the bonds be secured from racetrack funds and jai alai fronton funds accruing 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)7.a., Florida Statutes).

Capital Projects Funds

Capital projects funds are used to account for the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings, or for major renovation projects.

State Board of Education Bonds Fund – To account for and report on proceeds received from the bonds issued by the State Board of Education on behalf of the District.

Public Education Capital Outlay (PECO) Fund – To account for and report on funds received from the State for the construction and maintenance of schools.

Capital Outlay and Debt Service Fund – To account for and report on the dollars received through the State's Capital Outlay and Debt Service (CO & DS) program, used for construction and maintenance of schools.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds		Debt Service Funds	
	Food Service 410	Other Federal Programs 420	SBE/COBI Bonds 210	Special Act Bonds 220
ASSETS				
Cash and Cash Equivalents	$ 1,133,794	$	$	$ 283,508
Investments	13,038		135,551	4,707
Accounts Receivable	3,417			
Due from Other Funds	1,026,328	1,881		
Due from Other Agencies		1,328,294		
Inventories	94,488			
TOTAL ASSETS	$ 2,271,065	$ 1,330,175	$ 135,551	$ 288,215
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	$ 129,635	$ 437,608	$	$
Accounts Payable	131,520	84,276		
Construction Contracts Payable				
Construction Contracts Payable -Retainage				
Due to Other Funds		808,291		
Deposits Payable	74,210			
Total Liabilities	335,365	1,330,175		
Fund Balances:				
Nonspendable:				
Inventory	94,488			
Other Not in Spendable Form	5,738			3,058
Total Nonspendable Fund Balance	100,226			3,058
Restricted for:				
Debt Service			135,551	285,157
Capital Projects				
Special Revenue - Food Service	1,835,474			
Total Restricted Fund Balance	1,835,474		135,551	285,157
Total Fund Balances	1,935,700		135,551	288,215
TOTAL LIABILITIES AND FUND BALANCES	$ 2,271,065	$ 1,330,175	$ 135,551	$ 288,215

(Continued)

Capital Projects Funds			
State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Governmental Funds
$ 446,183	$ 1,000	$ 141,870	$ 2,006,355
40,166		3,499	196,961
			3,417
			1,028,209
			1,328,294
			94,488
$ 486,349	$ 1,000	$ 145,369	$ 4,657,724
$	$	$	$ 567,243
			215,796
68,877			68,877
23,659			23,659
			808,291
			74,210
92,536			1,758,076
			94,488
		2,860	11,656
		2,860	106,144
			420,708
393,813	1,000	142,509	537,322
			1,835,474
393,813	1,000	142,509	2,793,504
393,813	1,000	145,369	2,899,648
$ 486,349	$ 1,000	$ 145,369	$ 4,657,724

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds		Debt Service Funds	
	Food Service 410	Other Federal Programs 420	SBE/COBI Bonds 210	Special Act Bonds 220
Revenues				
Intergovernmental:				
Federal Through State and Local	$ 8,005,581	$ 12,323,755	$	$
State	150,738		764,067	209,750
Local:				
Charges for Service - Food Services	2,473,071			
Other Local Revenue	5,228	5,078		768
Total Revenues	10,634,618	12,328,833	764,067	210,518
Expenditures				
Current - Education:				
Instruction		5,051,165		
Pupil Personnel Services		2,234,258		
Instructional Media Services		1,258		
Instruction and Curriculum Development Services		2,145,834		
Instructional Staff Training Services		1,711,536		
Instruction Related Technology		369,439		
General Administration		305,145		
School Administration		14,299		
Facility Services - Non-Capitalized				
Food Services	10,140,007	7,322		
Central Services		3,607		
Pupil Transportation Services		152,522		
Operation of Plant		7,295		
Administrative Technology Services		26,958		
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	240,060	298,195		
Debt Service:				
Principal			505,000	75,000
Interest and Fiscal Charges			270,447	129,830
Dues and Fees			1,530	500
Total Expenditures	10,380,067	12,328,833	776,977	205,330
Excess (Deficiency) of Revenues Over Expenditures	254,551		(12,910)	5,188
Other Financing Sources (Uses)				
Transfers In	14,463			
Refunding Bonds Issued			365,000	
Premium on Refunding Bonds			55,865	
Payments to Refunded Bond Escrow Agent			(419,780)	
Total Other Financing Sources (Uses)	14,463		1,085	
Net Change in Fund Balances	269,014		(11,825)	5,188
Fund Balances, July 1, 2011	1,666,686		147,376	283,027
Fund Balances, June 30, 2012	$ 1,935,700	$	$ 135,551	$ 288,215

(Continued)

Capital Projects Funds			
State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Governmental Funds
$	$	$	$ 20,329,336
	46,743	89,539	1,260,837
			2,473,071
1,150	290	330	12,844
1,150	47,033	89,869	24,076,088
			5,051,165
			2,234,258
			1,258
			2,145,834
			1,711,536
			369,439
			305,145
			14,299
92,101	360,281	28,105	480,487
			10,147,329
			3,607
			152,522
			7,295
			26,958
627,977	258,288	83,498	969,763
	74,238		612,493
			580,000
			400,277
		270	2,300
720,078	692,807	111,873	25,215,965
(718,928)	(645,774)	(22,004)	(1,139,877)
			14,463
			365,000
			55,865
			(419,780)
			15,548
(718,928)	(645,774)	(22,004)	(1,124,329)
1,112,741	646,774	167,373	4,023,977
$ 393,813	$ 1,000	$ 145,369	$ 2,899,648

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Assets				
Cash and Cash Equivalents	$ 1,304,712	$ 4,249,591	$ 4,184,128	$ 1,370,175
Accounts Receivable	10,970	13,084	10,970	13,084
Total Assets	$ 1,315,682	$ 4,262,675	$ 4,195,098	$ 1,383,259
Liabilities				
Accounts Payable and Other Current Liabilities	$ 1,315,682	$ 4,262,675	$ 4,195,098	$ 1,383,259

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - FOOD SERVICE
For the Fiscal Year Ended June 30, 2012

	Special Revenue Fund - Food Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	$ 7,721,127	$ 8,005,581	$ 8,005,581	$
State	148,500	150,738	150,738	
Local:				
Charges for Service - Food Services	2,696,500	2,473,071	2,473,071	
Other Local Revenue	12,000	5,228	5,228	
Total Revenues	10,578,127	10,634,618	10,634,618	
Expenditures				
Current:				
Food Services:				
Salaries	3,295,743	3,167,555	3,167,555	
Employee Benefits	1,350,600	1,317,460	1,317,460	
Purchased Services	243,075	272,698	272,698	
Energy Services	401,000	412,278	412,278	
Materials and Supplies	4,568,000	4,518,756	4,518,756	
Capital Outlay	223,964	178,655	178,655	
Other Expenses	246,550	272,605	272,605	
Total Food Services	10,328,932	10,140,007	10,140,007	
Fixed Capital Outlay:				
Other Capital Outlay		240,060	240,060	
Total Fixed Capital Outlay		240,060	240,060	
Total Expenditures	10,328,932	10,380,067	10,380,067	
Excess of Revenues Over Expenditures	249,195	254,551	254,551	
Other Financing Sources				
Transfers In	30,000	14,463	14,463	
Total Other Financing Sources	30,000	14,463	14,463	
Net Change in Fund Balances	279,195	269,014	269,014	
Fund Balances, July 1, 2011	1,666,686	1,666,686	1,666,686	
Fund Balances, June 30, 2012	$ 1,945,881	$ 1,935,700	$ 1,935,700	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS
For the Fiscal Year Ended June 30, 2012

	Special Revenue Fund - Other Federal Programs			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	$ 14,621,949	$ 12,323,755	$ 12,323,755	$
Local:				
Other Local Revenue		5,078	5,078	
Total Revenues	14,621,949	12,328,833	12,328,833	
Expenditures				
Current:				
Instruction:				
Salaries	2,865,692	2,590,468	2,590,468	
Employee Benefits	999,838	804,242	804,242	
Purchased Services	1,212,564	938,736	938,736	
Materials and Supplies	769,296	296,707	296,707	
Capital Outlay	212,017	338,308	338,308	
Other Expenses	106,310	82,704	82,704	
Total Instruction	6,165,717	5,051,165	5,051,165	
Pupil Personnel Services:				
Salaries	2,129,101	1,694,608	1,694,608	
Employee Benefits	651,665	467,901	467,901	
Purchased Services	41,280	31,196	31,196	
Materials and Supplies	34,954	34,709	34,709	
Capital Outlay	28,226	2,895	2,895	
Other Expenses	1,655	2,949	2,949	
Total Pupil Personnel Services	2,886,881	2,234,258	2,234,258	
Instructional Media Services				
Salaries		1,150	1,150	
Employee Benefits		108	108	
Total Instructional Media Services		1,258	1,258	
Instruction and Curriculum Development Services:				
Salaries	1,808,698	1,629,486	1,629,486	
Employee Benefits	533,394	396,392	396,392	
Purchased Services	49,150	41,881	41,881	
Materials and Supplies	505,029	32,495	32,495	
Capital Outlay	170,449	39,447	39,447	
Other Expenses	4,382	6,133	6,133	
Total Instruction and Curriculum Development Services	3,071,102	2,145,834	2,145,834	
Instructional Staff Training Services:				
Salaries	542,958	769,732	769,732	
Employee Benefits	167,929	131,948	131,948	
Purchased Services	368,334	439,031	439,031	
Materials and Supplies	62,950	69,408	69,408	
Capital Outlay	82,960	154,391	154,391	
Other Expenses	49,627	147,026	147,026	
Total Instructional Staff Training Services	1,274,758	1,711,536	1,711,536	
Instruction Related Technology:				
Salaries	303,733	259,530	259,530	
Employee Benefits	115,198	95,675	95,675	
Materials and Supplies	1,233	1,712	1,712	
Capital Outlay	41,400	12,522	12,522	
Total Instruction Related Technology	461,564	369,439	369,439	
General Administration:				
Other Expenses	433,687	305,145	305,145	
Total General Administration	433,687	305,145	305,145	
School Administration:				
Salaries	2,762	11,962	11,962	
Employee Benefits	1,647	2,337	2,337	
Total School Administration	4,409	14,299	14,299	
Facility Services - Non-Capitalized:				
Capital Outlay	210,903			
Total Facility Services - Non-Capitalized	210,903			

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS (Continued)
For the Fiscal Year Ended June 30, 2012

	Special Revenue Fund - Other Federal Programs			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Expenditures				
Current (Continued):				
Food Services:				
Salaries		6,700	6,700	
Employee Benefits		622	622	
Total Food Services		7,322	7,322	
Central Services:				
Salaries	5,000	3,303	3,303	
Employee Benefits	839	304	304	
Other Expenses	1,658			
Total Central Services	7,497	3,607	3,607	
Pupil Transportation Services:				
Salaries	32,290	18,579	18,579	
Employee Benefits	5,134	3,184	3,184	
Purchased Services	43,092	91,959	91,959	
Energy Services	3,112	27,662	27,662	
Other Expenses		11,138	11,138	
Total Pupil Transportation Services	83,628	152,522	152,522	
Operation of Plant:				
Salaries		6,600	6,600	
Employee Benefits		606	606	
Purchased Services		89	89	
Total Operation of Plant		7,295	7,295	
Administrative Technology Services:				
Salaries	19,032	23,532	23,532	
Employee Benefits	2,771	3,426	3,426	
Total Administrative Technology Services	21,803	26,958	26,958	
Fixed Capital Outlay:				
Other Capital Outlay		298,195	298,195	
Total Fixed Capital Outlay		298,195	298,195	
Total Expenditures	14,621,949	12,328,833	12,328,833	
Net Change in Fund Balances				
Fund Balances, July 1, 2011				
Fund Balances, June 30, 2012	$	$	$	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - SBE/COBI BONDS
For the Fiscal Year Ended June 30, 2012

