

# SANTA ROSA COUNTY DISTRICT SCHOOL BOARD

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## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2010



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

|                                                                  | <u>District No.</u> |
|------------------------------------------------------------------|---------------------|
| Diane L. Scott, Ph.D., Vice Chair from 11-17-09                  | 1                   |
| E. Hugh Winkles                                                  | 2                   |
| M. Diane Coleman, Vice Chair to 11-16-09,<br>Chair from 11-17-09 | 3                   |
| JoAnn J. Simpson                                                 | 4                   |
| Ed Gray, III, Chair to 11-16-09                                  | 5                   |

Timothy S. Wyrosdick, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Kenneth C. Danley, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

**Summary of Report on Internal Control and Compliance**

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

**SIGNIFICANT DEFICIENCY**

**Finding No. 1:** Improvements could be made in financial reporting procedures to ensure that account balances, transactions, and required supplementary information are properly reported.

**ADDITIONAL MATTERS**

**Finding No. 2:** District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were made using required assessment criteria and based primarily on student performance contrary to Section 1012.34(3), Florida Statutes.

**Finding No. 3:** The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

**Finding No. 4:** The District paid \$29,700 from workforce development funds for instructional services provided to secondary students, contrary to Chapter 2009-81, Laws of Florida.

**Finding No. 5:** Controls over social security numbers could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes.

**Finding No. 6:** The District allowed two vendors to use District tax-exempt purchasing cards without apparent authority.

**Finding No. 7:** Certain District employees did not timely file statements of financial interests with the supervisor of elections, contrary to Section 112.3145(2), Florida Statutes.

**Finding No. 8:** The audit of the Santa Rosa Education Foundation, Inc., a direct-support organization of the District, was not performed in accordance with *Government Auditing Standards*, contrary to Rules of the Auditor General.

**Finding No. 9:** The District's information technology (IT) risk assessment practices could be improved.

**Finding No. 10:** The District's disaster recovery plan omitted consideration of certain key IT processes.

**Finding No. 11:** Certain IT security controls related to user authentication could be enhanced.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; State Fiscal Stabilization Fund Cluster; Head Start Cluster; and Disaster Grants – Public Assistance programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Santa Rosa County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-128.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.



DAVID W. MARTIN, CPA  
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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board, as of and for the fiscal year ended June 30, 2010, 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 31 percent of the assets and 75 percent of the liabilities of the aggregate remaining fund information. Additionally, 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. The financial statements of the Santa Rosa Education Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. 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 Santa Rosa County District School Board as of June 30, 2010, and the respective changes in financial position thereof 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 Santa Rosa 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** (pages 3 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 44 through 47) 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 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
February 23, 2011

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management of the Santa Rosa County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis 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 found on pages 10 through 43.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2009-10 fiscal year are as follows:

- In total, net assets increased by \$12,159,326.51, or 5.39 percent.
- General revenues total \$201,769,615.00, or 92.32 percent of all revenues in the 2009-10 fiscal year, compared to \$194,325,458.24, or 89.23 percent in the prior fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$16,788,123.50, or 7.68 percent of all revenues in the 2009-10 fiscal year, compared to \$23,465,972.68, or 10.77 percent in the prior fiscal year.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$18,983,993.31 at June 30, 2010, or 12.19 percent of total General Fund expenditures, compared to \$13,778,680.45, or 7.84 percent, at June 30, 2009.
- During the 2009-2010 fiscal year, General Fund revenues exceeded expenditures by \$4,597,345.84. This may be compared to the prior fiscal year's results, in which General Fund expenditures exceeded revenues by \$7,032,584.39.

**OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

**Government-wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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

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

### **Fund Financial Statements**

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

**Fiduciary Funds:** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements

because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

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

### Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

|                              | Net Assets, End of Year    |                          |
|------------------------------|----------------------------|--------------------------|
|                              | Governmental<br>Activities |                          |
|                              | 6-30-10                    | 6-30-09                  |
| Current and Other Assets     | \$ 68,475,017.32           | \$ 59,297,154.49         |
| Capital Assets               | 248,575,323.67             | 233,560,199.45           |
| <b>Total Assets</b>          | <b>317,050,340.99</b>      | <b>292,857,353.94</b>    |
| Long-Term Liabilities        | 73,245,922.06              | 61,232,388.24            |
| Other Liabilities            | 5,975,726.41               | 5,955,599.69             |
| <b>Total Liabilities</b>     | <b>79,221,648.47</b>       | <b>67,187,987.93</b>     |
| Net Assets:                  |                            |                          |
| Invested in Capital Assets - |                            |                          |
| Net of Related Debt          | 208,683,326.95             | 194,320,571.98           |
| Restricted                   | 29,563,282.24              | 32,970,342.62            |
| Unrestricted (Deficit)       | (417,916.67)               | (1,621,548.59)           |
| <b>Total Net Assets</b>      | <b>\$ 237,828,692.52</b>   | <b>\$ 225,669,366.01</b> |

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

| Operating Results for the Year Ended                         |                          |           |                       |
|--------------------------------------------------------------|--------------------------|-----------|-----------------------|
|                                                              | Governmental             |           |                       |
|                                                              | Activities               |           |                       |
|                                                              | 6-30-10                  | 6-30-09   |                       |
| Program Revenues:                                            |                          |           |                       |
| Charges for Services                                         | \$ 7,048,040.77          | \$        | 7,434,787.31          |
| Operating Grants and Contributions                           | 5,594,116.66             |           | 10,926,599.21         |
| Capital Grants and Contributions                             | 4,145,966.07             |           | 5,104,586.16          |
| General Revenues:                                            |                          |           |                       |
| Property Taxes, Levied for Operational Purposes              | 53,557,827.14            |           | 54,723,557.96         |
| Property Taxes, Levied for Capital Projects                  | 12,143,137.53            |           | 12,736,969.46         |
| Local Sales Tax                                              | 5,945,414.48             |           | 5,991,307.81          |
| Grants and Contributions Not Restricted to Specific Programs | 128,036,452.84           |           | 117,386,600.04        |
| Unrestricted Investment Earnings                             | 315,323.58               |           | 382,638.81            |
| Miscellaneous                                                | 1,771,459.43             |           | 3,207,390.72          |
| <b>Total Revenues</b>                                        | <b>218,557,738.50</b>    |           | <b>217,894,437.48</b> |
| Functions/Program Expenses:                                  |                          |           |                       |
| Instruction                                                  | 110,218,866.64           |           | 118,909,174.04        |
| Pupil Personnel Services                                     | 9,050,353.42             |           | 9,090,483.24          |
| Instructional Media Services                                 | 2,760,727.80             |           | 2,809,056.97          |
| Instruction and Curriculum Development Services              | 5,131,795.89             |           | 5,146,700.84          |
| Instructional Staff Training Services                        | 2,734,679.96             |           | 1,395,195.40          |
| Instruction Related Technology                               | 2,643,737.88             |           | 2,433,230.75          |
| Board of Education                                           | 464,248.37               |           | 461,919.17            |
| General Administration                                       | 977,393.16               |           | 875,771.42            |
| School Administration                                        | 12,649,694.87            |           | 12,909,980.79         |
| Facilities Acquisition and Construction                      | 328,588.63               |           | 2,414,804.02          |
| Fiscal Services                                              | 1,066,663.50             |           | 1,125,169.87          |
| Food Services                                                | 10,803,918.54            |           | 10,919,386.41         |
| Central Services                                             | 2,106,923.46             |           | 2,029,774.74          |
| Pupil Transportation Services                                | 11,607,478.06            |           | 12,361,344.20         |
| Operation of Plant                                           | 13,016,753.69            |           | 13,398,953.96         |
| Maintenance of Plant                                         | 8,412,962.53             |           | 8,760,180.25          |
| Administrative Technology Services                           | 1,495,016.15             |           | 1,671,714.87          |
| Community Services                                           | 1,824,616.07             |           | 1,471,296.83          |
| Unallocated Interest on Long-Term Debt                       | 2,120,174.83             |           | 1,992,708.30          |
| Unallocated Depreciation Expense                             | 5,863,065.37             |           | 5,088,096.28          |
| Loss on Disposal of Capital Assets                           | 1,120,753.17             |           | 729,959.40            |
| <b>Total Expenses</b>                                        | <b>206,398,411.99</b>    |           | <b>215,994,901.75</b> |
| <b>Excess Before Transfer</b>                                | <b>12,159,326.51</b>     |           | <b>1,899,535.73</b>   |
| Transfer In                                                  |                          |           | 45,696.17             |
| <b>Increase in Net Assets</b>                                | <b>12,159,326.51</b>     |           | <b>1,945,231.90</b>   |
| <b>Beginning Net Assets</b>                                  | <b>225,669,366.01</b>    |           | <b>223,724,134.11</b> |
| <b>Ending Net Assets</b>                                     | <b>\$ 237,828,692.52</b> | <b>\$</b> | <b>225,669,366.01</b> |

The District's government-wide financial position and results of operations did not significantly change from the prior fiscal year.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the 2009-10 fiscal year, unreserved fund balance is \$18,983,993.31, while the total fund balance is \$24,142,653.74. The unreserved fund balance increased by \$5,205,312.86, while the total fund balance increased by \$5,506,958.99 during the 2009-10 fiscal year. Key factors of this change are as follows:

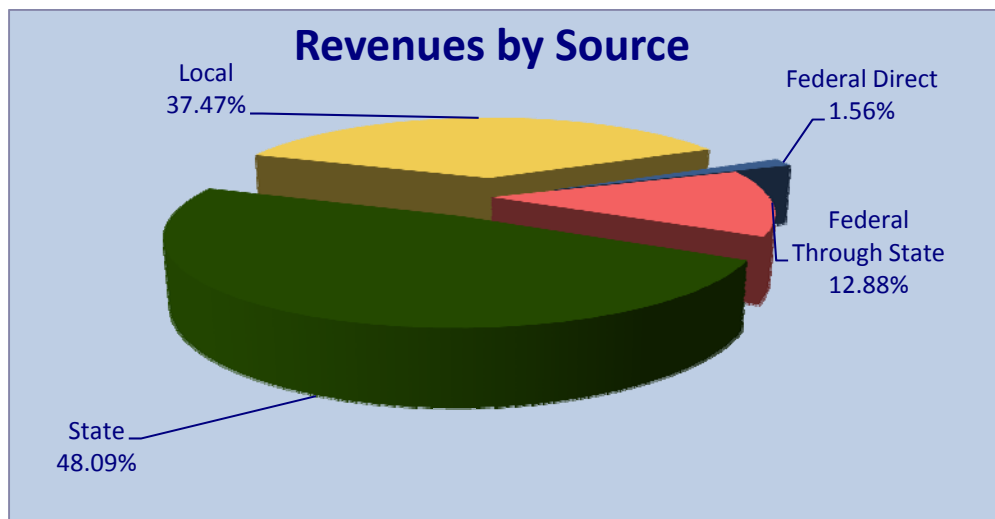
- Total expenditures decreased by \$20,035,344.87, or 11.40 percent, mainly because the District used Special Revenue - ARRA Economic Stimulus Fund proceeds to pay certain instructional salaries paid by the General Fund in previous fiscal years, charged food service related utilities paid by the General Fund in previous fiscal years to food service activities accounted for in Other Governmental Funds, and reduced the number of District employees.
- Total revenues decreased by \$8,405,414.64, or 4.98 percent, mainly because collections from State revenue sources decreased.

The Special Revenue – ARRA Economic Stimulus Fund accounts for certain Federal grant program resources related to the American Recovery and Reinvestment Act of 2009. Revenues and expenditures each totaled \$12,342,632.77 during the 2009-10 fiscal year. Since revenues equal expenditures, this fund does not have a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$10,690,468.55, of which \$1,898,529.51 is reserved for encumbrances and \$8,791,939.04 is unreserved. The fund balance increased by \$2,708,060.23, or 33.93 percent, during the 2009-10 fiscal year, primarily because the District used General Fund moneys to reimburse this fund for prior fiscal year transfers for workers' compensation insurance and transportation contract payments which were made in error.