	Debt Service Fund - SBE/COBI Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	$ 775,448	$ 764,067	$ 764,067	$
Total Revenues	775,448	764,067	764,067	
Expenditures				
Debt Service:				
Principal	505,000	505,000	505,000	
Interest and Fiscal Charges	270,448	270,447	270,447	
Dues and Fees		1,530	1,530	
Total Expenditures	775,448	776,977	776,977	
Excess of Revenues Over Expenditures		(12,910)	(12,910)	
Other Financing Sources (Uses)				
Refunding Bonds Issued		365,000	365,000	
Premium on Refunding Bonds		55,865	55,865	
Payments to Refunded Bond Escrow Agent		(419,780)	(419,780)	
Total Other Financing Sources (Uses)		1,085	1,085	
Net Change in Fund Balances		(11,825)	(11,825)	
Fund Balances, July 1, 2011	147,376	147,376	147,376	
Fund Balances, June 30, 2012	$ 147,376	$ 135,551	$ 135,551	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - SPECIAL ACT BONDS
For the Fiscal Year Ended June 30, 2012

	Debt Service Fund - Special Act Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	$ 209,750	$ 209,750	$ 209,750	$
Local:				
Other Local Revenue		768	768	
Total Revenues	209,750	210,518	210,518	
Expenditures				
Debt Service:				
Principal	75,000	75,000	75,000	
Interest and Fiscal Charges	129,831	129,830	129,830	
Dues and Fees	1,000	500	500	
Total Expenditures	205,831	205,330	205,330	
Excess of Revenues Over Expenditures	3,919	5,188	5,188	
Net Change in Fund Balances	3,919	5,188	5,188	
Fund Balances, July 1, 2011	283,027	283,027	283,027	
Fund Balances, June 30, 2012	$ 286,946	$ 288,215	$ 288,215	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - OTHER DEBT SERVICE
For the Fiscal Year Ended June 30, 2012

	Debt Service Fund - Other Debt Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Other Local Revenue	$ 11,500	$ 15,276	$ 15,276	$
Total Revenues	11,500	15,276	15,276	
Expenditures				
Debt Service:				
Principal	10,602,246	10,602,245	10,602,245	
Interest and Fiscal Charges	7,514,717	7,514,714	7,514,714	
Dues and Fees	19,500	33,525	33,525	
Total Expenditures	18,136,463	18,150,484	18,150,484	
Deficiency of Revenues Over Expenditures	(18,124,963)	(18,135,208)	(18,135,208)	
Other Financing Sources (Uses)				
Transfers In	17,002,290	17,501,608	17,501,608	
Total Other Financing Sources (Uses)	17,002,290	17,501,608	17,501,608	
Net Change in Fund Balances	(1,122,673)	(633,600)	(633,600)	
Fund Balances, July 1, 2011	9,353,268	9,353,268	9,353,268	
Fund Balances, June 30, 2012	$ 8,230,595	$ 8,719,668	$ 8,719,668	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - STATE BOARD OF EDUCATION BONDS
For the Fiscal Year Ended June 30, 2012

	Capital Projects Fund - State Board of Education Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Other Local Revenue	$ 2,000	$ 1,150	$ 1,150	$
Total Revenues	2,000	1,150	1,150	
Expenditures				
Current:				
Facility Services - Non-Capitalized				
Improvements Other Than Buildings	57,000	90,653	90,653	
Remodeling and Renovations	1,047,630	1,448	1,448	
Total Facility Services - Non-Capitalized	1,104,630	92,101	92,101	
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Improvements Other Than Buildings		627,977	627,977	
Total Facilities Acquisition and Construction		627,977	627,977	
Total Expenditures	1,104,630	720,078	720,078	
Deficiency of Revenues Over Expenditures	(1,102,630)	(718,928)	(718,928)	
Net Change in Fund Balances	(1,102,630)	(718,928)	(718,928)	
Fund Balances, July 1, 2011	1,112,741	1,112,741	1,112,741	
Fund Balances, June 30, 2012	$ 10,111	$ 393,813	$ 393,813	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - SECTION 1011.14/1011.15 F.S. LOANS FUND
For the Fiscal Year Ended June 30, 2012

	Capital Projects Fund - Section 1011.14/1011.15 F.S. Loans			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Other Local Revenue	$	$ 21	$ 21	$
Total Revenues		21	21	
Expenditures				
Debt Service:				
Interest and Fiscal Charges		36,539	36,539	
Dues and Fees		7,006	7,006	
Total Expenditures		43,545	43,545	
Deficiency of Revenues Over Expenditures		(43,524)	(43,524)	
Other Financing Sources				
Transfers In		1,921,996	1,921,996	
Total Other Financing Sources		1,921,996	1,921,996	
Net Change in Fund Balances		1,878,472	1,878,472	
Fund Balances, July 1, 2011	(1,878,472)	(1,878,472)	(1,878,472)	
Fund Balances, June 30, 2012	$ (1,878,472)	$	$	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - PUBLIC EDUCATION CAPITAL OUTLAY (PECO)
For the Fiscal Year Ended June 30, 2012

	Capital Projects Fund - Public Education Capital Outlay (PECO)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	$ 65,187	$ 46,743	$ 46,743	$
Local:				
Other Local Revenue		290	290	
Total Revenues	65,187	47,033	47,033	
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Furniture, Fixtures, and Equipment	315,334	314,291	314,291	
Remodeling and Renovations	65,187	45,743	45,743	
Computer Software	247	247	247	
Total Facility Services - Non-Capitalized	380,768	360,281	360,281	
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	49,720	257,767	257,767	
Remodeling and Renovations	208,568	521	521	
Total Facilities Acquisition and Construction	258,288	258,288	258,288	
Other Capital Outlay:				
Furniture, Fixtures, and Equipment	63,585	65,244	65,244	
Computer Software	8,994	8,994	8,994	
Total Other Capital Outlay	72,579	74,238	74,238	
Total Expenditures	711,635	692,807	692,807	
Deficiency of Revenues Over Expenditures	(646,448)	(645,774)	(645,774)	
Net Change in Fund Balances	(646,448)	(645,774)	(645,774)	
Fund Balances, July 1, 2011	646,774	646,774	646,774	
Fund Balances, June 30, 2012	$ 326	$ 1,000	$ 1,000	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - CAPITAL OUTLAY AND DEBT SERVICE
For the Fiscal Year Ended June 30, 2012

	Capital Projects Fund - Capital Outlay and Debt Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	$ 197,876	$ 89,539	$ 89,539	$
Local:				
Other Local Revenue		330	330	
Total Revenues	197,876	89,869	89,869	
Expenditures				
Current:				
Facility Services - Non-Capitalized				
Improvements Other Than Buildings		12,240	12,240	
Remodeling and Renovations		15,865	15,865	
Total Facility Services - Non-Capitalized		28,105	28,105	
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Improvements Other Than Buildings	48,680	35,575	35,575	
Remodeling and Renovations	241,373	47,923	47,923	
Total Facilities Acquisition and Construction	290,053	83,498	83,498	
Debt Service:				
Dues and Fees		270	270	
Total Expenditures	290,053	111,873	111,873	
Deficiency of Revenues Over Expenditures	(92,177)	(22,004)	(22,004)	
Net Change in Fund Balances	(92,177)	(22,004)	(22,004)	
Fund Balances, July 1, 2011	167,373	167,373	167,373	
Fund Balances, June 30, 2012	$ 75,196	$ 145,369	$ 145,369	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - LOCAL CAPITAL IMPROVEMENT
For the Fiscal Year Ended June 30, 2012

	Capital Projects Fund - Local Capital Improvement			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Property Taxes Levied for Capital Projects	$ 12,469,514	$ 12,242,466	$ 12,242,466	$
Other Local Revenue	25,000	32,176	32,176	
Total Revenues	12,494,514	12,274,642	12,274,642	
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Furniture, Fixtures, and Equipment	800,217	325,420	325,420	
Motor Vehicles	95,410	105,410	105,410	
Improvements Other than Buildings	159,196	45,263	45,263	
Remodeling and Renovations	1,507,937	632,613	632,613	
Computer Software	493,448	233,566	233,566	
Total Facility Services - Non-Capitalized	3,056,208	1,342,272	1,342,272	
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	350,000			
Improvements Other than Buildings		67,121	67,121	
Remodeling and Renovations		421,917	421,917	
Total Facilities Acquisition and Construction	350,000	489,038	489,038	
Other Capital Outlay:				
Furniture, Fixtures, and Equipment		549,819	549,819	
Computer Software		15,990	15,990	
Total Other Capital Outlay		565,809	565,809	
Debt Service:				
Interest and Fiscal Charges	116,000			
Total Debt Service	116,000			
Total Expenditures	3,522,208	2,397,119	2,397,119	
Excess of Revenues Over Expenditures	8,972,306	9,877,523	9,877,523	
Other Financing Sources (Uses)				
Inception of Capital Leases		483,097	483,097	
Transfers Out to General Fund	(4,168,685)	(4,433,430)	(4,433,430)	
Transfers Out to Debt Service Fund	(9,866,389)	(4,355,338)	(4,355,338)	
Transfers Out to Other Capital Projects Fund		(1,921,996)	(1,921,996)	
Total Other Financing Sources (Uses)	(14,035,074)	(10,227,667)	(10,227,667)	
Net Change in Fund Balances	(5,062,768)	(350,144)	(350,144)	
Fund Balances, July 1, 2011	5,104,006	5,104,006	5,104,006	
Fund Balances, June 30, 2012	$ 41,238	$ 4,753,862	$ 4,753,862	$

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - OTHER
For the Fiscal Year Ended June 30, 2012

	Capital Projects Fund - Other			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
State	$ 60,000	$ 50,176	$ 50,176	$
Local:				
Local Sales Tax	7,000,000	7,832,909	7,832,909	
Impact Fees	300,000	156,980	156,980	
Other Local Revenue	73,000	412,328	412,328	
Total Revenues	7,433,000	8,452,393	8,452,393	
Expenditures				
Current:				
Facility Services - Non-Capitalized:				
Library Books	336,007	338,179	338,179	
Audio Visual Materials	2,230	11,505	11,505	
Furniture, Fixtures, and Equipment	2,703,903	2,059,311	2,059,311	
Improvements Other than Buildings		26,616	26,616	
Remodeling and Renovations		58,956	58,956	
Computer Software	328,040	145,948	145,948	
Total Facility Services - Non-Capitalized	3,370,180	2,640,515	2,640,515	
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	15,082,295	2,902,500	2,902,500	
Improvements Other than Buildings	72,103	77,080	77,080	
Remodeling and Renovations	38,303	55,485	55,485	
Total Facilities Acquisition and Construction	15,192,701	3,035,065	3,035,065	
Other Capital Outlay:				
Furniture, Fixtures, and Equipment		599,689	599,689	
Computer Software		184,740	184,740	
Total Other Capital Outlay		784,429	784,429	
Total Expenditures	18,562,881	6,460,009	6,460,009	
Excess (Deficiency) of Revenues Over Expenditures	(11,129,881)	1,992,384	1,992,384	
Other Financing Uses				
Transfers Out	(7,135,901)	(13,146,270)	(13,146,270)	
Total Other Financing Uses	(7,135,901)	(13,146,270)	(13,146,270)	
.				
Net Change in Fund Balances	(18,265,782)	(11,153,886)	(11,153,886)	
Fund Balances, July 1, 2011	43,651,920	43,651,920	43,651,920	
Fund Balances, June 30, 2012	$ 25,386,138	$ 32,498,034	$ 32,498,034	$

Nonmajor Component Units

Component units are legally separate organizations that the primary government must include as part of its financial reporting entity for fair presentation in conformity with generally accepted accounting principles.

The Gulf Coast Academy of Science and Technology, Inc. – A charter school which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring School District and is considered a component unit since it is fiscally dependent on the District to levy taxes for its support.

The Hernando County Education Direct Support Organization, Inc. (Foundation) – A separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the District. The Foundation is considered to be a component unit of the District because of the nature and significance of its relationship to the District.