The Capital Projects – Other Fund has a total fund balance of \$21,956,201.43, including \$11,242,940.18 reserved for encumbrances and \$10,713,261.25 unreserved. The fund balance increased by \$5,281,819.13, or 31.68 percent, during the 2009-10 fiscal year, primarily because of unspent proceeds from the Series 2009 Certificates of Participation.

In the governmental funds, revenues by source for the 2009-10 fiscal year were as follows:



The largest revenue source is the State of Florida. The District's State appropriations for current operations are based primarily on the Florida Education Finance Program (FEFP) funding formula. The FEFP formula uses student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues primarily fund specific projects. State revenues decreased by \$10,393,810.48, or 9.10 percent, primarily due to Statewide budget reductions.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District prepares its budgets and budget amendments in accordance with Florida law. The most significant budgeted fund is the General Fund. During the course of the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in budgeted expenditures increasing \$1,967,860.29, or 1.17 percent. At the same time, final budgeted revenues increased by \$4,237,598.08, or 2.74 percent. These budget amendments resulted in a final budgeted ending fund balance of \$8,192,652.80, which was 11.11 percent more than the ending fund balance included in the original budget.

Actual revenues were \$1,282,414.22 more than the final budgeted amounts, whereas actual expenditures were \$14,667,586.72 less than final budgeted amounts. Positive budget variances occurred in all functions. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$15,950,000.94. Several circumstances contributed to the higher fund balance including: 1) the District received more property tax revenues than expected; 2) the District hired fewer teachers than planned; 3) transportation costs were less than expected due to lower than expected gas prices and fewer bus routes; and 4) utility costs did not increase as much as expected, and the District took steps to decrease energy consumption in its facilities.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$248,575,323.67 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Construction projects completed during the 2009-10 fiscal year included classroom additions at numerous school locations and two cafeteria expansions. New construction projects include classroom additions at several school locations, cafeteria and media center additions, and a field house expansion.

Additional information on the District's capital assets can be found in Notes 4 and 14 of the notes to financial statements.

#### **Long-Term Debt**

At June 30, 2010, the District has total long-term debt outstanding of \$51,779,842.40. This amount is comprised of \$6,365,000.00 of bonds payable and \$45,414,842.40 of certificates of participation payable. During the fiscal year, the District issued new certificates of participation totaling \$12,585,000 as described in Note 5 of the notes to financial statements. Retirement of debt totaled \$2,064,364.60.

**REQUESTS FOR INFORMATION**

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

# BASIC FINANCIAL STATEMENTS

## SANTA ROSA COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2010

|                                                 | Primary<br>Government<br>Governmental<br>Activities | Component<br>Units   |
|-------------------------------------------------|-----------------------------------------------------|----------------------|
| <b>ASSETS</b>                                   |                                                     |                      |
| Cash and Cash Equivalents                       | \$ 66,275,986.92                                    | \$ 114,564.00        |
| Investments                                     | 328,769.87                                          |                      |
| Accounts Receivable                             | 6,102.98                                            | 10,213.00            |
| Prepaid Items                                   |                                                     | 3,707.00             |
| Due from Other Agencies                         | 1,329,769.73                                        | 10,192.00            |
| Inventories                                     | 534,387.82                                          |                      |
| Capital Assets:                                 |                                                     |                      |
| Nondepreciable Capital Assets                   | 23,951,616.34                                       | 185,000.00           |
| Depreciable Capital Assets, Net                 | 224,623,707.33                                      | 113,553.00           |
| <b>TOTAL ASSETS</b>                             | <b>\$ 317,050,340.99</b>                            | <b>\$ 437,229.00</b> |
| <b>LIABILITIES</b>                              |                                                     |                      |
| Salaries and Benefits Payable                   | \$ 2,367,824.73                                     | \$ 3,587.00          |
| Payroll Deductions and Withholdings             | 1,494,667.65                                        |                      |
| Accounts Payable                                | 670,442.57                                          | 3,744.00             |
| Construction Contracts Payable - Retainage      | 794,233.76                                          |                      |
| Due to Other Agencies                           | 34,228.75                                           |                      |
| Deposits Payable                                | 128,886.31                                          |                      |
| Estimated Insurance Claims Payable              | 485,442.64                                          |                      |
| Long-Term Liabilities:                          |                                                     |                      |
| Portion Due Within One Year                     | 7,514,796.13                                        | 16,132.00            |
| Portion Due After One Year                      | 65,731,125.93                                       | 70,411.00            |
| <b>Total Liabilities</b>                        | <b>79,221,648.47</b>                                | <b>93,874.00</b>     |
| <b>NET ASSETS</b>                               |                                                     |                      |
| Invested in Capital Assets, Net of Related Debt | 208,683,326.95                                      | 212,010.00           |
| Restricted for:                                 |                                                     |                      |
| State Required Carryover Programs               | 3,094,490.75                                        |                      |
| Debt Service                                    | 2,705,992.64                                        |                      |
| Capital Projects                                | 21,634,208.08                                       | 7,204.00             |
| Food Service                                    | 2,128,590.77                                        |                      |
| Other Purposes                                  |                                                     | 76,903.00            |
| Unrestricted (Deficit)                          | (417,916.67)                                        | 47,238.00            |
| <b>Total Net Assets</b>                         | <b>237,828,692.52</b>                               | <b>343,355.00</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>\$ 317,050,340.99</b>                            | <b>\$ 437,229.00</b> |

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

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**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

| Functions/Programs                              | Expenses                 | Program Revenues           |                                          |                                        |
|-------------------------------------------------|--------------------------|----------------------------|------------------------------------------|----------------------------------------|
|                                                 |                          | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary Government</b>                       |                          |                            |                                          |                                        |
| <b>Governmental Activities:</b>                 |                          |                            |                                          |                                        |
| Instruction                                     | \$ 110,218,866.64        | \$ 1,766,535.60            | \$                                       | \$                                     |
| Pupil Personnel Services                        | 9,050,353.42             |                            |                                          |                                        |
| Instructional Media Services                    | 2,760,727.80             |                            |                                          |                                        |
| Instruction and Curriculum Development Services | 5,131,795.89             |                            |                                          |                                        |
| Instructional Staff Training Services           | 2,734,679.96             |                            |                                          |                                        |
| Instruction Related Technology                  | 2,643,737.88             |                            |                                          |                                        |
| Board of Education                              | 464,248.37               |                            |                                          |                                        |
| General Administration                          | 977,393.16               |                            |                                          |                                        |
| School Administration                           | 12,649,694.87            |                            |                                          |                                        |
| Facilities Acquisition and Construction         | 328,588.63               |                            |                                          | 507,835.56                             |
| Fiscal Services                                 | 1,066,663.50             |                            |                                          |                                        |
| Food Services                                   | 10,803,918.54            | 5,011,471.70               | 5,594,116.66                             |                                        |
| Central Services                                | 2,106,923.46             |                            |                                          |                                        |
| Pupil Transportation Services                   | 11,607,478.06            | 270,033.47                 |                                          |                                        |
| Operation of Plant                              | 13,016,753.69            |                            |                                          |                                        |
| Maintenance of Plant                            | 8,412,962.53             |                            |                                          | 2,841,874.51                           |
| Administrative Technology Services              | 1,495,016.15             |                            |                                          |                                        |
| Community Services                              | 1,824,616.07             |                            |                                          |                                        |
| Unallocated Interest on Long-Term Debt          | 2,120,174.83             |                            |                                          | 796,256.00                             |
| Unallocated Depreciation Expense*               | 5,863,065.37             |                            |                                          |                                        |
| Loss on Disposal of Capital Assets              | 1,120,753.17             |                            |                                          |                                        |
| <b>Total Primary Government</b>                 | <b>\$ 206,398,411.99</b> | <b>\$ 7,048,040.77</b>     | <b>\$ 5,594,116.66</b>                   | <b>\$ 4,145,966.07</b>                 |
| <b>Component Units</b>                          |                          |                            |                                          |                                        |
| Charter School/Foundation                       | \$ 1,227,172.00          | \$ 0.00                    | \$ 414,984.00                            | \$ 33,195.00                           |

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 - Beginning

**Net Assets - Ending**

\* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

| Net (Expense) Revenue and Changes in Net Assets |               |
|-------------------------------------------------|---------------|
| Primary Government                              | Component     |
| Governmental                                    | Units         |
| Activities                                      |               |
| <hr/>                                           |               |
| \$ (108,452,331.04)                             | \$            |
| (9,050,353.42)                                  |               |
| (2,760,727.80)                                  |               |
| (5,131,795.89)                                  |               |
| (2,734,679.96)                                  |               |
| (2,643,737.88)                                  |               |
| (464,248.37)                                    |               |
| (977,393.16)                                    |               |
| (12,649,694.87)                                 |               |
| 179,246.93                                      |               |
| (1,066,663.50)                                  |               |
| (198,330.18)                                    |               |
| (2,106,923.46)                                  |               |
| (11,337,444.59)                                 |               |
| (13,016,753.69)                                 |               |
| (5,571,088.02)                                  |               |
| (1,495,016.15)                                  |               |
| (1,824,616.07)                                  |               |
| (1,323,918.83)                                  |               |
| (5,863,065.37)                                  |               |
| (1,120,753.17)                                  |               |
| <hr/>                                           |               |
| (189,610,288.49)                                |               |
| <hr/>                                           |               |
|                                                 | (778,993.00)  |
| <hr/>                                           | <hr/>         |
| 53,557,827.14                                   |               |
| 12,143,137.53                                   |               |
| 5,945,414.48                                    |               |
| 128,036,452.84                                  | 700,711.00    |
| 315,323.58                                      | 2,437.00      |
| 1,771,459.43                                    | 631.00        |
| <hr/>                                           | <hr/>         |
| 201,769,615.00                                  | 703,779.00    |
| <hr/>                                           | <hr/>         |
| 12,159,326.51                                   | (75,214.00)   |
| <hr/>                                           | <hr/>         |
| 225,669,366.01                                  | 418,569.00    |
| <hr/>                                           | <hr/>         |
| \$ 237,828,692.52                               | \$ 343,355.00 |
| <hr/>                                           | <hr/>         |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010**