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING SCHEDULE OF NET ASSETS - NONMAJOR COMPONENT UNITS
June 30, 2012
(With comparative totals for June 30, 2011)

	Gulf Coast Academy of Science and Technology, Inc. (Charter School)	Hernando County Education Direct Support Organization, Inc. (Foundation)	Totals	
			2012	2011
ASSETS				
Cash and Cash Equivalents	$ 95,121	$ 65,838	$ 160,959	$ 224,807
Accounts Receivable		150	150	
Due from Other Agencies	1,038		1,038	
Prepaid Items		12,852	12,852	2,711
Capital Assets:				
Leasehold Improvements, Net	53,743		53,743	37,503
Furniture, Fixtures, and Equipment, Net	1,039		1,039	6,100
Property Under Capital Lease, Net				25,254
Total Assets	150,941	78,840	229,781	296,375
LIABILITIES				
Salaries and Benefits Payable	$ 13,358	$ 3,542	$ 16,900	$ 2,625
Accounts Payable		1,560	1,560	8,793
Long-Term Liabilities:				
Due Within One Year:				
Note Payable	5,020		5,020	5,413
Due in More Than One Year:				
Note Payable	2,158		2,158	
Total Liabilities	20,536	5,102	25,638	16,831
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	47,604		47,604	63,444
Restricted for:				
Other Purposes		53,072	53,072	42,308
Unrestricted	82,801	20,666	103,467	173,792
Total Net Assets	$ 130,405	$ 73,738	$ 204,143	$ 279,544

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING SCHEDULE OF ACTIVITIES - NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Charter School				
Governmental Activities:				
Instruction	$ 517,311	$	$ 2,916	$
Pupil Personnel Services	74			
Instructional Staff Training Services	3,715			
Board of Education	29,961			
School Administration	150,666			
Facility Services - Non-Capitalized	78,000			46,743
Fiscal Services	8,493			
Food Services	9,501	11,151		
Pupil Transportation Services	44,781			
Operation of Plant	18,443			
Unallocated Interest on Long-Term Debt	9,212			
Unallocated Depreciation Expense	21,445			
Total Charter School	891,602	11,151	2,916	46,743
Hernando Education Foundation	144,547		139,801	
Total Component Units	$ 1,036,149	$ 11,151	$ 142,717	$ 46,743

General Revenues:
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2011

Net Assets - June 30, 2012

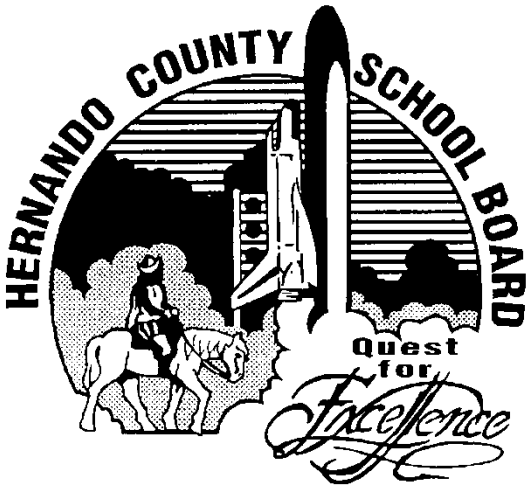
(Continued)

Total Charter School	Hernando Education Foundation	Total Component Units
$ (514,395)	$	$ (514,395)
(74)		(74)
(3,715)		(3,715)
(29,961)		(29,961)
(150,666)		(150,666)
(31,257)		(31,257)
(8,493)		(8,493)
1,650		1,650
(44,781)		(44,781)
(18,443)		(18,443)
(9,212)		(9,212)
(21,445)		(21,445)
(830,792)		(830,792)
	(4,746)	(4,746)
(830,792)	(4,746)	(835,538)
673,511		673,511
	15	15
86,611		86,611
760,122	15	760,137
(70,670)	(4,731)	(75,401)
201,075	78,469	279,544
$ 130,405	$ 73,738	$ 204,143



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STATISTICAL SECTION




HERNANDO COUNTY SCHOOL BOARD
Quest for
Excellence

Statistical Section

This part of the District School Board of Hernando County, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the School District's overall financial health.

Contents **Page**

Financial Trend Information 98

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over-time.

Revenue Capacity Information 108

These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax.

Debt Capacity Information 114

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 122

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information 126

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

TABLE 1

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NET ASSETS BY COMPONENT - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Primary Government:				
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt **(1)**	$ 142,439,905	$ 155,123,601	$ 172,977,972	$ 175,100,895
Restricted	19,646,464	27,077,548	26,253,503	44,111,824
Unrestricted	(6,588,323)	(5,118,346)	(5,572,393)	(3,404,223)
Total Governmental Activities Net Assets	155,498,046	177,082,803	193,659,082	215,808,496
Total Primary Government Net Assets	$ 155,498,046	$ 177,082,803	$ 193,659,082	$ 215,808,496

(1) Prior to 2011, the growth in net assets was due primarily to the increase in property taxes, increase in impact fees, and inception of the second voter approved local option half cent sales tax. These revenues were used to payoff debt and to construct or purchase capital assets that will be expensed in future years through depreciation. The recent decline in net assets is primarily due to the reduction of State education funding, Federal ARRA funding and the collection of property taxes.

Source: District records

TABLE 1 (Continued)

Fiscal Year Ending					
June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
$ 200,321,945	$ 211,125,761	$ 244,788,425	$ 261,589,398	$ 272,982,528	$ 266,338,102
74,156,527	106,441,480	74,596,072	57,039,558	31,888,578	30,470,226
(1,598,307)	(522,035)	1,903,139	2,988,133	4,312,371	59,489
272,880,165	317,045,206	321,287,636	321,617,089	309,183,477	296,867,817
$ 272,880,165	$ 317,045,206	$ 321,287,636	$ 321,617,089	$ 309,183,477	$ 296,867,817

TABLE 2

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
CHANGES IN NET ASSETS - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Expenses:				
Governmental Activities				
Instruction	$ 58,878,124	$ 64,809,552	$ 74,677,333	$ 84,165,241
Pupil Personnel Services	6,239,531	6,708,880	7,360,526	8,169,248
Instructional Media Services	1,724,111	1,829,091	1,773,331	1,932,166
Instruction and Curriculum Development Services	2,239,293	3,297,541	3,277,284	3,738,300
Instructional Staff Training Services	1,737,106	2,734,761	2,356,855	1,852,367
Instruction Related Technology				1,466,525
Board of Education	319,612	375,438	440,051	571,481
General Administration	685,853	752,865	808,738	685,915
School Administration	6,770,113	7,344,585	8,066,629	8,840,345
Facility Services - Non-Capitalized	3,006,663	6,089,369	4,635,438	5,774,968
Fiscal Services	708,673	922,944	1,173,832	854,026
Food Services	5,143,174	5,806,523	6,235,348	6,964,646
Central Services	2,677,344	2,690,335	2,634,518	1,577,345
Pupil Transportation Services	6,656,752	7,151,458	7,822,199	9,249,176
Operation of Plant	7,243,061	8,405,801	9,865,184	12,100,415
Maintenance of Plant	4,695,685	3,800,222	4,308,389	4,674,804
Administrative Technology Services				1,155,807
Community Services	426,347	464,754	249,435	171,320
Interest and Fiscal Charges	4,501,940	4,516,820	4,299,027	6,108,573
Depreciation Unallocated	6,264,298	7,554,094	8,026,814	9,229,864
Total Governmental Activities Expenses	119,917,680	135,255,033	148,010,931	169,282,532
Program Revenues:				
Governmental Activities				
Charges for Services				
Food Service	2,165,369	2,431,576	2,518,082	2,807,464
Transportation	227,729	222,966	252,972	55,706
Instruction	6,916	19,919	8,735	7,702
Operating Grants and Contributions	8,057,928	8,125,966	8,885,585	9,436,410
Capital Grants and Contributions	9,495,408	15,733,109	11,476,230	20,279,296
Total Governmental Activities Program Revenues	19,953,350	26,533,536	23,141,604	32,586,578
Net Expenses Governmental Activities	(99,964,330)	(108,721,497)	(124,869,327)	(136,695,954)
Total Primary Government Net Expenses	(99,964,330)	(108,721,497)	(124,869,327)	(136,695,954)
General Revenues and Other Changes in Net Assets:				
Governmental Activities				
Property Taxes				
Levied for Operational Purposes	31,646,490	34,919,951	37,400,909	44,417,019
Levied for Debt Service	5,931,239	5,704,439	5,758,154	4,080,174
Levied for Capital Projects	9,885,636	10,862,998	12,275,778	14,829,187
Local Sales Tax	5,612,001	3,538,675	2,951,467	8,492,036
Grants and Contributions not restricted to specific purposes	61,957,511	71,466,209	79,159,048	90,837,458
Unrestricted Investment Earnings	480,786	307,673	1,296,207	4,284,359
Miscellaneous	1,175,062	3,506,309	2,604,043	1,679,554
Total Governmental Activities	116,688,725	130,306,254	141,445,606	168,619,787
Total Primary Government General Revenues and Other Changes in Net Assets	116,688,725	130,306,254	141,445,606	168,619,787
Change in Net Assets:				
Governmental Activities	16,724,395	21,584,757	16,576,279	31,923,833
Total Primary Government	$ 16,724,395	$ 21,584,757	$ 16,576,279	$ 31,923,833

Source: District records

Fiscal Year Ending						
June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
$ 97,956,943	$ 104,620,004	$ 103,745,430	$ 103,169,236	$ 109,286,283	$ 98,717,026
8,676,491	9,358,470	9,659,517	10,523,787	11,190,219	9,550,196
2,096,047	2,228,490	2,405,268	2,257,766	2,158,115	1,962,166
3,575,078	3,597,622	3,416,775	3,505,308	3,607,898	3,661,358
1,790,904	2,912,419	3,172,689	3,326,018	3,695,145	3,122,643
1,428,024	1,559,473	1,056,421	1,013,023	1,078,892	1,283,515
516,018	483,014	481,247	473,107	470,422	371,024
805,161	694,464	751,679	1,224,187	1,173,733	944,946
9,201,708	9,653,650	10,317,777	10,628,079	11,630,524	11,041,666
3,769,071	6,927,176	7,902,932	5,654,963	7,223,486	18,555,981
809,663	797,447	810,278	842,412	1,043,193	919,336
7,426,980	8,632,568	9,802,355	9,975,167	10,123,836	10,458,339
1,781,400	1,831,782	1,938,922	1,749,237	1,906,293	1,905,301
9,896,289	9,077,198	9,230,050	9,138,394	9,464,261	7,675,794
13,714,898	14,779,400	14,714,540	14,975,932	15,095,661	14,319,724
4,697,022	4,688,615	4,548,453	4,704,812	5,073,419	4,554,190
1,326,400	1,564,077	1,804,846	1,725,352	1,884,354	1,722,324
130,879	124,926	67,495	72,223	51,574	52,954
9,397,699	9,863,723	9,341,317	9,067,113	8,446,040	8,088,488
9,891,881	11,560,613	12,442,492	14,390,404	15,360,681	
188,888,556	204,955,131	207,610,483	208,416,520	219,964,029	198,906,971
3,013,294	3,048,305	2,957,657	2,508,261	2,530,839	2,473,071
85,480	96,819	74,241	95,330	91,506	9,774
13,618	6,240	3,216	3,880	7,796	56,592
10,687,997	11,510,662	11,545,815	7,546,609	7,846,239	8,156,319
35,174,765	28,693,243	6,732,775	1,848,617	2,149,168	866,466
48,975,154	43,355,269	21,313,704	12,002,697	12,625,548	11,562,222
(139,913,402)	(161,599,862)	(186,296,779)	(196,413,823)	(207,338,481)	(187,344,749)
(139,913,402)	(161,599,862)	(186,296,779)	(196,413,823)	(207,338,481)	(187,344,749)
55,935,944	62,911,292	63,936,956	61,263,111	51,986,840	48,807,293
4,100,210	3,761,480	2,571,651	34,753		
19,336,480	21,909,025	19,325,518	15,358,825	13,189,912	12,242,466
8,526,614	7,950,810	7,558,751	7,470,501	7,828,758	7,832,909
97,639,807	100,724,798	94,316,939	108,040,457	118,663,422	101,639,556
9,916,074	6,493,112	(931,032)	1,732,003	652,985	459,580
1,529,942	2,014,386	3,760,426	2,624,192	2,802,386	4,047,285
196,985,071	205,764,903	190,539,209	196,523,842	195,124,303	175,029,089
196,985,071	205,764,903	190,539,209	196,523,842	195,124,303	175,029,089
57,071,669	44,165,041	4,242,430	110,019	(12,214,178)	(12,315,660)
$ 57,071,669	$ 44,165,041	$ 4,242,430	$ 110,019	$ (12,214,178)	$ (12,315,660)

TABLE 3

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Property Taxes:				
Levied for Operational Purposes	$ 31,646,490	$ 34,919,951	$ 37,400,909	$ 44,417,019
Levied for Debt Service (2)	5,931,239	5,704,439	5,758,154	4,080,174
Levied for Capital Projects	9,885,636	10,862,998	12,275,778	14,829,187
Local Sales Taxes (1)	5,612,001	3,538,675	2,951,467	8,492,036
Total	$ 53,075,366	$ 55,026,063	$ 58,386,308	$ 71,818,416

(1) Fiscal year ending June 30, 2005, the District began receiving a new 10-year local option half cent sales tax that was approved by voters on March 9, 2004.

(2) The property tax for Debt Service steadily declined over the years because the debt service requirement also declined. In prior years, the combination of an increase in taxable property values and the decline in millage necessary to meet the debt service, reduced the amount levied for debt service. However, in the 2009-2010 fiscal year, sufficient funds were available to meet the debt service requirement thereby eliminating the need to levy a specific debt service millage. Collections represent collections from prior years.

Source: District records

Fiscal Year Ending					
June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
$ 55,935,944	$ 62,911,292	$ 63,936,956	$ 61,263,111	$ 51,986,840	$ 48,807,293
4,100,210	3,761,480	2,571,651	34,753		
19,336,480	21,909,025	19,325,518	15,358,825	13,189,912	12,242,466
8,526,614	7,950,810	7,558,751	7,470,501	7,828,758	7,832,909
$ 87,899,248	$ 96,532,607	$ 93,392,876	$ 84,127,190	$ 73,005,510	$ 68,882,668

TABLE 4

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending				
	June 30, 2003 Restated (1)	June 30, 2004 Restated (1)	June 30, 2005 Restated (1)	June 30, 2006 Restated (1)	June 30, 2007 Restated (1)
General Fund					
Fund Balances:					
Nonspendable	$ 993,911	$ 875,453	$ 1,605,027	$ 1,596,279	$ 1,396,442
Spendable:					
Restricted	681,834	2,146,609	1,914,302	78,282	308,080
Assigned	807,085	409,542	346,413	395,311	912,781
Unassigned (2)	767,879	2,799,947	1,150,606	3,747,441	4,809,512
Total General Fund	$ 3,250,709	$ 6,231,551	$ 5,016,348	$ 5,817,313	$ 7,426,815
All Other Governmental Funds					
Fund Balances:					
Nonspendable	$ 53,564	$ 94,645	$ 115,037	$ 130,238	$ 195,696
Spendable:					
Restricted	19,423,315	54,531,731	31,471,186	149,442,886	189,821,116
Assigned	169,544	171,213	560,879	93,200	86,924
Unassigned (2)					
Total All Other Governmental Funds (3)	$ 19,646,423	$ 54,797,589	$ 32,147,102	$ 149,666,324	$ 190,103,736
Total Combined All Governmental funds	$ 22,897,132	$ 61,029,140	$ 37,163,450	$ 155,483,637	$ 197,530,551

(1) The District implemented GASB 54 for the fiscal year ended June 30, 2011. The fund balances from the prior fiscal years were restated for comparison purposes.

(2) The District reported a negative unassigned fund balance for the All Other Governmental Funds for fiscal year ending June 30, 2011. This was the result of a Section 1011, Florida Statutes, loan .

(3) The fluctuations in total fund balances are primarily due to the timing of debt issues. The District issued $30,000,000 in Certificates of Participation, Series 2003 in December 2003; $106,670,000 in Certificates of Participation, Series 2005 in January 2006; and $45,000,000 in Sales Tax Revenue Bonds in November 2006.

Source: District records

TABLE 4 (Continued)

Fiscal Year Ending				
June 30, 2008 Restated (1)	June 30, 2009 Restated (1)	June 30, 2010 Restated (1)	June 30, 2011	June 30, 2012
$ 1,946,610	$ 2,217,341	$ 1,529,590	$ 1,536,754	$ 1,440,561
678,600	265,638	2,268,658	1,119,658	978,496
859,400	708,550	925,935	13,572,025	10,216,038
4,633,247	8,906,593	14,222,563	4,476,866	4,224,837
$ 8,117,857	$ 12,098,122	$ 18,946,746	$ 20,705,303	$ 16,859,932
$ 6,265,896	$ 9,130,163	$ 3,781,823	$ 2,784,619	$ 2,452,182
189,296,868	141,446,480	97,876,944	59,268,493	46,419,030
87,007	88,907	78,263	80,059	
			(1,878,472)	
$ 195,649,771	$ 150,665,550	$ 101,737,030	$ 60,254,699	$ 48,871,212
$ 203,767,628	$ 162,763,672	$ 120,683,776	$ 80,960,002	$ 65,731,144

TABLE 5

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending				
	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
Federal Direct Sources:					
Reserve Officers Training Corps (ROTC)	$ 180,021	$ 157,898	$ 228,039	$ 196,832	$ 208,251
Miscellaneous Federal Direct	60,322	55,459	16,752		
Total Federal Direct	240,343	213,357	244,791	196,832	208,251
Federal Through State and Local Sources:					
Food Service	2,816,558	3,088,226	3,350,811	3,882,765	4,177,343
Donated Foods and Cash in Lieu of	288,849	286,870	356,757	352,824	436,799
Other Federal Through State and Local Grants	7,637,686	9,709,645	10,418,952	11,464,799	10,466,907
Total Federal Through State and Local Sources	10,743,093	13,084,741	14,126,520	15,700,388	15,081,049
State Sources:					
Florida Education Finance Program (FEFP)	48,404,572	52,610,070	55,944,824	59,094,920	63,346,022
Other Categoricals	2,784,691	2,943,558	3,160,462	3,366,443	2,761,577
Class Size Reduction		3,245,075	6,763,734	11,525,626	17,019,169
Transportation	4,857,467	4,648,751	5,080,776	5,102,187	5,975,878
District Discretionary Lottery Funds	1,680,940	1,864,105	1,651,846	1,912,792	1,949,968
Motor Vehicle License Tax (Capital Outlay and Debt Service)	708,310	766,737	798,351	850,094	888,962
Gross Receipts Tax (Public Education Capital Outlay)	4,876,882	2,111,260	1,238,939	4,667,215	5,984,938
Class Size Reduction Construction		6,152,470	1,687,538	1,641,946	23,205,539
Food Services	95,054	102,119	97,240	98,634	100,290
Other State Sources and State Grants	1,227,268	1,021,932	1,322,581	1,112,269	1,890,826
Total State Sources	64,635,184	75,466,077	77,746,291	89,372,126	123,123,169
Local Sources:					
Ad Valorem Taxes	47,463,365	51,487,388	55,434,841	63,326,380	79,372,634
Food Services Sales	2,179,190	2,442,376	2,544,580	2,818,508	3,030,322
Sales Taxes	5,612,001	3,538,675	2,951,467	8,492,036	8,526,614
Impact Fees	3,892,227	6,694,008	7,740,186	15,283,818	5,090,100
Investment Income	480,786	307,675	1,296,207	4,284,359	9,916,074
Local Grants and Other Local Sources	1,308,460	1,569,502	1,874,648	1,381,236	1,396,269
Total Local Sources	60,936,029	66,039,624	71,841,929	95,586,337	107,332,013
Total Revenues	136,554,649	154,803,799	163,959,531	200,855,683	245,744,482
Expenditures:					
Current:					
Instruction	58,836,875	64,053,983	74,927,102	83,887,361	97,690,359
Pupil Personnel Services	6,235,160	6,630,666	7,385,145	8,138,977	8,649,355
Instructional Media	1,722,903	1,807,766	1,779,262	1,923,339	2,087,854
Instruction & Curriculum Development Services	2,237,724	3,259,098	3,288,245	3,727,170	3,566,349
Instructional Staff Training Services	1,735,889	2,702,879	2,364,738	1,846,852	1,786,532
Instruction Related Technology				1,462,158	1,424,538
Board of Education	319,389	371,061	441,523	569,779	514,758
General Administration	685,372	744,088	811,442	683,911	803,195
School Administration	6,765,370	7,258,960	8,093,609	8,814,025	9,179,242
Facility Services - Non-Capitalized	479,781	435,706	4,831,113	5,796,038	3,778,561
Fiscal Services	708,177	912,184	1,177,758	851,484	807,686
Food Services	5,139,571	5,738,829	6,256,207	6,940,272	7,405,207
Central Services	2,675,469	2,658,971	2,643,330	1,557,239	1,760,556
Pupil Transportation Services	6,652,088	7,068,084	7,848,361	8,102,138	8,521,112
Operation of Plant	7,237,987	8,307,803	9,898,179	12,059,274	13,676,296
Maintenance of Plant	4,692,395	3,755,918	4,322,799	4,548,953	4,572,314
Administrative Technology Services				1,148,864	1,319,658
Community Services	426,046	459,304	250,269	170,810	130,559
Fixed Capital Outlay					
Facilities Acquisition & Construction	27,348,460	18,911,843	42,076,275	20,706,823	59,032,314
Other Capital Outlay	758,909	1,064,169	556,484	2,713,418	4,439,330
Debt Service					
Principal	6,705,812	7,192,766	8,657,896	7,309,954	8,148,145
Interest	4,070,370	4,361,204	4,176,455	6,024,319	9,208,025
Dues and Fees	211,980	142,346	143,610	1,613,414	966,924
Total Expenditures	145,645,727	147,837,628	191,929,802	190,596,572	249,468,869
Excess (Deficiency) of Revenues over Expenditures	(9,091,078)	6,966,171	(27,970,271)	10,259,111	(3,724,387)
Other Financing Sources (Uses):					
Refunding Note Payable Issued					14,419,695
Refunding Bonds Issued					
Premium on Refunding Bonds					
Sale of Bonds	16,550,000	670,000	1,005,000	3,885,000	45,000,000
Insurance Loss Recoveries	84,527	77,823	98,508	154,713	76,537
Certificates of Participation		37,175,000		106,670,000	
Payments to Refunding Bonds Escrow Agent	(16,452,600)	(7,443,958)		(4,248,548)	
Payment to Refund Note Payable					(13,730,235)
Premium on Long Term Debt Issued	103,009	337,374	21,039	1,599,911	5,304
Discount on Long Term Debt Issued		(6,686)			
Inception of Capital Leases		356,284	2,582,741		
Proceeds from Sale of Capital Assets			397,293		
Transfers In	12,261,024	9,199,022	8,695,325	10,897,065	17,249,400
Transfers Out	(12,261,024)	(9,199,022)	(8,695,325)	(10,897,065)	(17,249,400)
Total Other Financing Sources (Uses)	284,936	31,165,837	4,104,581	108,061,076	45,771,301
Net Change in Fund Balance	(8,806,142)	38,132,008	(23,865,690)	118,320,187	42,046,914
Debt Service as a percentage of noncapital expenditures	9.2%	9.0%	8.6%	8.0%	9.3%
Beginning Fund Balance	31,703,274	22,897,132	61,029,140	37,163,450	155,483,637
Ending Fund Balance	$ 22,897,132	$ 61,029,140	$ 37,163,450	$ 155,483,637	$ 197,530,551

Source: District records

TABLE 5 (Continued)