|                                                | General<br>Fund             | Special<br>Revenue -<br>ARRA Economic<br>Stimulus Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund |
|------------------------------------------------|-----------------------------|--------------------------------------------------------|------------------------------------------------------------|
|                                                | <u>                    </u> | <u>                    </u>                            | <u>                    </u>                                |
| <b>ASSETS</b>                                  |                             |                                                        |                                                            |
| Cash and Cash Equivalents                      | \$ 27,663,823.04            | \$ 227,574.15                                          | \$ 10,866,731.18                                           |
| Investments                                    | 51,180.71                   |                                                        |                                                            |
| Accounts Receivable                            | 6,102.98                    |                                                        |                                                            |
| Due from Other Funds                           | 138,808.28                  |                                                        |                                                            |
| Due from Other Agencies                        | 164,579.02                  | 85,717.75                                              | 13,684.95                                                  |
| Inventories                                    | 442,448.57                  |                                                        |                                                            |
|                                                | <u>                    </u> | <u>                    </u>                            | <u>                    </u>                                |
| <b>TOTAL ASSETS</b>                            | <u>\$ 28,466,942.60</u>     | <u>\$ 313,291.90</u>                                   | <u>\$ 10,880,416.13</u>                                    |
| <b>LIABILITIES AND FUND BALANCES</b>           |                             |                                                        |                                                            |
| Liabilities:                                   |                             |                                                        |                                                            |
| Salaries and Benefits Payable                  | \$ 1,975,110.95             | \$ 198,362.12                                          | \$                                                         |
| Payroll Deductions and Withholdings            | 1,262,828.22                | 113,326.80                                             |                                                            |
| Accounts Payable                               | 600,907.05                  | 1,602.98                                               |                                                            |
| Construction Contracts Payable - Retainage     |                             |                                                        | 189,947.58                                                 |
| Due to Other Funds                             |                             |                                                        |                                                            |
| Due to Other Agencies                          |                             |                                                        |                                                            |
| Deposits Payable                               |                             |                                                        |                                                            |
| Estimated Insurance Claims Payable             | 485,442.64                  |                                                        |                                                            |
|                                                | <u>                    </u> | <u>                    </u>                            | <u>                    </u>                                |
| <b>Total Liabilities</b>                       | <u>4,324,288.86</u>         | <u>313,291.90</u>                                      | <u>189,947.58</u>                                          |
| Fund Balances:                                 |                             |                                                        |                                                            |
| Reserved for State Required Carryover Programs | 3,094,490.75                |                                                        |                                                            |
| Reserved for Encumbrances                      | 1,613,038.40                |                                                        | 1,898,529.51                                               |
| Reserved for Inventories                       | 442,448.57                  |                                                        |                                                            |
| Reserved for Debt Service                      |                             |                                                        |                                                            |
| Reserved for Other Purposes                    | 8,682.71                    |                                                        |                                                            |
| Unreserved:                                    |                             |                                                        |                                                            |
| Designated, Reported in General Fund:          |                             |                                                        |                                                            |
| Designated for Local Carryover Projects        | 3,610,465.49                |                                                        |                                                            |
| Undesignated, Reported in:                     |                             |                                                        |                                                            |
| General Fund                                   | 15,373,527.82               |                                                        |                                                            |
| Special Revenue Funds                          |                             |                                                        |                                                            |
| Capital Projects Funds                         |                             |                                                        | 8,791,939.04                                               |
|                                                | <u>                    </u> | <u>                    </u>                            | <u>                    </u>                                |
| <b>Total Fund Balances</b>                     | <u>24,142,653.74</u>        | <u>                    </u>                            | <u>10,690,468.55</u>                                       |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>     | <u>\$ 28,466,942.60</u>     | <u>\$ 313,291.90</u>                                   | <u>\$ 10,880,416.13</u>                                    |

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

| Capital<br>Projects -<br>Other<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------|--------------------------------|--------------------------------|
| <u>\$ 21,906,376.83</u>                | <u>\$ 5,611,481.72</u>         | <u>\$ 66,275,986.92</u>        |
|                                        | 277,589.16                     | 328,769.87                     |
|                                        |                                | 6,102.98                       |
|                                        |                                | 138,808.28                     |
| 482,926.20                             | 582,861.81                     | 1,329,769.73                   |
|                                        | 91,939.25                      | 534,387.82                     |
| <u>\$ 22,389,303.03</u>                | <u>\$ 6,563,871.94</u>         | <u>\$ 68,613,825.60</u>        |
|                                        |                                |                                |
| \$                                     | \$ 194,351.66                  | \$ 2,367,824.73                |
|                                        | 118,512.63                     | 1,494,667.65                   |
|                                        | 67,932.54                      | 670,442.57                     |
| 433,101.60                             | 171,184.58                     | 794,233.76                     |
|                                        | 138,808.28                     | 138,808.28                     |
|                                        | 34,228.75                      | 34,228.75                      |
|                                        | 128,886.31                     | 128,886.31                     |
|                                        |                                | 485,442.64                     |
| <u>433,101.60</u>                      | <u>853,904.75</u>              | <u>6,114,534.69</u>            |
|                                        |                                |                                |
| 11,242,940.18                          | 535,742.30                     | 3,094,490.75                   |
|                                        | 91,939.25                      | 15,290,250.39                  |
|                                        | 2,705,992.64                   | 534,387.82                     |
|                                        |                                | 2,705,992.64                   |
|                                        |                                | 8,682.71                       |
|                                        |                                | 3,610,465.49                   |
|                                        |                                | 15,373,527.82                  |
|                                        | 1,983,337.70                   | 1,983,337.70                   |
| 10,713,261.25                          | 392,955.30                     | 19,898,155.59                  |
| <u>21,956,201.43</u>                   | <u>5,709,967.19</u>            | <u>62,499,290.91</u>           |
| <u>\$ 22,389,303.03</u>                | <u>\$ 6,563,871.94</u>         | <u>\$ 68,613,825.60</u>        |

**SANTA ROSA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2010**

**Total Fund Balances - Governmental Funds** \$ 62,499,290.91

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. 248,575,323.67

Long-term liabilities are not due and payable in the current fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

|                                       |    |               |  |                 |
|---------------------------------------|----|---------------|--|-----------------|
| Certificates of Participation Payable | \$ | 45,414,842.40 |  |                 |
| Bonds Payable                         |    | 6,365,000.00  |  |                 |
| Compensated Absences Payable          |    | 18,762,981.66 |  |                 |
| Other Postemployment Benefits Payable |    | 2,703,098.00  |  |                 |
|                                       |    |               |  | (73,245,922.06) |

**Total Net Assets - Governmental Activities** \$ 237,828,692.52

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

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SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2010

|                                                          | General<br>Fund         | Special<br>Revenue -<br>ARRA Economic<br>Stimulus Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund |
|----------------------------------------------------------|-------------------------|--------------------------------------------------------|------------------------------------------------------------|
| <b>Revenues</b>                                          |                         |                                                        |                                                            |
| Intergovernmental:                                       |                         |                                                        |                                                            |
| Federal Direct                                           | \$ 645,463.03           | \$ 104,152.68                                          | \$                                                         |
| Federal Through State and Local                          | 413,047.07              | 12,238,480.09                                          |                                                            |
| State                                                    | 102,004,174.66          |                                                        |                                                            |
| Local:                                                   |                         |                                                        |                                                            |
| Property Taxes                                           | 53,557,827.14           |                                                        | 12,143,137.53                                              |
| Local Sales Taxes                                        |                         |                                                        |                                                            |
| Charges for Services - Food Services                     |                         |                                                        |                                                            |
| Miscellaneous                                            | 3,731,045.57            |                                                        | 29,371.76                                                  |
| <b>Total Revenues</b>                                    | <b>160,351,557.47</b>   | <b>12,342,632.77</b>                                   | <b>12,172,509.29</b>                                       |
| <b>Expenditures</b>                                      |                         |                                                        |                                                            |
| Current - Education:                                     |                         |                                                        |                                                            |
| Instruction                                              | 93,002,061.48           | 9,588,698.61                                           |                                                            |
| Pupil Personnel Services                                 | 6,949,106.70            | 643,795.14                                             |                                                            |
| Instructional Media Services                             | 2,607,136.09            | 28,564.81                                              |                                                            |
| Instruction and Curriculum Development Services          | 2,181,643.10            | 333,962.55                                             |                                                            |
| Instructional Staff Training Services                    | 470,512.51              | 1,090,026.06                                           |                                                            |
| Instruction Related Technology                           | 2,151,440.65            | 230,585.09                                             |                                                            |
| Board of Education                                       | 456,904.09              |                                                        |                                                            |
| General Administration                                   | 527,042.33              | 110,779.35                                             |                                                            |
| School Administration                                    | 12,246,185.44           | 4,800.63                                               |                                                            |
| Facilities Acquisition and Construction                  | 28,491.03               | 681.16                                                 | 752,899.73                                                 |
| Fiscal Services                                          | 1,023,635.19            | 11,558.38                                              |                                                            |
| Food Services                                            |                         | 34,537.21                                              |                                                            |
| Central Services                                         | 1,927,657.45            | 47,580.40                                              |                                                            |
| Pupil Transportation Services                            | 11,304,067.83           | 825.00                                                 |                                                            |
| Operation of Plant                                       | 12,881,062.97           | 3,085.00                                               |                                                            |
| Maintenance of Plant                                     | 4,305,152.80            |                                                        | 59,654.36                                                  |
| Administrative Technology Services                       | 1,440,758.48            |                                                        |                                                            |
| Community Services                                       | 1,424,874.10            |                                                        |                                                            |
| Fixed Capital Outlay:                                    |                         |                                                        |                                                            |
| Facilities Acquisition and Construction                  | 230,303.77              | 23,458.38                                              | 4,734,588.22                                               |
| Other Capital Outlay                                     | 596,175.62              | 189,695.00                                             | 615,300.23                                                 |
| Debt Service:                                            |                         |                                                        |                                                            |
| Principal                                                |                         |                                                        |                                                            |
| Interest and Fiscal Charges                              |                         |                                                        |                                                            |
| <b>Total Expenditures</b>                                | <b>155,754,211.63</b>   | <b>12,342,632.77</b>                                   | <b>6,162,442.54</b>                                        |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>4,597,345.84</b>     |                                                        | <b>6,010,066.75</b>                                        |
| <b>Other Financing Sources (Uses)</b>                    |                         |                                                        |                                                            |
| Transfers In                                             | 2,555,974.52            |                                                        | 1,387,993.86                                               |
| Proceeds from Sale of Certificates of Participation      |                         |                                                        |                                                            |
| Refunding Bonds Issued                                   |                         |                                                        |                                                            |
| Premium on Refunding Bonds                               |                         |                                                        |                                                            |
| Payment to Refunded Bond Escrow Agent                    |                         |                                                        |                                                            |
| Loss Recoveries                                          | 84,587.11               |                                                        |                                                            |
| Transfers Out                                            | (1,730,948.48)          |                                                        | (4,690,000.38)                                             |
| <b>Total Other Financing Sources (Uses)</b>              | <b>909,613.15</b>       |                                                        | <b>(3,302,006.52)</b>                                      |
| <b>Net Change in Fund Balances</b>                       | <b>5,506,958.99</b>     |                                                        | <b>2,708,060.23</b>                                        |
| Fund Balances, Beginning                                 | 18,635,694.75           |                                                        | 7,982,408.32                                               |
| <b>Fund Balances, Ending</b>                             | <b>\$ 24,142,653.74</b> | <b>\$ 0.00</b>                                         | <b>\$ 10,690,468.55</b>                                    |

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

| Capital<br>Projects -<br>Other<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------|--------------------------------|--------------------------------|
| \$                                     | \$                             | \$                             |
|                                        | 2,610,060.12                   | 3,359,675.83                   |
|                                        | 15,140,247.26                  | 27,791,774.42                  |
| 149,356.09                             | 1,629,680.06                   | 103,783,210.81                 |
|                                        |                                | 65,700,964.67                  |
| 5,945,414.48                           |                                | 5,945,414.48                   |
|                                        | 5,011,471.70                   | 5,011,471.70                   |
| 212,917.27                             | 236,058.93                     | 4,209,393.53                   |
| 6,307,687.84                           | 24,627,518.07                  | 215,801,905.44                 |
|                                        | 6,476,560.96                   | 109,067,321.05                 |
|                                        | 1,340,938.67                   | 8,933,840.51                   |
|                                        | 12,312.50                      | 2,648,013.40                   |
|                                        | 2,525,964.05                   | 5,041,569.70                   |
|                                        | 939,272.62                     | 2,499,811.19                   |
|                                        | 107,261.18                     | 2,489,286.92                   |
|                                        |                                | 456,904.09                     |
|                                        | 322,775.21                     | 960,596.89                     |
|                                        | 169,687.52                     | 12,420,673.59                  |
| 293,762.95                             | 15,502.27                      | 1,091,337.14                   |
|                                        |                                | 1,035,193.57                   |
|                                        | 11,097,675.12                  | 11,132,212.33                  |
|                                        | 33,232.07                      | 2,008,469.92                   |
|                                        | 167,722.96                     | 11,472,615.79                  |
|                                        | 45,541.80                      | 12,929,689.77                  |
| 518,514.42                             | 299,951.56                     | 5,183,273.14                   |
|                                        | 254.71                         | 1,441,013.19                   |
|                                        | 343,504.18                     | 1,768,378.28                   |
| 13,469,713.08                          | 4,521,261.80                   | 22,979,325.25                  |
| 448,996.41                             | 715,785.14                     | 2,565,952.40                   |
|                                        | 1,570,000.00                   | 1,570,000.00                   |
|                                        | 2,124,033.90                   | 2,124,033.90                   |
| 14,730,986.86                          | 32,829,238.22                  | 221,819,512.02                 |
| (8,423,299.02)                         | (8,201,720.15)                 | (6,017,606.58)                 |
|                                        | 3,773,758.84                   | 7,717,727.22                   |
| 12,500,000.00                          | 85,000.00                      | 12,585,000.00                  |
|                                        | 425,000.00                     | 425,000.00                     |
|                                        | 42,622.25                      | 42,622.25                      |
|                                        | (463,763.18)                   | (463,763.18)                   |
| 2,501,896.51                           |                                | 2,586,483.62                   |
| (1,296,778.36)                         |                                | (7,717,727.22)                 |
| 13,705,118.15                          | 3,862,617.91                   | 15,175,342.69                  |
| 5,281,819.13                           | (4,339,102.24)                 | 9,157,736.11                   |
| 16,674,382.30                          | 10,049,069.43                  | 53,341,554.80                  |
| \$ 21,956,201.43                       | \$ 5,709,967.19                | \$ 62,499,290.91               |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
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, 2010**

**Net Change in Fund Balances - Governmental Funds** **\$ 9,157,736.11**

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 in excess of depreciation expense in the current fiscal year.

|                                                                        |                       |               |
|------------------------------------------------------------------------|-----------------------|---------------|
| Capital Outlay - Facilities Acquisition and Construction - Capitalized | \$ 22,979,325.25      |               |
| Capital Outlay - Other Capital Outlay - Capitalized                    | 2,565,952.40          |               |
| Depreciation Expense                                                   | <u>(9,603,218.71)</u> | 15,942,058.94 |

Capital asset additions not requiring capital outlays during the current fiscal year increase net assets in the government-wide statements, but are not financial resources and, therefore, are not reported in the governmental funds. 193,818.45

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (1,120,753.17)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing long-term 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 net affect of these transactions during the current fiscal year:

|                                      |                   |                 |
|--------------------------------------|-------------------|-----------------|
| Bonds Issued                         | (425,000.00)      |                 |
| Bonds Repaid                         | 660,000.00        |                 |
| Bonds Refunded                       | 445,000.00        |                 |
| Certificates of Participation Issued | (12,585,000.00)   |                 |
| Certificates of Participation Repaid | <u>910,000.00</u> | (10,995,000.00) |

Premiums on debt are reported in the governmental funds in the fiscal year the debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities. This is the current fiscal year premium amortization. 49,364.60

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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 earned in excess of the amount paid in the current fiscal year. (346,943.42)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability in the current fiscal year. (720,955.00)

**Change in Net Assets - Governmental Activities** **\$ 12,159,326.51**

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2010**

|                                    | Agency<br>Funds             |
|------------------------------------|-----------------------------|
|                                    | <u>                    </u> |
| <b>ASSETS</b>                      |                             |
| Cash and Cash Equivalents          | \$ 3,110,963.15             |
|                                    | <u>                    </u> |
| <b>LIABILITIES</b>                 |                             |
| Employee Flexible Benefits Payable | \$ 152,714.15               |
| Accounts Payable                   | 214,825.00                  |
| Internal Accounts Payable          | 2,743,424.00                |
|                                    | <u>                    </u> |
| <b>TOTAL LIABILITES</b>            | <u>\$ 3,110,963.15</u>      |

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units that 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 these criteria, the following component units are included within the District's reporting entity:

- **Blended Component Unit.** The Santa Rosa School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of the District's other component units.

The Santa Rosa Education Foundation, (Foundation) Inc., is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. The Learning Academy, Inc., (Charter School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Santa Rosa County District School Board. The Charter School is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Foundation's and Charter School's audited financial statements for the fiscal year ended June 30, 2010. The audit reports are filed in the District's administrative offices.

➤ **Basis of Presentation**

**Government-wide Financial Statements** - Government-wide financial statements, i.e. 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.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

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 – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement 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, debt service payments on certificates of participation, and payments on operating leases for relocatable school buildings, as well as the payment of certain property and casualty insurance premiums.
- Capital Projects – Other – to account for various financial resources (e.g., certificates of participation, capital outlay sales tax, hurricane-related loss recoveries) to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and payments on operating leases for relocatable school buildings.

Additionally, the District reports the following fiduciary fund type:

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the 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.

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

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

➤ **Deposits and Investments**

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

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

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, 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 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving-average basis, except that transportation fuel is stated at the last invoice, which approximates the first-in, first-out basis. The United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Although the costs of inventories are recorded as expenditures when used rather than purchased, inventory balances are offset by a fund balance reserve in the applicable governmental funds to indicate these balances do not constitute available, expendable resources even though they are a component of current assets.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, except for buildings and improvements other than buildings which are defined as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

| <u>Description</u>                           | <u>Estimated Lives</u> |
|----------------------------------------------|------------------------|
| Improvements Other than Buildings            | 10 - 40 years          |
| Buildings and Fixed Equipment                | 10 - 50 years          |
| Furniture, Fixtures, and Equipment           | 3 - 20 years           |
| Motor Vehicles                               | 15 years               |
| Audio Visual Materials and Computer Software | 5 - 7 years            |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Certificate of participation (Certificates) premiums and discounts are deferred and amortized over the life of the Certificates, and Certificates of participation payable are reported net of the applicable premiums or discounts.

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

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

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

➤ **State Revenue Sources**

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

The State also provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following fiscal 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 reserved in the governmental fund financial statements for the unencumbered balance of earmarked educational program resources.

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 10, 2009. 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 Santa Rosa County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Capital Outlay Surtax**

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

➤ **Federal Revenue Sources**

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

## **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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

amended by resolution at any School Board meeting prior to the due date for the annual financial report.

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

### 3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

| Investments                                  | Maturities        | Fair Value             |
|----------------------------------------------|-------------------|------------------------|
| State Board of Administration (SBA):         |                   |                        |
| Florida PRIME (1) (2)                        | 46 Day Average    | \$ 4,790,621.61        |
| Fund B Surplus Funds Trust Fund (Fund B) (2) | 8.05 Year Average | 187,337.54             |
| Debt Service Accounts                        | 6 Months          | 141,432.33             |
| Certificates of Deposit (1)                  | August 23, 2010   | 20,000.00              |
| Total Investments, Primary Government        |                   | <u>\$ 5,139,391.48</u> |

Notes: (1) Investments considered cash equivalents for financial reporting purposes.

(2) Pursuant to the trust agreements, the Trustee of the District's Certificates of Participation Series 1997, 2006, and 2009 holds all or part of these investments in trust accounts as follows: Florida PRIME, \$1,656,761.48 and Fund B, \$136,156.83.

#### Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy states that the highest priority shall be given to the safety and liquidity of funds. The policy limits the types of authorized investments as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. 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 8.05 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, 2010. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

#### Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to funds placed in qualified public depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, Securities of the United States Government (including obligations of the United States Treasury), and investment pools managed and directed by an approved agency of the State.

- The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investments in certificates of deposit are in qualified public depositories.

#### 4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

|                                                    | Beginning<br>Balance     | Additions               | Deletions               | Ending<br>Balance        |
|----------------------------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                     |                          |                         |                         |                          |
| Capital Assets Not Being Depreciated:              |                          |                         |                         |                          |
| Land                                               | \$ 6,803,384.20          | \$ 43,975.50            | \$                      | \$ 6,847,359.70          |
| Land Improvements - Nondepreciable                 | 1,923,445.70             | 862,744.73              |                         | 2,786,190.43             |
| Construction in Progress                           | 10,066,785.24            | 18,016,172.13           | 13,764,891.16           | 14,318,066.21            |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>18,793,615.14</b>     | <b>18,922,892.36</b>    | <b>13,764,891.16</b>    | <b>23,951,616.34</b>     |
| Capital Assets Being Depreciated:                  |                          |                         |                         |                          |
| Improvements Other Than Buildings                  | 21,081,977.10            | 1,230,999.39            | 203,083.00              | 22,109,893.49            |
| Buildings and Fixed Equipment                      | 274,460,942.80           | 17,470,691.56           | 1,505,141.00            | 290,426,493.36           |
| Furniture, Fixtures, and Equipment                 | 13,356,690.00            | 1,521,202.00            | 933,789.00              | 13,944,103.00            |
| Motor Vehicles                                     | 4,410,410.00             | 134,084.95              | 305,159.00              | 4,239,335.95             |
| Audio Visual Materials and<br>Computer Software    | 5,609,836.00             | 224,117.00              | 226,257.00              | 5,607,696.00             |
| <b>Total Capital Assets Being Depreciated</b>      | <b>318,919,855.90</b>    | <b>20,581,094.90</b>    | <b>3,173,429.00</b>     | <b>336,327,521.80</b>    |
| Less Accumulated Depreciation for:                 |                          |                         |                         |                          |
| Improvements Other Than Buildings                  | 10,335,301.04            | 927,051.76              | 24,940.00               | 11,237,412.80            |
| Buildings and Fixed Equipment                      | 76,822,541.24            | 7,083,220.03            | 669,800.10              | 83,235,961.17            |
| Furniture, Fixtures, and Equipment                 | 8,771,023.76             | 1,003,623.66            | 897,543.07              | 8,877,104.35             |
| Motor Vehicles                                     | 3,499,612.85             | 243,333.12              | 245,948.46              | 3,496,997.51             |
| Audio Visual Materials and<br>Computer Software    | 4,724,792.70             | 345,990.14              | 214,444.20              | 4,856,338.64             |
| <b>Total Accumulated Depreciation</b>              | <b>104,153,271.59</b>    | <b>9,603,218.71</b>     | <b>2,052,675.83</b>     | <b>111,703,814.47</b>    |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>214,766,584.31</b>    | <b>10,977,876.19</b>    | <b>1,120,753.17</b>     | <b>224,623,707.33</b>    |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$ 233,560,199.45</b> | <b>\$ 29,900,768.55</b> | <b>\$ 14,885,644.33</b> | <b>\$ 248,575,323.67</b> |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Depreciation expense was charged to functions as follows:

| Function                                                    | Amount                 |
|-------------------------------------------------------------|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                              |                        |
| Instruction                                                 | \$ 408,538.42          |
| Pupil Transportation Services                               | 17,881.57              |
| Instructional Media Services                                | 89,260.82              |
| Instruction and Curriculum Development Services             | 23,964.40              |
| Instructional Staff Training Services                       | 45,198.93              |
| Instruction Related Technology                              | 111,654.91             |
| Board of Education                                          | 2,618.29               |
| General Administration                                      | 3,298.77               |
| School Administration                                       | 10,581.79              |
| Fiscal Services                                             | 5,242.34               |
| Food Services                                               | 108,151.58             |
| Central Services                                            | 71,333.40              |
| Pupil Transportation Services                               | 136,304.66             |
| Operation of Plant                                          | 16,384.93              |
| Maintenance of Plant                                        | 2,609,984.89           |
| Administrative Technology Services                          | 61,965.60              |
| Community Services                                          | 17,788.04              |
| Unallocated                                                 | 5,863,065.37           |
| <b>Total Depreciation Expense - Governmental Activities</b> | <b>\$ 9,603,218.71</b> |