Fiscal Year Ending				
June 30, 2008	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
$ 162,034	$ 260,685	$ 217,776	$ 225,623	$ 212,982
	455,475	123,106		
162,034	716,160	340,882	225,623	212,982
5,343,737	6,278,739	7,289,956	6,971,515	7,358,101
			726,851	647,480
11,183,726	11,197,717	24,122,698	28,318,563	15,354,876
16,527,463	17,476,456	31,412,654	36,016,929	23,360,457
60,785,801	53,730,728	53,387,105	63,220,906	60,448,872
2,764,163	4,065,892		1,093,016	480,823
21,980,256	22,839,350	24,105,224	24,438,240	24,160,280
6,061,757	5,122,307	5,005,490		
1,970,029	545,122	62,403	83,024	71,021
895,482	884,388	849,718	868,853	857,309
8,523,072	4,537,560	319,256	942,885	
16,756,747				
105,168	143,886	133,173	147,873	148,847
1,905,803	1,231,802	1,186,744	1,292,207	916,672
121,748,278	93,101,035	85,049,113	92,087,004	87,083,824
88,581,797	85,834,125	76,656,689	65,176,752	61,049,759
3,048,305	2,957,657	2,727,695	2,530,839	2,473,071
7,950,810	7,558,751	7,470,501	7,828,758	7,832,909
2,490,928	1,301,878	413,600	327,925	156,980
6,493,112	(931,032)	1,732,003	652,985	459,580
1,792,548	2,973,128	2,594,348	2,423,840	3,738,298
110,357,500	99,694,507	91,594,836	78,941,099	75,710,597
248,795,275	210,988,158	208,397,485	207,270,655	186,367,860
102,447,519	101,380,908	101,243,638	107,247,996	98,066,676
9,175,754	9,484,456	10,345,671	10,986,694	9,511,114
2,184,830	2,352,336	2,218,152	2,117,279	1,953,328
3,562,404	3,388,001	3,480,918	3,580,302	3,652,268
2,895,189	3,158,549	3,315,294	3,670,248	3,113,823
1,541,064	1,041,472	1,000,352	1,068,551	1,191,584
479,387	477,287	470,756	467,180	370,010
690,566	747,894	1,221,328	1,167,900	943,700
9,543,008	10,202,828	10,547,741	11,525,178	10,939,393
6,911,177	8,129,034	5,585,133	7,160,263	4,906,994
790,765	803,075	837,880	1,035,147	916,353
8,469,157	9,754,764	9,812,031	9,977,413	10,165,772
1,798,695	1,898,484	1,720,285	1,871,409	1,807,463
8,892,943	9,020,767	8,972,334	9,265,825	7,614,044
14,506,048	14,398,158	14,726,793	14,829,965	14,278,025
4,603,035	4,450,916	4,627,275	4,992,144	4,482,917
1,537,591	1,769,627	1,699,381	1,837,435	1,713,875
124,329	67,009	71,956	51,065	52,702
37,472,530	40,894,834	44,704,012	29,595,893	4,601,562
2,914,648	11,624,051	2,214,117	4,030,948	2,697,848
13,025,474	15,849,019	12,755,702	10,651,500	11,182,245
9,674,887	9,160,593	8,912,777	8,264,159	7,951,530
107,148	99,036	47,979	54,839	42,831
243,348,148	260,153,098	250,531,505	245,449,333	202,156,057
5,447,127	(49,164,940)	(42,134,020)	(38,178,678)	(15,788,197)
		370,000		365,000
		32,698		55,865
			1,554,601	
789,950	162,664	50,764	127,921	75,157
		(399,338)	(3,574,267)	(419,780)
	7,998,320		346,649	483,097
28,808,674	17,844,559	22,498,420	31,476,798	23,871,497
(28,808,674)	(17,844,559)	(22,498,420)	(31,476,798)	(23,871,497)
789,950	8,160,984	54,124	(1,545,096)	559,339
6,237,077	(41,003,956)	(42,079,896)	(39,723,774)	(15,228,858)
11.2%	12.0%	10.6%	8.9%	9.8%
197,530,551	203,767,628	162,763,672	120,683,776	80,960,002
$ 203,767,628	$ 162,763,672	$ 120,683,776	$ 80,960,002	$ 65,731,144

TABLE 6

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
GENERAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

Fiscal Year	Property Tax			Sales Tax	Total
	General Fund	Debt Service Funds	Capital Projects Funds	Capital Projects Funds	Governmental Activities
2011-2012	$ 48,807,293	$	$ 12,242,466	$ 7,832,909	$ 68,882,668
2010-2011	51,986,840		13,189,912	7,828,758	73,005,510
2009-2010	61,263,111	34,753	15,358,825	7,470,501	84,127,190
2008-2009	63,936,956	2,571,651	19,325,518	7,558,751	93,392,876
2007-2008	62,911,292	3,761,480	21,909,025	7,950,810	96,532,607
2006-2007	55,935,944	4,100,210	19,336,480	8,526,614	87,899,248
2005-2006	44,417,019	4,080,174	14,829,187	8,492,036	71,818,416
2004-2005	37,400,909	5,758,154	12,275,778	2,951,467	58,386,308
2003-2004	34,919,951	5,704,439	10,862,998	3,538,675	55,026,063
2002-2003	31,646,490	5,931,239	9,885,636	5,612,001	53,075,366

Note: The District's first local option half-cent sales tax (5-Years) approved by the voters on November 3, 1998, began January 1, 1999, and ended December 31, 2003. The District's second local option half-cent sales tax (10-Years) approved by the voters on March 9, 2004, began January 1, 2005, and will end December 31, 2014.

Source: District records

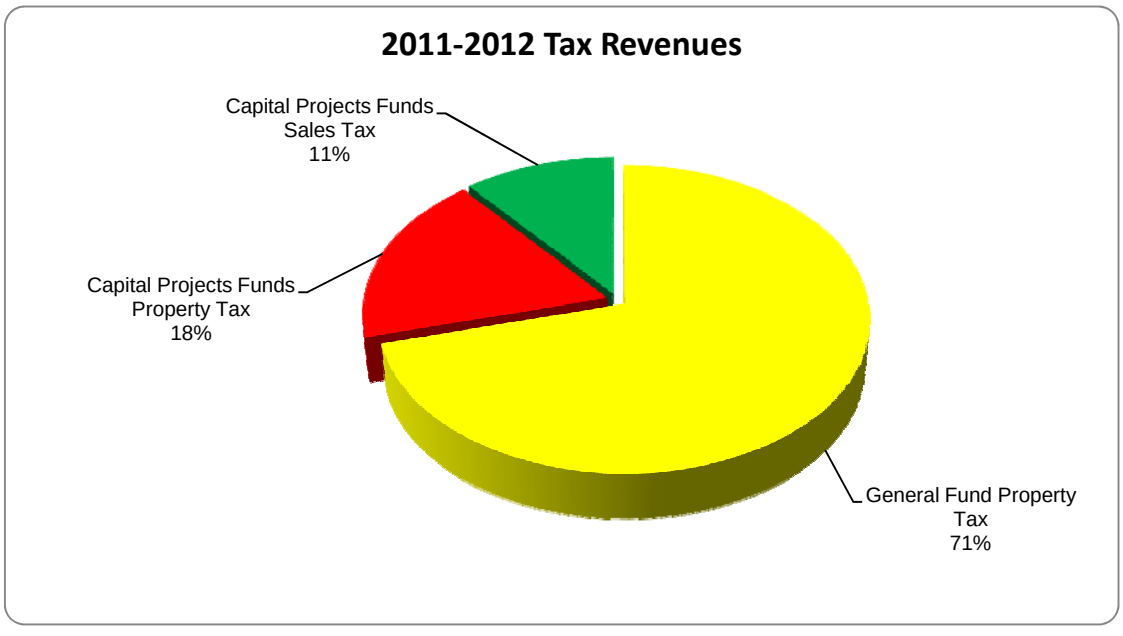


TABLE 7

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
FAIR MARKET VALUE, ASSESSED VALUE, AND TAXABLE VALUE OF PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)
(Unaudited)

	Fair Market Value (1)		Assessed Value (2)		Exemptions (3)		Taxable Value (4)					
Fiscal Year	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Centrally Assessed (5)	Total	Ratio of Taxable Value to Assessed Value	Base Millage Rate (6)
2011-2012	10,600,374	1,629,933	9,949,584	1,585,617	2,417,670	325,372	7,531,914	1,260,245	7,445	8,799,604	76.28%	14.4324
2010-2011	11,572,263	1,669,623	10,731,692	1,652,662	3,593,658	336,472	7,138,035	1,316,191	6,499	8,460,725	68.32%	14.1371
2009-2010	13,488,242	1,427,069	12,000,601	1,407,365	3,750,459	338,717	8,250,142	1,068,648	6,924	9,325,714	69.55%	14.2087
2008-2009	15,836,287	1,185,886	13,371,281	1,167,054	3,920,192	325,882	9,451,089	841,172	6,398	10,298,659	70.84%	14.5087
2007-2008	16,518,236	1,105,701	13,238,586	1,085,763	2,695,549	244,027	10,543,037	841,735	13,699	11,398,471	79.57%	14.5966
2006-2007	14,737,836	961,199	11,719,661	942,889	2,566,896	177,754	9,152,765	765,135	6,506	9,924,406	78.38%	16.4216
2005-2006	11,004,597	959,181	9,098,120	939,176	2,193,314	182,425	6,904,806	756,751	6,579	7,668,136	76.40%	17.2466
2004-2005	8,743,878	916,509	7,586,704	897,250	1,986,023	170,782	5,600,681	726,468	10,866	6,338,015	74.71%	17.8014
2003-2004	7,641,536	884,094	6,775,696	865,571	1,855,518	146,051	4,920,178	719,520	9,336	5,649,034	73.93%	18.2184
2002-2003	6,820,855	834,869	6,157,920	825,614	1,733,380	136,897	4,424,540	688,717	5,842	5,119,099	73.30%	18.4034

(1) Fair Market Value of property is amount it could sell for in a competitive open market, assuming that the buyer and seller both acted knowledgeably and without duress.

(2) Assessed value of property is different than fair market value for those properties that have assessment limitations on them, such as the Save Our Homes (SOH) limitation, "greenbelt" for properties which have an agricultural use classification, and pollution control devices.

(3) There are a number of property tax exemptions which include, but are not limited to; homestead, low income seniors, widow/widowers, blind, disabled, veterans, government, and institutional.

(4) Taxable value of property is the resulting value after all applicable exemptions have been deducted from the assessed value of the property. The taxable value is what the millage rates are applied to develop the ad valorem property tax. The 2011 Values based on Final Certification dated October 4, 2011. All other years based on re-certification values after the Value Adjustment Board.

(5) Centrally assessed property are the railroad tracks and train cars which cross county lines and are assessed by the Florida Department of Revenue, who provides the assessed values to the respective Property Appraiser.

(6) Base Millage Rate comprised of total County, total School and Southwest Florida Management District countywide levy. Specific basins, special ad valorem districts, and municipalities are not included. See calculation of base millage rate on Table 8 page 110.