## 5. CERTIFICATES OF PARTICIPATION

The District has entered into financing arrangements with the Santa Rosa School Board Leasing Corporation (Leasing Corporation), pursuant to which the District has authorized several certificates of participation debt issues, characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2010:

| Series       | Original      | Principal    |              | Refunded  | Balance              |
|--------------|---------------|--------------|--------------|-----------|----------------------|
|              | Amount        | Paid to Date | Refunded     | By Series |                      |
| 1992         | \$ 15,490,000 | \$ 4,625,000 | \$ 5,340,000 | 1997-1    | \$                   |
|              |               |              | 5,525,000    | 2003      |                      |
| 1997-1       | 5,660,000     | 4,650,000    |              |           | 1,010,000            |
| 1997-2       | 7,330,000     | 720,000      | 6,610,000    | 2006-1    |                      |
| 2003         | 4,685,000     | 4,685,000    |              |           |                      |
| 2006-1       | 12,370,000    | 255,000      |              |           | 12,115,000           |
| 2006-2       | 18,870,000    |              |              |           | 18,870,000           |
| 2009         | 12,585,000    |              |              |           | 12,585,000           |
| <b>Total</b> |               |              |              |           | <b>\$ 44,580,000</b> |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
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JUNE 30, 2010**

As a condition of the financing arrangements, the District has given a ground lease on District property to the Leasing Corporation. The ground lease on the properties associated with the Series 1992, 1997-1, and 2003 Certificates, ends on the earlier of (a) the date on which the Series 1997-1 Certificates have been paid in full or provision for their payment has been made, or (b) June 30, 2022. The ground lease on the properties associated with the Series 1997-2 and Series 2006 Certificates ends on the earlier of (a) the date on which the 2006 Certificates and any series of certificates refunding the Series 2006 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity of the Series 2006 Certificates and any series of certificates refunding the Series 2006 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 1997-2 and Series 2006 Certificates will exceed April 13, 2046. The ground lease on the properties associated with the Series 2009 Certificates ends on the earlier of (a) the date on which the Series 2009 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity date of the Series 2009 Certificates and any series of certificates refunding the Series 2009 Certificates. The properties covered by the ground lease are, together with the improvements 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 master lease-purchase agreement provides for several remedies that are available to the Leasing Corporation.

The District properties included in the ground lease under this arrangement include:

- Series 1992, 1997-1, and 2003:
  - Berryhill Elementary School
  - Holley-Navarre Middle School
  - Rhodes Elementary School – Additions
  - Holley-Navarre Primary School
  - S.S. Dixon Intermediate School
  
- Series 1997-2 and Series 2006 (as amended):
  - Navarre High School – Gymnasium, Classrooms, and Maintenance Building
  - Navarre High School – Cafeteria Expansion, Fieldhouse, and North Wing Addition
  - Thomas L. Sims Middle School – Classroom Spaces and Accoutrements
  - Bennett C. Russell Elementary School
  - Woodlawn Beach Middle School – Classroom Additions

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

➤ Series 2009:

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

The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates of 5.25 percent for the Series 1997-1 Certificates, 4.34 percent for the Series 2006-1 Certificates, 4.25 to 5.25 percent for the Series 2006-2 Certificates, and 4.11 percent for the Series 2009 Certificates. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

| <u>Fiscal Year Ending June 30</u>   | <u>Total</u>            | <u>Principal</u>        | <u>Interest</u>         |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| 2011                                | \$ 3,649,537.15         | \$ 1,575,000.00         | \$ 2,074,537.15         |
| 2012                                | 3,647,883.38            | 1,645,000.00            | 2,002,883.38            |
| 2013                                | 3,649,314.87            | 1,720,000.00            | 1,929,314.87            |
| 2014                                | 3,649,241.65            | 1,795,000.00            | 1,854,241.65            |
| 2015                                | 3,642,303.13            | 1,865,000.00            | 1,777,303.13            |
| 2016-2020                           | 18,206,330.75           | 10,590,000.00           | 7,616,330.75            |
| 2021-2025                           | 18,075,658.06           | 12,960,000.00           | 5,115,658.06            |
| 2026-2030                           | 12,343,550.00           | 10,085,000.00           | 2,258,550.00            |
| 2031                                | 2,468,112.50            | 2,345,000.00            | 123,112.50              |
| Total Minimum Lease Payments        | 69,331,931.49           | 44,580,000.00           | 24,751,931.49           |
| Plus: Unamortized Premium           | 834,842.40              | 834,842.40              |                         |
| Total Certificates of Participation | <u>\$ 70,166,773.89</u> | <u>\$ 45,414,842.40</u> | <u>\$ 24,751,931.49</u> |

## 6. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

| <u>Bond Type</u>        | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rates<br/>(Percent)</u> | <u>Annual<br/>Maturity<br/>To</u> |
|-------------------------|-------------------------------|-----------------------------------------|-----------------------------------|
| State School Bonds:     |                               |                                         |                                   |
| Series 2002B, Refunding | \$ 315,000                    | 4.0 - 5.375                             | 2014                              |
| Series 2003A            | 475,000                       | 3.0 - 4.25                              | 2023                              |
| Series 2004A            | 170,000                       | 3.35 - 4.625                            | 2024                              |
| Series 2005A            | 2,825,000                     | 4.0 - 5.0                               | 2025                              |
| Series 2005B, Refunding | 820,000                       | 5.0                                     | 2018                              |
| Series 2006A            | 250,000                       | 4.0 - 4.625                             | 2026                              |
| Series 2009A, Refunding | 385,000                       | 3.0 - 5.0                               | 2019                              |
| District Revenue Bonds: |                               |                                         |                                   |
| Racetrack, Series 1996  | <u>1,125,000</u>              | 5.8                                     | 2016                              |
| Total Bonds Payable     | <u>\$ 6,365,000</u>           |                                         |                                   |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

The Series 1996 Racetrack Revenue Bonds are authorized by Chapter 73-616, Laws of Florida, which provides that the revenue bonds be secured from the pari-mutuel tax proceeds distributed annually to Santa Rosa County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the revenue bond resolution, the District established and maintains a sinking fund.

The District has pledged a total of \$1,368,745 of pari-mutuel tax revenues in connection with the revenue bonds. During the 2009-10 fiscal year, the District recognized pari-mutuel tax revenues totaling \$223,250 and expended \$194,375 (87 percent) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on August 1, 2016. Assuming no growth rate in the collection of pari-mutuel funds, 100 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

| Fiscal Year<br>Ending<br>June 30 | Total                         | Principal                     | Interest                      |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| State School Bonds:              |                               |                               |                               |
| 2011                             | \$ 800,562.50                 | \$ 550,000.00                 | \$ 250,562.50                 |
| 2012                             | 804,132.50                    | 580,000.00                    | 224,132.50                    |
| 2013                             | 806,845.00                    | 610,000.00                    | 196,845.00                    |
| 2014                             | 802,063.75                    | 635,000.00                    | 167,063.75                    |
| 2015                             | 735,620.00                    | 600,000.00                    | 135,620.00                    |
| 2016-2020                        | 2,056,063.75                  | 1,775,000.00                  | 281,063.75                    |
| 2021-2025                        | 520,235.00                    | 460,000.00                    | 60,235.00                     |
| 2026                             | 31,387.50                     | 30,000.00                     | 1,387.50                      |
| Total State School Bonds         | <u>6,556,910.00</u>           | <u>5,240,000.00</u>           | <u>1,316,910.00</u>           |
| District Revenue Bonds:          |                               |                               |                               |
| 2011                             | 196,335.00                    | 135,000.00                    | 61,335.00                     |
| 2012                             | 193,360.00                    | 140,000.00                    | 53,360.00                     |
| 2013                             | 194,950.00                    | 150,000.00                    | 44,950.00                     |
| 2014                             | 195,960.00                    | 160,000.00                    | 35,960.00                     |
| 2015                             | 196,390.00                    | 170,000.00                    | 26,390.00                     |
| 2016-2017                        | 391,750.00                    | 370,000.00                    | 21,750.00                     |
| Total District Revenue Bonds     | <u>1,368,745.00</u>           | <u>1,125,000.00</u>           | <u>243,745.00</u>             |
| Total                            | <u><u>\$ 7,925,655.00</u></u> | <u><u>\$ 6,365,000.00</u></u> | <u><u>\$ 1,560,655.00</u></u> |

## 7. CHANGES IN LONG-TERM LIABILITIES

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

| Description                                 | Beginning<br>Balance           | Additions                      | Deductions                    | Ending<br>Balance              | Due In<br>One Year            |
|---------------------------------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| GOVERNMENTAL ACTIVITIES                     |                                |                                |                               |                                |                               |
| Certificates of Participation Payable       | \$ 32,905,000.00               | \$ 12,585,000.00               | \$ 910,000.00                 | \$ 44,580,000.00               | \$ 1,575,000.00               |
| Unamortized Premium on Certificates         | <u>884,207.00</u>              |                                | <u>49,364.60</u>              | <u>834,842.40</u>              | <u>49,364.60</u>              |
| Total Certificates of Participation Payable | 33,789,207.00                  | 12,585,000.00                  | 959,364.60                    | 45,414,842.40                  | 1,624,364.60                  |
| Bonds Payable                               | 7,045,000.00                   | 425,000.00                     | 1,105,000.00                  | 6,365,000.00                   | 685,000.00                    |
| Compensated Absences Payable                | 18,416,038.24                  | 6,089,589.63                   | 5,742,646.21                  | 18,762,981.66                  | 5,205,431.53                  |
| Other Postemployment Benefits Payable       | <u>1,982,143.00</u>            | <u>1,542,794.00</u>            | <u>821,839.00</u>             | <u>2,703,098.00</u>            |                               |
| Total Governmental Activities               | <u><u>\$ 61,232,388.24</u></u> | <u><u>\$ 20,642,383.63</u></u> | <u><u>\$ 8,628,849.81</u></u> | <u><u>\$ 73,245,922.06</u></u> | <u><u>\$ 7,514,796.13</u></u> |

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

| Funds                 | Interfund            |                     |
|-----------------------|----------------------|---------------------|
|                       | Receivables          | Payables            |
| Major:                |                      |                     |
| General               | \$ 138,808.28        | \$                  |
| Nonmajor Governmental |                      | 138,808.28          |
| Total                 | <u>\$ 138,808.28</u> | <u>\$138,808.28</u> |

The amounts due to the General Fund represent temporary loans to other funds and are expected to be repaid within one year.

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

| Funds                     | Interfund             |                       |
|---------------------------|-----------------------|-----------------------|
|                           | Transfers In          | Transfers Out         |
| Major:                    |                       |                       |
| General                   | \$2,555,974.52        | \$1,730,948.48        |
| Capital Projects:         |                       |                       |
| Local Capital Improvement | 1,387,993.86          | 4,690,000.38          |
| Other                     |                       | 1,296,778.36          |
| Nonmajor Governmental     | <u>3,773,758.84</u>   |                       |
| Total                     | <u>\$7,717,727.22</u> | <u>\$7,717,727.22</u> |

The District made transfers to the General Fund to cover payments on the District's student transportation contract, to pay for certain property and casualty insurance premiums, to cover payments for a software purchase and to facilitate the transfer of State funds to its charter school. The District made transfers to the Capital Projects – Local Capital Improvement Fund to return portions of prior fiscal year transfers that were determined to be in error or in excess of amounts needed. The District made transfers to the nonmajor governmental funds to facilitate debt service payments on certificates of participation, payments of school recognition bonuses to food service personnel, to cover the cost of certain grant programs, and to correct the fund ownership of certain assets.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**9. RESERVE FOR ENCUMBRANCES**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Funds total \$54,483.22 at June 30, 2010.

**10. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2009-10 fiscal year:

| Source                                                      | Amount                          |
|-------------------------------------------------------------|---------------------------------|
| Florida Education Finance Program                           | \$ 73,155,990.59                |
| Class Size Reduction Categorical                            | 25,215,452.00                   |
| Workforce Development Program                               | 1,607,388.00                    |
| School Recognition                                          | 1,465,584.00                    |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 964,113.56                      |
| Gross Receipts Tax (Public Education Capital Outlay)        | 339,978.00                      |
| State Forest Funds                                          | 171,065.57                      |
| Food Service Supplement                                     | 116,641.00                      |
| Charter School Capital Outlay                               | 65,711.00                       |
| Discretionary Lottery Funds                                 | 64,997.00                       |
| State License Tax                                           | 39,835.33                       |
| Adults with Disabilities                                    | 38,621.00                       |
| Workforce Education Performance Incentive                   | 29,133.00                       |
| Miscellaneous                                               | 508,700.76                      |
| Total                                                       | <u><u>\$ 103,783,210.81</u></u> |

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**11. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

|                                  | <u>Millages</u> | <u>Taxes Levied</u>     |
|----------------------------------|-----------------|-------------------------|
| <u>GENERAL FUND</u>              |                 |                         |
| Nonvoted School Tax:             |                 |                         |
| Required Local Effort            | 5.427           | \$ 48,392,004.78        |
| Basic Discretionary Local Effort | 0.748           | 6,669,839.61            |
| <u>CAPITAL PROJECTS FUNDS</u>    |                 |                         |
| Nonvoted Tax:                    |                 |                         |
| Local Capital Improvement        | 1.400           | 12,483,657.03           |
| Total                            | <u>7.575</u>    | <u>\$ 67,545,501.42</u> |

**12. FLORIDA RETIREMENT SYSTEM**

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
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JUNE 30, 2010**

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

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

| Class                                                                                       | Percent of Gross Salary |                 |
|---------------------------------------------------------------------------------------------|-------------------------|-----------------|
|                                                                                             | Employee                | Employer<br>(A) |
| Florida Retirement System, Regular                                                          | 0.00                    | 9.85            |
| Florida Retirement System, Elected County Officers                                          | 0.00                    | 16.53           |
| Deferred Retirement Option Program - Applicable to<br>Members from All of the Above Classes | 0.00                    | 10.91           |
| 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 0.05 percent for administrative costs of PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$10,035,093.99, \$10,040,596.16, and \$9,538,881.85, respectively, which were equal to the required contributions for each fiscal year. There were 375 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$1,027,704.53.

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

**Funding Policy.** The District has established contribution requirements for Plan members and the contributions may be amended through Board action. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 455 retirees received other postemployment benefits. The District provided required contributions of \$821,839 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees, and net of retiree contributions totaling \$5,367,315, which represents 7.6 percent of covered payroll.

**Annual OPEB Cost and Net OPEB Obligation.** The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of 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 if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

| Description                                | Amount              |
|--------------------------------------------|---------------------|
| Normal Cost (service cost for one year)    | \$ 688,703          |
| Amortization of Unfunded Actuarial         |                     |
| Accrued Liability                          | 828,736             |
| Interest on Normal Cost and Amortization   | 60,697              |
| Annual Required Contribution               | 1,578,136           |
| Interest on Net OPEB Obligation            | 79,286              |
| Adjustment to Annual Required Contribution | (114,628)           |
| Annual OPEB Cost (Expense)                 | 1,542,794           |
| Contribution Toward the OPEB Cost          | (821,839)           |
| Increase in Net OPEB Obligation            | 720,955             |
| Net OPEB Obligation, Beginning of Year     | 1,982,143           |
| Net OPEB Obligation, End of Year           | <u>\$ 2,703,098</u> |

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, 2010, and the preceding two fiscal years, were as follows:

| Fiscal Year | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------|---------------------|-----------------------------------------------------|------------------------|
| 2007-08     | \$ 1,806,469        | 43.4%                                               | \$ 1,022,198           |
| 2008-09     | 1,863,535           | 48.5%                                               | 1,982,143              |
| 2009-10     | 1,542,794           | 53.3%                                               | 2,703,098              |

**Funded Status and Funding Progress.** As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$14,903,748, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$14,903,748 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$70,187,989, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.2 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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of July 1, 2009, used the unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2010, and to estimate the District's 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included an annual healthcare cost trend rate of 7.8 percent for the 2009-10 fiscal year, reduced periodically thereafter to an ultimate rate of 4.8 percent beginning in the 2076-77 fiscal year. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis. The remaining amortization period at June 30, 2010, was 27 years.

#### 14. CONSTRUCTION CONTRACT COMMITMENTS

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

| Project                                                                                        | Contract<br>Amounts     | Completed<br>to Date   | Balance<br>Committed    |
|------------------------------------------------------------------------------------------------|-------------------------|------------------------|-------------------------|
| Central School - Kitchen/Cafeteria/Fire Protection                                             | \$ 2,122,108.38         | \$ 341,260.34          | \$ 1,780,848.04         |
| East Milton Elementary School - Cafeteria/Kitchen                                              | 1,520,109.58            | 1,011,379.14           | 508,730.44              |
| Gulf Breeze High School - Athletic Field House                                                 | 1,256,407.67            | 965,998.87             | 290,408.80              |
| Hobbs Middle School - Classroom Additions/Fire Sprinkler                                       | 971,775.91              | 322,568.14             | 649,207.77              |
| Jay High School - New School Building                                                          | 7,050,761.33            | 561,433.86             | 6,489,327.47            |
| Milton High School - Basketball Remodeling/Gym Chiller<br>Replacement/Practice Football Fields | 1,150,557.99            | 498,753.20             | 651,804.79              |
| Navarre High School - Classroom Additions                                                      | 1,502,850.34            | 916,155.23             | 586,695.11              |
| Pace High School - Kitchen/Media Center                                                        | 2,405,911.95            | 2,014,713.56           | 391,198.39              |
| Total                                                                                          | <u>\$ 17,980,483.15</u> | <u>\$ 6,632,262.34</u> | <u>\$ 11,348,220.81</u> |

#### 15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Florida School Boards Insurance Trust (Trust). The Trust is a self-insurance fund for Florida school boards established under the authority set forth in Section 1001.42, Florida Statutes, and was established for the purpose of pooling certain exposures (e.g. property, casualty,

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

and worker's compensation) of participating districts. If a participating district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to that district. Through its participation in the Trust, the District has acquired various types of insurance coverage including property, general and automotive liability, worker's compensation, errors and omissions, employee benefits liability, boiler and machinery, crime, special events, pollution, legal liability, school crisis risk, transit, additional expenses, and personal accident insurance. Catastrophic student accident, flood, and storage tank liability insurance are provided through purchased commercial insurance.

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

Prior to July 1, 1997, the District was self-insured for worker's compensation exposures up to specified limits. At June 30, 2010, a liability in the amount of \$485,442.64 was recorded to cover future claims payments relating to this former self-insurance program.

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

|         | Beginning-of-<br>Fiscal-Year<br>Liability | Current-Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance at<br>Fiscal<br>Year-End |
|---------|-------------------------------------------|-------------------------------------------------------|--------------------|----------------------------------|
| 2008-09 | \$ 579,722.00                             | \$ 768,326.40                                         | \$ (429,701.15)    | \$ 918,347.25                    |
| 2009-10 | 918,347.25                                | (375,844.57)                                          | (57,060.04)        | 485,442.64                       |

Settled claims resulting from the risks above have not exceeded insurance coverage in any of the past three fiscal years.

## 16. LITIGATION

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

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## REQUIRED SUPPLEMENTARY INFORMATION

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2010**

|                                                          | General Fund           |                        |                         |                                                           |
|----------------------------------------------------------|------------------------|------------------------|-------------------------|-----------------------------------------------------------|
|                                                          | Original<br>Budget     | Final<br>Budget        | Actual                  | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues</b>                                          |                        |                        |                         |                                                           |
| Intergovernmental:                                       |                        |                        |                         |                                                           |
| Federal Direct                                           | \$ 500,000.00          | \$ 567,491.35          | \$ 645,463.03           | \$ 77,971.68                                              |
| Federal Through State and Local                          | 450,000.00             | 450,000.00             | 413,047.07              | (36,952.93)                                               |
| State                                                    | 100,522,754.22         | 101,899,595.23         | 102,004,174.66          | 104,579.43                                                |
| Local:                                                   |                        |                        |                         |                                                           |
| Property Taxes                                           | 52,522,252.00          | 52,522,252.00          | 53,557,827.14           | 1,035,575.14                                              |
| Miscellaneous                                            | 836,538.95             | 3,629,804.67           | 3,731,045.57            | 101,240.90                                                |
| <b>Total Revenues</b>                                    | <b>154,831,545.17</b>  | <b>159,069,143.25</b>  | <b>160,351,557.47</b>   | <b>1,282,414.22</b>                                       |
| <b>Expenditures</b>                                      |                        |                        |                         |                                                           |
| Current - Education:                                     |                        |                        |                         |                                                           |
| Instruction                                              | 101,421,876.76         | 100,030,359.27         | 93,002,061.48           | 7,028,297.79                                              |
| Pupil Personnel Services                                 | 7,128,300.14           | 7,869,717.63           | 6,949,106.70            | 920,610.93                                                |
| Instructional Media Services                             | 2,818,572.79           | 3,012,721.44           | 2,607,136.09            | 405,585.35                                                |
| Instruction and Curriculum Development Services          | 2,298,061.37           | 2,392,020.89           | 2,181,643.10            | 210,377.79                                                |
| Instructional Staff Training Services                    | 774,337.82             | 745,323.32             | 470,512.51              | 274,810.81                                                |
| Instruction Related Technology                           | 2,362,311.73           | 2,210,231.04           | 2,151,440.65            | 58,790.39                                                 |
| Board of Education                                       | 438,257.46             | 500,380.97             | 456,904.09              | 43,476.88                                                 |
| General Administration                                   | 528,069.40             | 536,081.40             | 527,042.33              | 9,039.07                                                  |
| School Administration                                    | 12,163,392.67          | 12,591,715.88          | 12,246,185.44           | 345,530.44                                                |
| Facilities Acquisition and Construction                  | 107,264.49             | 272,685.91             | 28,491.03               | 244,194.88                                                |
| Fiscal Services                                          | 1,127,408.41           | 1,131,568.36           | 1,023,635.19            | 107,933.17                                                |
| Food Services                                            |                        |                        |                         |                                                           |
| Central Services                                         | 1,844,467.64           | 2,192,400.80           | 1,927,657.45            | 264,743.35                                                |
| Pupil Transportation Services                            | 13,355,082.99          | 13,273,737.61          | 11,304,067.83           | 1,969,669.78                                              |
| Operation of Plant                                       | 15,053,729.25          | 14,684,361.89          | 12,881,062.97           | 1,803,298.92                                              |
| Maintenance of Plant                                     | 4,933,285.58           | 4,685,333.07           | 4,305,152.80            | 380,180.27                                                |
| Administrative Technology Services                       | 1,574,399.53           | 1,641,474.06           | 1,440,758.48            | 200,715.58                                                |
| Community Services                                       | 520,920.38             | 1,825,205.42           | 1,424,874.10            | 400,331.32                                                |
| Fixed Capital Outlay:                                    |                        |                        |                         |                                                           |
| Facilities Acquisition and Construction                  |                        | 230,303.77             | 230,303.77              |                                                           |
| Other Capital Outlay                                     | 4,199.65               | 596,175.62             | 596,175.62              |                                                           |
| <b>Total Expenditures</b>                                | <b>168,453,938.06</b>  | <b>170,421,798.35</b>  | <b>155,754,211.63</b>   | <b>14,667,586.72</b>                                      |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(13,622,392.89)</b> | <b>(11,352,655.10)</b> | <b>4,597,345.84</b>     | <b>15,950,000.94</b>                                      |
| <b>Other Financing Sources (Uses)</b>                    |                        |                        |                         |                                                           |
| Transfers In                                             | 2,667,012.00           | 2,555,974.52           | 2,555,974.52            |                                                           |
| Loss Recoveries                                          |                        | 84,587.11              | 84,587.11               |                                                           |
| Transfers Out                                            | (307,046.26)           | (1,730,948.48)         | (1,730,948.48)          |                                                           |
| <b>Total Other Financing Sources (Uses)</b>              | <b>2,359,965.74</b>    | <b>909,613.15</b>      | <b>909,613.15</b>       |                                                           |
| <b>Net Change in Fund Balances</b>                       | <b>(11,262,427.15)</b> | <b>(10,443,041.95)</b> | <b>5,506,958.99</b>     | <b>15,950,000.94</b>                                      |
| Fund Balances, Beginning                                 | 18,635,694.75          | 18,635,694.75          | 18,635,694.75           |                                                           |
| <b>Fund Balances, Ending</b>                             | <b>\$ 7,373,267.60</b> | <b>\$ 8,192,652.80</b> | <b>\$ 24,142,653.74</b> | <b>\$ 15,950,000.94</b>                                   |