Source: Hernando County Property Appraiser

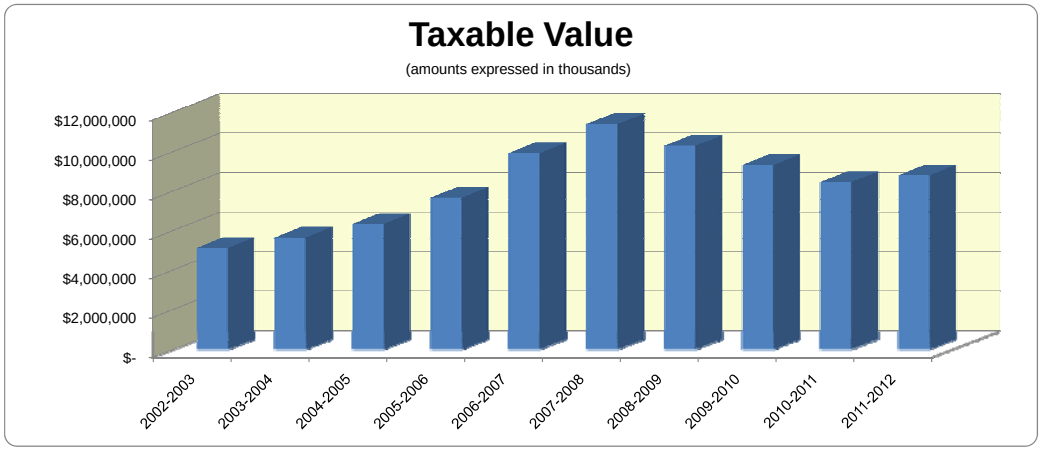


TABLE 8

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY. FLORIDA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(per $1,000 Assessed Valuation)
(Unaudited)

	Fiscal Year Ending				
	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
District Direct Rates:					
District School Board:					
Local Required Effort	5.6680	5.6410	5.3450	5.2070	5.0100
Discretionary Local	0.5100	0.5100	0.5100	0.5100	0.5100
Supplemental Discretionary	0.1890	0.1790	0.1710	0.2500	0.2470
Voted Debt Service	1.1940	1.0460	0.9330	0.5470	0.4220
Local Capital Improvement	2.0000	2.0000	2.0000	2.0000	2.0000
Total District School Board Direct Rates	9.5610	9.3760	8.9590	8.5140	8.1890
Overlapping Rates:					
Other Hernando County:					
General Fund	7.3498	7.3498	7.3498	7.2400	6.7400
Public Health	0.1306	0.1306	0.1306	0.1306	0.1306
Road & Bridge	0.8400	0.8400	0.8400	0.8400	0.8400
Recreation/Sensitive Lands	0.1000	0.1000	0.1000	0.1000	0.1000
Special Ad Valorem Districts	6.3200	3.4393	3.5050	3.4550	3.3550
Total Other Hernando County Rates	14.7404	11.8597	11.9254	11.7656	11.1656
Southwest Florida Water Management Districts (SWFWMD):					
SWFWMD County Wide	0.4220	0.4220	0.4220	0.4200	0.4220
Hillsborough Basin	0.2850				
Withlacoochee Basin	0.2650	0.2650	0.2650	0.2650	0.2650
Coastal Basin	0.2350	0.2350	0.2350	0.2350	0.2050
Total Southwest Florida Water Management Districts	1.2070	0.9220	0.9220	0.9200	0.8920
Municipalities:					
City of Brooksville	8.0000	8.0000	7.8700	7.5000	7.5000
City of Weeki Wachee	1.1500	2.5500	2.5500	2.4856	2.3898
Total Municipalities	9.1500	10.5500	10.4200	9.9856	9.8898
Total Overlapping Rates (1)	25.0974	23.3317	23.2674	22.6712	21.9474
Base Millage Rate (2)	18.4034	18.2184	17.8014	17.2446	16.4216

(1) Total Overlapping Rates comprised of Total Other Hernando County Rates, Total Southwest Florida Water Management Districts, and Total Municipalities.

(2) Base Millage Rate comprised of Total County, Total School, and Southwest Florida Management District Countywide levy. It excludes specific basins, special ad valorem districts, and municipalities. See Table 7 for use of Base Millage Rate on page 109.

Source: Hernando County Property Appraiser

TABLE 8 (Continued)

Fiscal Year Ending				
June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
4.9960	5.0860	5.2310	5.1690	5.2600
0.5100	0.4980	0.7480	0.7480	0.7480
0.2160	0.2130	0.0000	0.0000	0.0000
0.3430	0.2320	0.0000	0.0000	0.0000
2.0000	1.7500	1.5000	1.5000	1.5000
8.0650	7.7790	7.4790	7.4170	7.5080
5.4394	5.4394	5.4394	5.4394	5.6279
0.1102	0.1102	0.1102	0.1102	0.1102
0.7091	0.7091	0.7091	0.7091	0.7091
0.0844	0.0844	0.0844	0.0844	0.0844
2.9664	2.9423	2.9423	3.1737	3.1737
9.3095	9.2854	9.2854	9.5168	9.7053
0.1885	0.3866	0.3866	0.3770	0.3928
0.2308	0.2308	0.2308	0.2308	0.0000
0.3866	0.1885	0.1885	0.1885	0.0000
0.8059	0.8059	0.8059	0.7963	0.3928
6.3230	6.0690	6.0690	6.3700	6.3700
2.1744	2.1173	2.5769	2.6587	2.7838
8.4974	8.1863	8.6459	9.0287	9.1538
18.6128	18.2776	18.7372	19.3418	19.2519
14.5966	14.5087	14.2087	14.1371	14.4324

TABLE 9

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	2011-2012				2002-2003			
Taxpayer	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)
Withlacoochee River Electric Co-op	Public Utility	$ 274,170,984	1	3.64%	Public Utility	$ 93,409,194	1	1.82%
Cemex, Inc.	Cement Manufacturing	172,892,132	2	2.29%	Cement Manufacturing	41,474,682	5	0.81%
Wal-Mart Stores, Inc.	Retail Sales	114,641,372	3	1.51%	Retail Sales	73,143,344	2	1.42%
Bright House Networks	Cable Utility	63,653,313	4	0.84%	Cable Utility	26,091,736	10	0.50%
Progress Energy (Florida Power Corporation)	Public Utility	60,736,200	5	0.80%	Public Utility	33,996,723	6	0.66%
AT&T Florida	Telecommunications	56,405,000	6	0.75%	Telecommunications	51,659,267	4	1.00%
HCA Health Services of Florida, Inc.	Hospital/ Health Care	38,868,298	7	0.49%	Hospital/ Health Care	30,728,816	8	0.60%
Florida Gas Transmission Co.	Public Utility	25,975,000	8	0.35%				
Cole MT Spring Hill LLC	Retail Sales	25,848,715	9	0.34%				
Central Power & Lime Inc.	Utilities	23,393,507	10	0.31%	Utilities	32,653,251	7	0.63%
Florida Crushed Stone Corporation					Rock Mining	55,579,339	3	1.08%
Hernando County Water & Sewer					Public Utility	29,988,073	9	0.58%

(1) Percentage of Taxable Value to County Total Taxable Value. Total Taxable Value can be found on Table 7 page 109 of this report.

Source: Hernando County Property Appraiser

TABLE 10

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

		Collected to End of Tax Year			Collected in Fiscal Year	
Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Levy	Delinquent Collections (1)	Total Collections (1)	Percent of Levy
2011-2012	$ 66,067,422	$ 60,364,306	91.37%	$ 685,453	$ 61,049,759	92.41%
2010-2011	71,473,086	64,278,055	89.93%	439,784	64,717,839	90.55%
2009-2010	78,787,235	75,971,236	96.43%	685,453	76,656,689	97.30%
2008-2009	89,340,049	85,566,159	95.78%	267,966	85,834,125	96.08%
2007-2008	92,033,622	88,415,644	96.07%	166,153	88,581,797	96.25%
2006-2007	81,382,516	79,349,039	97.50%	23,595	79,372,634	97.53%
2005-2006	65,368,562	63,250,756	96.76%	75,624	63,326,380	96.88%
2004-2005	56,824,659	55,256,318	97.24%	178,523	55,434,841	97.55%
2003-2004	53,032,096	51,343,843	96.82%	143,545	51,487,388	97.09%
2002-2003	48,976,597	47,378,486	96.74%	84,879	47,463,365	96.91%

(1) Net of allowable discounts

Note: Property taxes become due and are payable between November 1st of the year assessed and March 31st of the following year. A four percent (4%) discount is allowed if the taxes are paid in November, with the discount declining by one percent (1%) each month thereafter. Accordingly, taxes collected will never equal 100% of the tax levy. Taxes become delinquent on April 1st of each tax year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1st of each year. Accordingly, the majority of taxes are collected in the fiscal year levied.

Source: Hernando County Tax Collector and District records

TABLE 11

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

	Governmental Activities (1)									
Fiscal Year	General Obligation Bonds	State Board of Education Bonds	Certificates of Participation	District Revenue Bonds	Sales Tax Revenue Bonds	Notes	Capital Leases	Total Primary Government	Per Capita (2)	Percentage of Per Capita Income (2)
2011-2012	$	$ 5,260,000	$ 133,755,000	$ 2,575,000	$ 18,590,000	$ 9,438,299	$ 1,041,954	$ 170,660,253	986	Not Available
2010-2011		6,158,406	136,282,396	2,650,000	24,342,358	10,465,497	2,833,904	182,732,561	1,055	3.59%
2009-2010		5,117,145	141,343,121	2,725,000	29,902,947	11,454,297	4,539,955	195,082,465	1,177	3.93%
2008-2009	805,000	5,576,805	144,468,846	2,795,000	35,273,537	12,406,134	6,585,904	207,911,226	1,260	4.32%
2007-2008	4,555,000	6,015,895	147,479,571	2,860,000	40,439,126	13,322,390	1,160,347	215,832,329	1,309	4.66%
2006-2007	8,180,000	6,449,985	150,380,296	2,925,000	45,004,715	14,204,395	1,783,816	228,928,207	1,411	5.10%
2005-2006	11,675,000	6,864,075	153,176,021	2,985,000		14,235,885	2,516,010	191,451,991	1,219	4.62%
2004-2005	15,045,000	7,050,000	47,420,000	3,045,000		14,848,167	3,303,682	90,711,849	602	2.35%
2003-2004	19,970,000	6,370,000	49,450,000	3,105,000		15,392,057	1,676,409	95,963,466	661	2.66%
2002-2003	24,685,000	5,995,000	20,620,000	3,160,000		15,872,047	1,722,900	72,054,947	512	2.08%

Note: The primary government does not have any outstanding debt for business-type activities.

Source:
(1) District Records
(2) Total Primary Government Debt divided by Population and Per Capita Income from Table 18 on Page 122.

TABLE 12

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2012
(Unaudited)

Jurisdiction	Other Debt Outstanding	Direct Debt: Percentage Applicable to School Board of Hernando County	Direct Debt: Amount Applicable to School Board of Hernando County	Direct and Overlapping Debt (1): Percentage Applicable To Hernando County	Direct and Overlapping Debt (1): Amount Applicable To Hernando County
Hernando County Board of County Commissioners					
Gas Tax Bonds, Series 2002	$ 2,125,000			100.00%	$ 2,125,000
Capital Improvement Bonds, Series 2002	12,330,000			100.00%	12,330,000
Capital Improvement Bonds, Series 2004	18,650,000			100.00%	18,650,000
Non-Ad Valorem Refunding Bonds, Series 2010	5,140,000			100.00%	5,140,000
Subtotal Overlapping Debt	38,245,000				38,245,000
District School Board of Hernando County					
State Board of Education Bonds, Series 2003A	30,000	100.00%	30,000	100.00%	30,000
State Board of Education Bonds, Series 2004A	310,000	100.00%	310,000	100.00%	310,000
State Board of Education Bonds, Series 2005A	390,000	100.00%	390,000	100.00%	390,000
State Board of Education Bonds, Series 2005B Refunding	2,575,000	100.00%	2,575,000	100.00%	2,575,000
State Board of Education Bonds, Series 2009A Refunding	235,000	100.00%	235,000	100.00%	235,000
State Board of Education Bonds, Series 2010A	1,355,000	100.00%	1,355,000	100.00%	1,355,000
State Board of Education Bonds, Series 2011A Refunding	365,000	100.00%	365,000	100.00%	365,000
Certificates of Participation, Series 2003A	30,000,000	100.00%	30,000,000	100.00%	30,000,000
Certificates of Participation, Series 2003B	885,000	100.00%	885,000	100.00%	885,000
Certificates of Participation, Series 2005	102,870,000	100.00%	102,870,000	100.00%	102,870,000
Capital Improvement Bonds, Series 2001	2,575,000	100.00%	2,575,000	100.00%	2,575,000
Sales Tax Revenue Bonds, Series 2006	18,590,000	100.00%	18,590,000	100.00%	18,590,000
Note Payable	9,438,299	100.00%	9,438,299	100.00%	9,438,299
Obligations under Capital Lease	1,041,954	100.00%	1,041,954	100.00%	1,041,954
Subtotal Direct Debt	170,660,253		170,660,253		170,660,253
Totals	$ 208,905,253		$ 170,660,253		$ 208,905,253

(1) Overlapping governments are those whose geographic area coincides at least in part with the area of the District.