| Special Revenue - ARRA Economic Stimulus Fund |                                |                                |                                                           |
|-----------------------------------------------|--------------------------------|--------------------------------|-----------------------------------------------------------|
| Original<br>Budget                            | Final<br>Budget                | Actual                         | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|                                               |                                |                                |                                                           |
| \$ 16,036,924.74                              | \$ 151,071.00<br>16,741,193.25 | \$ 104,152.68<br>12,238,480.09 | \$ (46,918.32)<br>(4,502,713.16)                          |
|                                               |                                |                                |                                                           |
| 16,036,924.74                                 | 16,892,264.25                  | 12,342,632.77                  | (4,549,631.48)                                            |
|                                               |                                |                                |                                                           |
| 11,100,968.24                                 | 11,097,512.67                  | 9,588,698.61                   | 1,508,814.06                                              |
| 772,350.82                                    | 756,174.16                     | 643,795.14                     | 112,379.02                                                |
|                                               | 37,782.64                      | 28,564.81                      | 9,217.83                                                  |
| 1,250,597.95                                  | 1,565,160.67                   | 333,962.55                     | 1,231,198.12                                              |
| 2,646,664.59                                  | 2,535,529.97                   | 1,090,026.06                   | 1,445,503.91                                              |
| 2,300.00                                      | 267,112.94                     | 230,585.09                     | 36,527.85                                                 |
|                                               |                                |                                |                                                           |
| 154,764.76                                    | 240,204.95                     | 110,779.35                     | 129,425.60                                                |
|                                               | 4,800.64                       | 4,800.63                       | 0.01                                                      |
| 14,565.18                                     | 24,146.34                      | 681.16                         | 23,465.18                                                 |
|                                               | 11,558.38                      | 11,558.38                      |                                                           |
| 42,263.20                                     | 35,974.93                      | 34,537.21                      | 1,437.72                                                  |
| 51,000.00                                     | 90,704.78                      | 47,580.40                      | 43,124.38                                                 |
| 650.00                                        | 13,280.33                      | 825.00                         | 12,455.33                                                 |
| 800.00                                        | 3,900.00                       | 3,085.00                       | 815.00                                                    |
|                                               |                                |                                |                                                           |
|                                               | 23,458.38                      | 23,458.38                      |                                                           |
|                                               | 189,695.00                     | 189,695.00                     |                                                           |
| 16,036,924.74                                 | 16,896,996.78                  | 12,342,632.77                  | 4,554,364.01                                              |
|                                               | (4,732.53)                     |                                | 4,732.53                                                  |
|                                               |                                |                                |                                                           |
|                                               |                                |                                |                                                           |
|                                               | (4,732.53)                     |                                | 4,732.53                                                  |
|                                               |                                |                                |                                                           |
| \$ 0.00                                       | \$ (4,732.53)                  | \$ 0.00                        | \$ 4,732.53                                               |

**SANTA ROSA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -**  
**OTHER POSTEMPLOYMENT BENEFITS PLAN**

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>(B) | Unfunded<br>AAL (UAAL)<br>(B-A) | Funded Ratio<br>(A/B) | Covered Payroll<br>(C) | UAAL as a<br>Percentage of<br>Covered Payroll<br>[(B-A)/C] |
|--------------------------------|-------------------------------------|------------------------------------------------|---------------------------------|-----------------------|------------------------|------------------------------------------------------------|
| July 1, 2007                   | \$ 0                                | \$ 16,273,708                                  | \$ 16,273,708                   | 0.0%                  | \$ 69,060,185          | 23.6%                                                      |
| July 1, 2008                   | 0                                   | 16,977,124                                     | 16,977,124                      | 0.0%                  | 72,637,328             | 23.4%                                                      |
| July 1, 2009                   | 0                                   | 14,903,748                                     | 14,903,748                      | 0.0%                  | 70,187,989             | 21.2%                                                      |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**1. BUDGETARY BASIS OF ACCOUNTING**

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

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

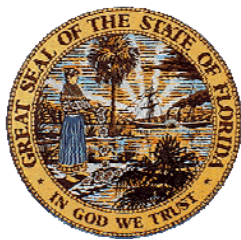
**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010**

| Federal Grantor/Pass-Through Grantor/Program Title                | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Pass -<br>Through<br>Grantor<br>Number | Amount of<br>Expenditures<br>(1) | Amount<br>Provided<br>to<br>Subrecipients |
|-------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------|----------------------------------|-------------------------------------------|
| <b>United States Department of Agriculture:</b>                   |                                                           |                                        |                                  |                                           |
| Indirect:                                                         |                                                           |                                        |                                  |                                           |
| Child Nutrition Cluster:                                          |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                  |                                                           |                                        |                                  |                                           |
| School Breakfast Program                                          | 10.553                                                    | 321                                    | \$ 1,070,009.16                  | \$                                        |
| National School Lunch Program                                     | 10.555                                                    | 300                                    | 3,778,782.05                     |                                           |
| Summer Food Service Program for Children                          | 10.559                                                    | 323                                    | 167,404.24                       |                                           |
| Florida Department of Agriculture and Consumer Services:          |                                                           |                                        |                                  |                                           |
| National School Lunch Program                                     | 10.555(2)(A)                                              | None                                   | 428,413.00                       |                                           |
| <b>Total Child Nutrition Cluster</b>                              |                                                           |                                        | 5,444,608.45                     |                                           |
| Florida Department of Education:                                  |                                                           |                                        |                                  |                                           |
| ARRA - Child Nutrition Discretionary Grants Limited Availability  | 10.579                                                    | 371                                    | 34,537.21                        |                                           |
| <b>Total United States Department of Agriculture</b>              |                                                           |                                        | 5,479,145.66                     |                                           |
| <b>United States Department of Commerce:</b>                      |                                                           |                                        |                                  |                                           |
| Indirect:                                                         |                                                           |                                        |                                  |                                           |
| Dauphin Island Sea Lab:                                           |                                                           |                                        |                                  |                                           |
| Coastal Services Center                                           | 11.473                                                    | None                                   | 26,549.00                        |                                           |
| <b>United States Department of Defense:</b>                       |                                                           |                                        |                                  |                                           |
| Direct:                                                           |                                                           |                                        |                                  |                                           |
| Department of Defense Impact Aid (Supplement, CWSD, BRAC)         | 12.558                                                    | N/A                                    | 63,670.29                        |                                           |
| Air Force Junior Reserve Officers Training Corps                  | None                                                      | N/A                                    | 52,369.59                        |                                           |
| Navy Junior Reserve Officers Training Corps                       | None                                                      | N/A                                    | 215,134.58                       |                                           |
| <b>Total United States Department of Defense</b>                  |                                                           |                                        | 331,174.46                       |                                           |
| <b>United States Department of Labor:</b>                         |                                                           |                                        |                                  |                                           |
| Indirect:                                                         |                                                           |                                        |                                  |                                           |
| Workforce Escarosa, Inc.:                                         |                                                           |                                        |                                  |                                           |
| WIA Youth Activities                                              | 17.259                                                    | None                                   | 269,454.65                       |                                           |
| ARRA - WIA Youth Activities                                       | 17.259                                                    | None                                   | 42,773.47                        |                                           |
| <b>Total United States Department of Labor</b>                    |                                                           |                                        | 312,228.12                       |                                           |
| <b>United States Department of Education:</b>                     |                                                           |                                        |                                  |                                           |
| Direct:                                                           |                                                           |                                        |                                  |                                           |
| Student Financial Assistance Cluster:                             |                                                           |                                        |                                  |                                           |
| Federal Supplemental Educational Opportunity Grants               | 84.007                                                    | N/A                                    | 5,703.00                         |                                           |
| Federal Work-Study Program                                        | 84.033                                                    | N/A                                    | 5,616.00                         |                                           |
| Federal Pell Grant Program                                        | 84.063                                                    | N/A                                    | 228,453.60                       |                                           |
| <b>Total Student Financial Assistance Cluster</b>                 |                                                           |                                        | 239,772.60                       |                                           |
| Impact Aid                                                        | 84.041                                                    | N/A                                    | 581,792.74                       |                                           |
| <b>Total Direct</b>                                               |                                                           |                                        | 821,565.34                       |                                           |
| Indirect:                                                         |                                                           |                                        |                                  |                                           |
| Title I, Part A Cluster:                                          |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                  |                                                           |                                        |                                  |                                           |
| Title I Grants to Local Educational Agencies                      | 84.010                                                    | 212, 222, 223, 226, 228                | 3,420,184.08                     |                                           |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389                                                    | 212, 223, 226                          | 1,055,949.39                     |                                           |
| <b>Total Title I, Part A Cluster</b>                              |                                                           |                                        | 4,476,133.47                     |                                           |
| Special Education Cluster:                                        |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                  |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                              | 84.027                                                    | 262, 263                               | 4,048,431.59                     |                                           |
| Special Education - Preschool Grants                              | 84.173                                                    | 267                                    | 102,251.93                       |                                           |
| ARRA - Special Education - Grants to States, Recovery Act         | 84.391                                                    | 263                                    | 2,442,769.32                     |                                           |
| ARRA - Special Education - Preschool Grants, Recovery Act         | 84.392                                                    | 267                                    | 71,458.58                        |                                           |
| University of South Florida:                                      |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                              | 84.027                                                    | None                                   | 7,045.63                         |                                           |
| <b>Total Special Education Cluster</b>                            |                                                           |                                        | 6,671,957.05                     |                                           |
| Education of Homeless Children and Youth Cluster:                 |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                  |                                                           |                                        |                                  |                                           |
| Education for Homeless Children and Youth                         | 84.196                                                    | 127                                    | 89,339.38                        |                                           |
| ARRA - Education for Homeless Children and Youth, Recovery Act    | 84.387                                                    | 127                                    | 39,727.63                        |                                           |
| <b>Total Education of Homeless Children and Youth Cluster</b>     |                                                           |                                        | 129,067.01                       |                                           |