Source: District Records and Hernando County, Florida Comprehensive Annual Financial Report

TABLE 13

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
CALCULATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Taxable Value (1)	$ 5,119,099	$ 5,649,034	$ 6,338,015	$ 7,668,136
Debt Limit - 10% of Taxable Value (2)	$ 511,910	$ 564,903	$ 633,802	$ 766,814
Amount of Debt Applicable to the Debt Limit:				
General Obligation Bonds Payable	$ 24,685	$ 19,970	$ 15,045	$ 11,675
Less, Amount Available for Debt Service	2,133	2,161	2,253	2,451
Total Debt Applicable to the Debt Limit	$ 22,552	$ 17,809	$ 12,792	$ 9,224
Legal Debt Margin	$ 489,358	$ 547,094	$ 621,010	$ 757,590
Total Debt Applicable to the Debt Limit as a Percentage of the Debt Limit	4.41%	3.15%	2.02%	1.20%

(1) Provided by Hernando County Property Appraiser. The 2011 Taxable Value based on Final Certification dated October 4, 2011. All other years based on re-certification values after Value Adjustment Board.

(2) This schedule was previously presented as a requirement of State Board of Education Rule 6A-1.037(2), Florida Administrative Code, which established a legal debt limit of 10 percent of the assessed valuation of the District. This rule was repealed in March 2006, however, management believes this information may still be of value to users.

Source: District Records

Fiscal Year Ending					
June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
$ 9,924,406	$ 11,398,471	$ 10,298,659	$ 9,325,714	$ 8,460,725	$ 8,799,604
$ 992,441	$ 1,139,847	$ 1,029,866	$ 932,571	$ 846,073	$ 879,960
$ 8,180	$ 4,555	$ 805	$	$	$
2,712	2,572	805			
$ 5,468	$ 1,983	$	$	$	$
$ 986,973	$ 1,137,864	$ 1,029,866	$ 932,571	$ 846,073	$ 879,960
0.55%	0.17%	0.00%	0.00%	0.00%	0.00%

TABLE 14

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(dollar amounts expressed in thousands)
(Unaudited)

Fiscal Year	Population (1)	Taxable Value	Gross General Bonded Debt (2)	Less Debt Service Funds (3)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Taxable Value	Per Capita
2011-2012	173,142	$ 8,799,604	$	$	$	0.00%	$
2010-2011	173,162	8,460,725				0.00%	
2009-2010	165,802	9,325,714				0.00%	
2008-2009	165,048	10,298,659	805	805		0.00%	
2007-2008	164,907	11,398,471	4,555	2,573	1,982	0.02%	12
2006-2007	162,193	9,924,406	8,180	2,712	5,468	0.06%	34
2005-2006	157,006	7,668,136	11,675	2,451	9,224	0.12%	59
2004-2005	150,784	6,338,015	15,045	2,253	12,792	0.20%	85
2003-2004	145,207	5,649,034	19,970	2,161	17,809	0.32%	123
2002-2003	140,670	5,119,099	24,685	2,133	22,552	0.44%	160

(1) Hernando County Monthly Demographics Update Summary - through September 1, 2012
(2) Includes General Obligation Bonds only
(3) Reserved for Debt Service - General Obligation Bonds only
(4) Population and Per Capita amounts for the prior fiscal years were adjusted to reflect actual statistics from the Hernando County Monthly Demographics Update Summary - through September 1, 2012

Source: District records

TABLE 15

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENT EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Principal	Interest and Dues & Fees	Total Debt Service	Total General Governmental Noncapital Expenditures	Ratio of Debt Service to General Governmental Noncapital Expenditures
2011-2012	$	$	$	$ 194,856,647	0.00%
2010-2011				211,749,992	0.00%
2009-2010	805,000	44,680	849,680	203,613,376	0.42%
2008-2009	3,750,000	188,482	3,938,482	207,634,213	1.90%
2007-2008	3,625,000	341,835	3,966,835	202,960,970	1.95%
2006-2007	3,495,000	474,718	3,969,718	185,997,225	2.13%
2005-2006	3,370,000	590,811	3,960,811	167,176,331	2.37%
2004-2005	4,925,000	778,146	5,703,146	149,297,043	3.82%
2003-2004	4,715,000	979,259	5,694,259	127,861,616	4.45%
2002-2003	4,195,000	1,571,061	5,766,061	117,538,358	4.91%

Source: District records

TABLE 16

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)
(Unaudited)

Fiscal Year	Taxable Value	Annual Lease Payment	Millage Levy to Provide 1.00x Coverage (1)
2011-2012	$ 8,799,604	$ 7,771	0.920 Mills
2010-2011	8,460,725	7,775	0.957 Mills
2009-2010	9,325,714	9,663	1.091 Mills
2008-2009	10,298,659	9,667	0.988 Mills
2007-2008	11,398,471	9,667	0.893 Mills
2006-2007	9,924,406	9,663	1.025 Mills
2005-2006	7,668,136	6,286	0.863 Mills
2004-2005	6,338,015	4,155	0.690 Mills
2003-2004	5,649,034	3,784	0.705 Mills
2002-2003	5,119,099	2,845	0.585 Mills

(1) Millage rate calculated using 95 percent of the taxable value through Fiscal Year 2009-2010. Increased to 96 percent of taxable value beginning in Fiscal Year 2010-2011

Note: Capital lease arrangements financed by certificates of participation are not considered general obligation debt as no specific property tax levy has been pledged

Source: District records

TABLE 17

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
ANTICIPATED SALES TAX REVENUE COLLECTIONS
REQUIRED TO COVER SALES TAX REVENUE BOND PAYMENTS
LAST EIGHT FISCAL YEARS
(Unaudited)

Fiscal Year	10-Year Sales Tax Revenue (1)	Principal	Interest and Dues & Fees	Annual Debt Service on Sales Tax Revenue Bonds	Sales Tax Revenue Coverage (2)
2011-2012	$ 7,832,909	$ 5,750,000	$ 792,834	$ 6,542,834	1.20
2010-2011	7,828,758	5,560,000	997,240	6,557,240	1.19
2009-2010	7,470,501	5,370,000	1,187,265	6,557,265	1.14
2008-2009	7,558,751	5,165,000	1,384,540	6,549,540	1.15
2007-2008	7,950,810	4,565,000	1,579,110	6,144,110	1.29
2006-2007	8,526,614		1,223,342	1,223,342	6.97
2005-2006	8,492,036				
2004-2005	2,951,467				

(1) Collections on the District's second local option half-cent sales tax (10 Years) approved by the voters on March 9, 2004, began January 1, 2005 and will end December 31, 2014. The District issued $45,000,000 in sales tax revenue bonds on November 1, 2006.

(2) Sales tax revenue collections divided by the debt service on the sales tax revenue bonds.

Source: District records

TABLE 18

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COUNTY-WIDE DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Estimated Population (1)	Personal Income (2)	Per Capita Income (1)	Public School Enrollment (3)
2011-2012	173,142	Not Available	Not Available	22,442
2010-2011	173,162	$ 5,090,443	$ 29,397	22,998
2009-2010	165,802	4,965,770	29,950	23,296
2008-2009	165,048	4,810,819	29,148	23,454
2007-2008	164,907	4,627,950	28,064	23,172
2006-2007	162,193	4,488,367	27,673	23,227
2005-2006	157,006	4,138,678	26,360	22,333
2004-2005	150,784	3,857,356	25,582	21,272
2003-2004	145,207	3,610,717	24,866	20,290
2002-2003	140,670	3,462,451	24,614	19,082

Source:
(1) Hernando County Monthly Demographics Update Summary - through September 1, 2012
(2) U. S. Census Bureau. Per Capita Income and Personal Income data for Tax Year 2011 was not available. Personal Income was calculated by multiplying the Estimated Population and Per Capita Income. Personal Income stated in thousands.
(3) District records
(4) Florida Agency for Workforce Innovation - Labor Market Statistics as of August 2012
(5) Hernando County Planning Department

TABLE 18 (Continued)

Percentage of Students on Free and Reduced Lunch (3)	Labor Force (4)	Unemployment Rate % (4)	Median Age (1)	Citizens With a Bachelor's Degree (5)
62.6%	63,088	10.8%	47.7	16.2%
60.5%	62,854	13.8%	47.7	16.1%
59.5%	64,364	15.0%	50.7	12.7%
54.1%	63,228	13.1%	50.0	12.7%
47.1%	64,694	7.5%	45.3	12.7%
42.7%	62,107	5.4%	46.6	10.5%
41.0%	56,262	4.1%	46.6	10.5%
43.3%	54,301	4.9%	49.7	8.2%
46.3%	52,275	5.3%	49.6	8.2%
45.4%	52,168	5.4%	50.4	8.2%

TABLE 19

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PRINCIPAL EMPLOYERS
NON-RETAIL, NON-GOVERNMENT
LAST SEVEN FISCAL YEARS
(Unaudited)

	2011-2012 (2)			2010-2011		2009-2010	
Employer / Type of Business	Number of Employees	Rank	% (1)	Number of Employees	Rank	Number of Employees	Rank
Hernando Healthcare Healthcare	1,032	1	1.6%	1,032	1	1,032	2
Oak Hill Hospital Healthcare	947	2	1.5%	947	2	947	3
Wal-Mart Distribution Center Distribution Center	766	3	1.2%	766	3	1,200	1
Rinker Materials/FCS Mining and Cement	300	4	0.5%	300	4	300	4
Cemex, Inc. Cement Manufacturer	264	5	0.4%	264	5	264	5
Accuform, Inc. Manufacturer	245	6	0.4%	245	6	245	6
Sparton Electronics Manufacturer	225	7	0.4%	225	7	225	7
Hernando Pasco Hospice Healthcare	207	8	0.3%	207	8	207	8
Evergreen Woods, Inc. Residential Care	160	9	0.3%	160	9	160	9
Commercial Carrier Corporation Transportation	145	10	0.2%	145	10	145	10
Sun Trust Banking	135	11	0.2%	135	11	135	11
Gale Insulation Residential & Commercial Contractor							
Total	4,426		7.0%	4,426		4,860	

Information not available for years prior to Fiscal Year 2005-2006.

(1) Percentage shown represents the number of employees as a percent of Hernando County's total labor force of 63,088.

(2) Per the Hernando County Office of Business Development, there have been no updates to the numbe of employees since July 2010.

Source: Hernando County Office of Business Development

TABLE 19 (Continued)

2008-2009		2007-2008		2006-2007		2005-2006	
Number of Employees	Rank	Number of Employees	Rank	Number of Employees	Rank	Number of Employees	Rank
763	3	763	3	763	3	763	3
850	2	850	2	850	2	850	2
1,200	1	1,200	1	1,600	1	1,600	1
300	7			300	6	300	6
426	4	426	4	126	10		
225	9	225	8	185	7	149	9
325	5	325	5	325	4	325	4
300	8	300	7				
160	10	160	9	160	8	160	7
		145	10	145	9	145	10
308	6	308	6	308	5	308	5
						160	8
4,857		4,702		4,762		4,760	

TABLE 20

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
SCHOOL BUILDING INFORMATION AND STUDENT ENROLLMENT DATA
LAST TEN FISCAL YEARS
(Unaudited)

	Year Constructed (1)	Age of School in Years	Square Footage (2)	Permanent Student Stations (3)	Current Utilization Based on Permanent Student Stations	Relocatables	Relocatable Student Stations (4)
Elementary Schools:							
Brooksville Elementary	1968	44	119,202	751	101.9%	13	234
Chocachatti Elementary (Magnet)	1998	14	112,096	737	124.8%	8	300
Deltona Elementary	1989	23	121,817	991	81.3%	8	174
Eastside Elementary	1973	39	84,181	736	72.3%	7	94
John D. Floyd Elementary (Changed to K-8)	1986	26	139,288				
Moton Elementary	1989	23	101,251	750	84.3%	5	118
Pine Grove Elementary	1988	24	133,744	1,120	55.0%	26	594
Spring Hill Elementary	1980	32	94,407	588	115.6%	13	249
Suncoast Elementary	1994	18	138,488	1,016	92.6%	4	128
Westside Elementary	1972	40	81,436	590	98.5%	21	440
Total Elementary School Student Enrollment							
Middle Schools:							
Fox Chapel Middle School	1978	34	128,843	1,098	61.7%	6	198
D. S. Parrott Middle School	1988	24	149,230	1,141	73.6%		
Powell Middle School	1984	28	150,693	1,200	85.1%		
West Hernando Middle School	1993	19	181,213	1,274	74.8%	6	220
Total Middle School Student Enrollment							
Combination Schools:							
Challenger K-8 School of Science and Mathematics (Magnet)	2004	8	264,087	1,734	93.8%	1	44
Explorer K-8	2008	4	278,996	2,095	84.5%		
John D. Floyd Elementary (Changed from Elementary)	1986	26	139,288	1,203	96.3%	19	498
Winding Waters K-8	2012		163,924	1,605	50.2%		
Total Combination School Student Enrollment							
High Schools:							
Central High School	1989	23	286,082	2,288	58.4%	6	150
Hernando High School	1962	50	271,966	1,888	72.6%	7	145
Nature Coast Technical High School (Magnet)	2001	11	256,750	1,371	97.1%		
Springstead High School	1975	37	219,920	1,759	100.9%	28	775
Weeki Wachee High School (Grades 9-11)	2011	1	211,991	1,615	56.7%		
Total High School Student Enrollment							
Specialty Schools:							
Endeavor Academy (formerly STAR Center)	1974	38	16,706	117	33.3%	4	70
Hernando eSchool	N/A		N/A	N/A	N/A	N/A	N/A
Incarcerated Youth Program	N/A		N/A	N/A	N/A	N/A	N/A
Stop Camp/Withlacoochee DJJ	N/A		N/A	N/A	N/A	N/A	N/A
Total Specialty Schools Student Enrollment							
Charter Schools:							
Gulf Coast Academy of Science and Mathematics	N/A		N/A	N/A	N/A	N/A	N/A
Total Charter School Student Enrollment							
Total Pre-Kindergarten to Grade 12 Student Enrollment							
Adult Education:							
Adult Education Centers	N/A		N/A	N/A	N/A	N/A	N/A
Heart Literacy	1986	26	3,598	N/A	N/A	N/A	N/A
Total Adult Student Enrollment							
District Total Pre-Kindergarten to Adult Student Enrollment							

(1) Year constructed date from the Florida Inventory of School Housing (FISH). This date does not reflect additions, renovations, replacements or remodelings. Average age of the schools 25.5 years.
(2) Square footage is current permanent and does not include portables.
(3) Permanent student stations reflect student stations in permanent buildings which excludes student stations in relocatables.
(4) Student stations in relocatable classrooms.
(5) Permanent student stations reflect utilization factor per State Requirements for Educational Facilitites (SREF).

Source: District records

Student Enrollment

2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
810	846	864	810	808	766	797	802	881	765
720	800	806	921	916	922	915	940	936	920
889	952	956	1,037	1,057	951	876	862	808	806
684	666	631	680	681	653	588	593	540	532
1,016	1,068	1,372	1,258	1,508					
639	695	727	653	711	794	863	826	793	632
1,049	1,000	1,016	1,075	1,240	1,399	1,154	1,147	1,085	616
801	912	1,005	920	1,056	1,053	689	694	735	680
834	911	1,016	917	976	928	914	890	923	941
876	840	897	875	935	965	814	787	778	581
8,318	8,690	9,290	9,146	9,888	8,431	7,610	7,541	7,479	6,473
1,250	1,299	1,205	1,113	1,015	958	782	737	702	677
1,026	1,034	971	963	851	828	851	841	836	840
1,272	1,239	1,384	1,139	1,203	1,211	1,033	954	979	1,021
1,221	1,310	1,355	1,130	1,108	1,121	1,035	1,000	963	953
4,769	4,882	4,915	4,345	4,177	4,118	3,701	3,532	3,480	3,491
			1,379	1,460	1,472	1,469	1,553	1,648	1,626
						1,943	2,014	1,799	1,770
					1,587	1,003	1,064	1,160	1,159
									805
			1,379	1,460	3,059	4,415	4,631	4,607	5,360
1,952	1,785	1,942	1,964	1,876	1,947	1,904	1,753	1,579	1,337
1,321	1,244	1,287	1,379	1,348	1,371	1,360	1,383	1,410	1,371
	1,097	1,257	1,410	1,373	1,361	1,463	1,480	1,408	1,331
2,013	1,701	1,724	1,904	1,915	1,924	1,968	2,164	1,833	1,774
								569	915
5,286	5,827	6,210	6,657	6,512	6,603	6,695	6,780	6,799	6,728
55	65	69	57	90	97	89	94	92	39
								45	39
								20	11
	19	21	17	13					
55	84	90	74	103	97	89	94	157	89
	109	108	117	117	115	113	117	119	120
	109	108	117	117	115	113	117	119	120
18,428	19,592	20,613	21,718	22,257	22,423	22,623	22,695	22,641	22,261
353	417	367	378	706	470	539	274	99	6
301	281	292	237	264	279	292	327	258	175
654	698	659	615	970	749	831	601	357	181
19,082	20,290	21,272	22,333	23,227	23,172	23,454	23,296	22,998	22,442

TABLE 21

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NUMBER OF PERSONNEL
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Classroom Teachers (1)	Other Instructional (2)	Administrative (3)	Support Services (4)	Total Full Time	Ratio of Instructional Personnel to Administrators
2011-2012	1,575	175	93	1,134	2,977	18.82
2010-2011	1,590	201	92	1,241	3,124	19.47
2009-2010	1,508	193	81	1,240	3,022	21.00
2008-2009	1,563	184	85	1,281	3,113	20.55
2007-2008	1,627	169	85	1,252	3,133	21.13
2006-2007	1,561	161	86	1,240	3,048	20.02
2005-2006	1,456	149	85	1,311	3,001	18.89
2004-2005	1,296	136	81	1,260	2,773	17.68
2003-2004	1,101	127	72	1,188	2,488	17.05
2002-2003	1,033	126	73	1,118	2,350	15.87

(1) Elementary classroom teachers, secondary classroom teachers, exceptional education teachers, other teachers
(2) Guidance counselors, occupational specialists, social workers, psychologists, media specialists
(3) Principals, assistant principals, superintendent, executive directors, directors, managers, coordinators
(4) Paraprofessionals, bus drivers, clerical, secretarial, service workers, skilled craft, etc.

Source: District records

TABLE 22

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
AVERAGE TEACHER SALARIES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Bachelor's	Master's	Specialist's	Doctorate	All Degrees
2011-2012	$ 41,425	$ 47,678	$ 47,892	$ 48,095	$ 43,616
2010-2011	40,880	46,096	46,431	48,202	42,681
2009-2010	40,568	45,963	43,496	50,705	42,398
2008-2009	39,996	45,622	43,124	49,815	41,795
2007-2008	38,263	45,270	48,218	50,730	40,753
2006-2007	36,322	44,291	45,099	51,607	39,089
2005-2006	34,181	41,279	40,647	46,887	36,733
2004-2005	33,583	40,630	39,336	47,660	36,177
2003-2004	32,775	38,661	37,500	39,781	34,818
2002-2003	31,754	37,496	40,662	38,077	33,852

Source: District records

TABLE 23

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Government-wide Governmental Activities Expenses	Public School Enrollment (1)	Percentage Change	Cost per Student	Percentage Change	Classroom Teachers	Percentage Change (2)	Pupil Teacher Ratio
2011-2012	$ 198,906,971	22,442	-2.4%	$ 8,863	-7.3%	1,575	-0.9%	14.25
2010-2011	219,964,029	22,998	-1.3%	9,564	6.9%	1,590	5.4%	14.46
2009-2010	208,416,520	23,296	-0.7%	8,946	1.1%	1,508	-3.5%	15.45
2008-2009	207,610,483	23,454	1.2%	8,852	0.1%	1,563	-3.9%	15.01
2007-2008	204,955,131	23,172	-0.2%	8,845	8.8%	1,627	4.2%	14.24
2006-2007	188,888,556	23,227	4.0%	8,132	7.3%	1,561	7.2%	14.88
2005-2006	169,282,532	22,333	5.0%	7,580	8.9%	1,456	12.3%	15.34
2004-2005	148,010,931	21,272	4.8%	6,958	4.4%	1,296	17.7%	16.41
2003-2004	135,255,033	20,290	6.3%	6,666	6.1%	1,101	6.6%	18.43
2002-2003	119,917,680	19,082	3.3%	6,284	1.7%	1,033	1.9%	18.47

(1) Enrollment includes grades prekindergarten through adult students.
(2) The November 2002 Constitutional Amendment to reduce class size began in the 2003-2004 fiscal year.

Source: District records

COMPLIANCE SECTION


HERNANDO COUNTY SCHOOL BOARD
Quest for
Excellence

Compliance Section

This part of the District School Board of Hernando County, Florida's comprehensive annual financial report presents specific compliance information.

Content	**Page**
Schedule of Expenditures of Federal Awards	132
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*	134
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	136
Schedule of Findings and Questioned Costs	138
Summary Schedule of Prior Audit Findings – Federal Awards	140

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HERNANDO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	$ 533,847	
National School Lunch Program	10.555	300, 350	2,503,284	
Summer Food Service Program for Children	10.559	323	128,120	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	1,001,302	
National School Lunch Program	10.555 (2)	300, 350	3,767,901	
Total Child Nutrition Cluster			7,934,454	
Florida Department of Education:				
Child Nutrition Discretionary Grants Limited Availability	10.579	371	71,127	
Total United States Department of Agriculture			8,005,581	
United States Department of Energy:				
Indirect:				
University of Central Florida:				
ARRA - State Energy Program	81.041 (3)	N/A	169,657	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262,263	4,987,309	
Special Education - Preschool Grants	84.173	267	67,634	
ARRA - Special Education Grants to States, Recovery Act	84.391	263	188,278	
Total Special Education Cluster			5,243,221	
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212,222,226,228	5,027,250	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212,226	170,822	
Total Title I, Part A Cluster			5,198,072	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	122	133,811	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	1,465	
Total Educational Technology State Grants Cluster			135,276	
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	200,011	
ARRA - School Improvements Grants, Recovery Act	84.388	126	999,718	
Total School Improvement Grants Cluster			1,199,729	

HERNANDO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Education (Continued):				
Indirect (Continued):				
Florida Department of Education:			$	$
Adult Education - Basic Grants to States	84.002	191,193	295,618	
Career and Technical Education - Basic Grants to States	84.048	161	230,087	
Twenty-First Century Community Learning Centers	84.287	244	188,526	
English Language Acquisition State Grants	84.365	102	98,538	
Improving Teacher Quality State Grants	84.367	224	1,069,220	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211, RG311	959,904	
Education Jobs Fund	84.410	541	68,057	338
Washington County District School Board:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	None	22,750	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	None	3,000	
Total United States Department of Education			14,711,998	338
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	111,618	
Navy Junior Reserve Officers Training Corps	None	N/A	101,364	
Total United States Department of Defense			212,982	
Total Expenditures of Federal Awards			**$ 23,100,218**	**$ 338**

Notes:

(1) Basis of Presentation - The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2011-2012 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - Food Donation - Includes donated food received during the 2011-2012 fiscal year totaling $18,161 and for cash-in-lieu of foods totaling $629,319. Donated food is valued at fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

(3) Noncash Assistance - State Energy Program - This amount represents solar panels and related installation costs paid on behalf of the District.

AUDITOR GENERAL
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hernando County District School Board as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Hernando County District School Board's financial statements. For the school internal funds and the aggregate discretely presented component units, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to District management in our operational audit report No. 2013-044.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 22, 2013
Audit Report No. 2013-083

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STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

Compliance

We have audited the Hernando County District School Board'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 fiscal year ended June 30, 2012. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
January 22, 2013
Audit Report No. 2013-083

HERNANDO COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Educational Technology State Grants Cluster (CFDA No. 84.318 and 84.386 - ARRA); School Improvement Grants Cluster (CFDA No. 84.377 and 84.388 – ARRA); and Race-to-the-Top Incentive Grants (CFDA No. 84.395 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	$ 693,006
Auditee qualified as low-risk auditee?	Yes

PRIOR AUDIT FOLLOW-UP

Except as noted in our operational audit report No. 2013-044, the District had taken corrective actions for findings included in the previous financial audit report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

HERNANDO COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Purvis, Gray, and Company, LLP		There were no prior year Federal findings.		


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