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2010**

| Federal Grantor/Pass-Through Grantor/Program Title                                   | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (1) | Amount Provided to Subrecipients |
|--------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|----------------------------|----------------------------------|
| <b>United States Department of Education (Continued):</b>                            |                                               |                               |                            |                                  |
| Educational Technology State Grants Cluster:                                         |                                               |                               |                            |                                  |
| Florida Department of Education:                                                     |                                               |                               |                            |                                  |
| Education Technology State Grants                                                    | 84.318                                        | 121                           | \$ 40,769.99               | \$                               |
| ARRA - Education Technology State Grants, Recovery Act                               | 84.386                                        | 121                           | 76,405.49                  |                                  |
| <b>Total Educational Technology State Grants Cluster</b>                             |                                               |                               | 117,175.48                 |                                  |
| State Fiscal Stabilization Fund Cluster:                                             |                                               |                               |                            |                                  |
| Florida Department of Education:                                                     |                                               |                               |                            |                                  |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394                                        | 591                           | 7,755,691.00               | 25,000.00                        |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act    | 84.397                                        | 592                           | 761,941.47                 |                                  |
| <b>Total State Fiscal Stabilization Fund Cluster</b>                                 |                                               |                               | 8,517,632.47               | 25,000.00                        |
| Florida Department of Education:                                                     |                                               |                               |                            |                                  |
| Adult Education - Basic Grants to States                                             | 84.002                                        | 191, 193                      | 198,214.36                 |                                  |
| Career and Technical Education - Basic Grants to States                              | 84.048                                        | 161                           | 273,306.62                 |                                  |
| Safe and Drug-Free Schools and Communities - State Grants                            | 84.186                                        | 103                           | 67,657.14                  |                                  |
| Even Start - State Educational Agencies                                              | 84.213                                        | 219                           | 125,006.12                 |                                  |
| English Language Acquisition Grants                                                  | 84.365                                        | 102                           | 34,064.74                  |                                  |
| Improving Teacher Quality State Grants                                               | 84.367                                        | 224                           | 951,812.90                 |                                  |
| <b>Total Indirect</b>                                                                |                                               |                               | 21,562,027.36              | 25,000.00                        |
| <b>Total United States Department of Education</b>                                   |                                               |                               | 22,383,592.70              | 25,000.00                        |
| <b>United States Department of Health and Human Services:</b>                        |                                               |                               |                            |                                  |
| Direct:                                                                              |                                               |                               |                            |                                  |
| Head Start Cluster:                                                                  |                                               |                               |                            |                                  |
| Head Start                                                                           | 93.600 (3)                                    | N/A                           | 2,150,355.01               |                                  |
| ARRA - Head Start                                                                    | 93.708                                        | N/A                           | 85,447.91                  |                                  |
| ARRA - Early Head Start                                                              | 93.709                                        | N/A                           | 18,704.77                  |                                  |
| <b>Total United States Department of Health and Human Services</b>                   |                                               |                               | 2,254,507.69               |                                  |
| <b>Corporation for National and Community Service:</b>                               |                                               |                               |                            |                                  |
| Indirect:                                                                            |                                               |                               |                            |                                  |
| Florida Department of Education:                                                     |                                               |                               |                            |                                  |
| Learn and Serve America - School and Community Based Programs                        | 94.004                                        | 234                           | 2,714.61                   |                                  |
| <b>United States Department of Homeland Security:</b>                                |                                               |                               |                            |                                  |
| Indirect:                                                                            |                                               |                               |                            |                                  |
| Florida Department of Community Affairs:                                             |                                               |                               |                            |                                  |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)              | 97.036 (4)                                    | None                          | 2,479,303.37               |                                  |
| Hazard Mitigation Grant                                                              | 97.039 (2)(B)                                 | None                          | 274,171.54                 |                                  |
| Florida Department of Education:                                                     |                                               |                               |                            |                                  |
| Homeland Security Grant Program                                                      | 97.067                                        | 532                           | 1,569.57                   |                                  |
| <b>Total United States Department of Homeland Security</b>                           |                                               |                               | 2,755,044.48               |                                  |
| <b>Total Expenditures of Federal Awards</b>                                          |                                               |                               | \$ 33,544,956.72           | \$ 25,000.00                     |

- Notes:
- (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts received from Federal programs during the 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.
    - (A) Food Donation - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at time of donation.
    - (B) Donation of Federal Surplus Personal Property - Represents the Federally paid portion of the emergency shelter generator totaling \$855,316.80.
  - (3) Head Start. Expenditures include \$1,209,043.77 for grant number/program year 04CH0384/19 and \$941,311.24 for grant number/program year 04CH0384/20.
  - (4) Disaster Grants - Public Assistance (Presidentially Declared Disasters). The amount disclosed as expenditures represents hurricane loss recoveries for the 2009-10 fiscal year as follows: \$1,846,356.48 for large projects that the District is required to make an accounting of eligible costs for each approved project, \$612,474.00 for small projects which generally represent the final payment of eligible costs made upon the approval of the project, and \$20,472.89 for allowable administrative costs.



DAVID W. MARTIN, CPA  
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 Santa Rosa County District School Board as of and for the fiscal year ended June 30, 2010, 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 was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Santa Rosa County District School Board's financial statements. For The Learning Academy, Inc., 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. The financial statements of the Santa Rosa Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

### 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 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. However, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we identified a certain deficiency in internal control over financial reporting, as described in Financial Statement Finding No. 1, that we consider to be a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

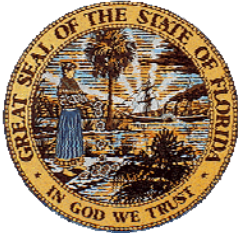
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report 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  
February 23, 2011



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AUDITOR GENERAL

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The President of the Senate, the Speaker of the  
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## 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 Santa Rosa County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (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, 2010. 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*. 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, 2010.

### 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.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report 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  
February 23, 2011

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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 material weakness(es)? Yes

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 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); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 – ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 – ARRA, and 84.392 – ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 – ARRA and 84.397 – ARRA); Head Start Cluster (CFDA Nos. 93.600, 93.708 – ARRA, and 93.709 – ARRA); and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,006,348

Auditee qualified as low-risk auditee? No

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**FINANCIAL STATEMENT FINDING**

**SIGNIFICANT DEFICIENCY**

**Finding No. 1: Financial Reporting**

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles. One of the principal methods that a school district uses to document accountability for public resources it receives and uses is by the information included in its annual financial report. As such, District personnel should ensure that the report is accurate and contains all required disclosures so that users, such as the School Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition.

Our review of the District's 2009-10 fiscal year annual financial report, as presented for audit, disclosed that improvements could be made in the District's financial reporting procedures. For example:

- District personnel did not properly consider unspent debt proceeds in the computation of invested in capital assets, net of related debt, reported on the statement of net assets. As a result, the District understated this account by approximately \$11.9 million, and overstated net assets restricted for capital projects and unrestricted net assets by approximately \$10.4 and \$1.5 million, respectively. Misreporting net asset classifications may cause financial statement users to incorrectly assess the District's financial position.
- On the statement of revenues, expenditures, and changes in fund balance – governmental funds:
  - District personnel mistakenly included approximately \$950,000 in cash and cash equivalents and \$136,000 in investments in the Capital Projects – Other Fund that belonged to the Other Governmental Funds (nonmajor Debt Service – Other Fund). As such, transfers out and transfers in were understated by \$1,086,000 each in the Capital Projects – Other Fund and Other Governmental Funds, respectively. Without properly reporting fund ownership of its respective assets, the financial position of the funds may be misstated and misunderstood.
  - In the Other Governmental Funds, the District did not report approximately \$464,000 in both other financing sources and other financing uses related to a State school bond refunding. By omitting transactions relating to debt financing, financial statement users may be misinformed about the District's long-term debt activities.
  - In efforts to correct beginning fund balances for audit adjustments made to the 2008-09 fiscal year financial statements, the District incorrectly reported transfer transactions, resulting in overstatements to transfers in and transfers out by approximately \$986,000 each in the Capital Projects – Other Fund and the Other Governmental Funds (nonmajor Debt Service – Other Fund), respectively. This also resulted in an overstatement of beginning fund balance in the Capital Projects – Other Fund and

understatement of beginning fund balance in the Other Governmental Funds (nonmajor Debt Service – Other Fund). By misreporting such transactions, interfund activities could be misinterpreted.

- Generally accepted accounting principles (GAAP) require certain supplementary information to be included in the District's annual financial report, such as budgetary comparison schedules for major special revenue funds; however, contrary to GAAP, the District did not include a budgetary comparison schedule for the Special Revenue – ARRA Economic Stimulus Fund. Consequently, the District did not provide financial statement users with required information to effectively assess budgetary controls over the use of its major special revenue fund.

The above errors occurred mainly because District personnel did not perform an effective review after the initial preparation of the annual financial report. We were able to extend our audit procedures to determine the adjustments necessary to ensure the District's financial statements and supplementary information were properly reported, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. Similar findings were noted in previous audit reports, most recently in our report No. 2010-128.

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**Recommendation:** The District should improve its financial reporting procedures to ensure that financial statement account balances, transactions, and required supplementary information are properly reported.

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## ADDITIONAL MATTERS

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### Finding No. 2: Performance Assessments

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Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District's performance assessment procedures for instructional personnel and school administrators assigned employees to different assessment categories based primarily on employee experience, and the procedures varied depending upon the employee's assessment category. However, the procedures for the employee categories did not sufficiently demonstrate that the employee evaluations were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes. For example, the instructional personnel assessment form used to evaluate certain teacher assessment categories included ten evaluation areas, and student performance was one of the areas; however, District records did not evidence the extent to which student performance affected each employee's overall performance assessment. To correlate student and employee performance, the evaluation form could provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. In addition, District records did not demonstrate that the District considered each of the additional required assessment criteria for each employee category. For example, the educator's growth plan used

to evaluate one category of teachers did not address the teacher's ability to maintain appropriate discipline; knowledge of subject matter; ability to plan and deliver instruction and use of technology in the classroom; and other assessment criteria required by statute. Without measuring employee performance based on the required criteria, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

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**Recommendation:**     **The District should ensure that performance assessments of instructional personnel and school administrators are made using the required criteria and based primarily on student performance.**

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**Finding No. 3: Compensation and Salary Schedules**

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Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedule for instructional personnel and school-based administrators and the applicable union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The instructional salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.

The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the regular work day, such as supplements for in-service representatives and after school supplemental instructors. However, the salary schedule did not evidence consideration of differentiated pay based on school demographics, critical shortage areas, or level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.

- **School-based Administrators.** The school-based administrators' salary schedule indicated consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the

salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and that the various differentiated pay factors were consistently considered and applied.

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**Recommendation:** The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

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#### **Finding No. 4: Workforce Development Funds**

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The Legislature appropriated State funding, totaling approximately \$1.7 million, to the District for workforce development programs pursuant to Chapter 2009-81, Laws of Florida. This law limits use of these funds to adult general or career education programs, and prohibits the District from using these moneys for K-12 programs. The District generally expended its workforce development program funding consistent with legislative restrictions. However, the District used \$29,700 of workforce development moneys for an instructor to teach health science classes to secondary students who received credit towards high school graduation for the classes, contrary to restrictions governing these funds. Therefore, the \$29,700 represents questioned costs.

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**Recommendation:** The District should enhance its procedures to comply with the restrictions governing workforce development program funds, and restore \$29,700 to the program.

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#### **Finding No. 5: Collection of Social Security Numbers**

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The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District generally identifies employees and students in its records by designated identification numbers and does not use SSNs for record keeping purposes. However, the District does request SSNs for certain purposes such as employee insurance, withholding taxes, background checks, and registration of new students. The District developed a listing of the ways in which it collects and uses employee and student SSNs, and provided this listing to new employees and to existing employees once each fiscal year. However, this listing did not identify the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the District collected the SSNs, including any authorized exceptions that apply to such collection, use, or release. In addition, we noted certain instances where the District did not provide required written statements indicating the purpose for collecting the SSN of students, parents, or guardians. For example, we noted that student registration forms requested the SSN of the student and that on-line free and reduced price meal applications for students requested the SSN of the student's guardian. However, the District, in these instances, did not provide written statements indicating the purpose for collecting the SSNs to the individuals.

In response to our inquiries, District personnel indicated that they have attempted to comply with the above requirements but did not know that they had not adequately addressed all of the requirements. In the absence of effective procedures to properly identify the need for and use of SSNs and to ensure compliance with statutory requirements, the District faces an increased risk that SSNs may be used for unauthorized purposes.

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**Recommendation:**      **The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes.**

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**Finding No. 6: Purchasing Cards**

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To expedite the purchase of selected goods and services, the District uses purchasing cards in certain situations. The District assigned purchasing cards to approximately 360 employees and departments and one contracted food service management company (FSMC) employee, and incurred total purchasing card expenditures of approximately \$6.5 million, during the 2009-10 fiscal year. As a control measure, the District placed monthly dollar purchasing limits on the purchasing cards, and most purchasing cards had single transaction purchasing limits less than \$1,000.

District personnel indicated that the District purchased goods or services on behalf of its FSMC and custodial provider, and permitted employees of these two vendors to use certain District tax-exempt purchasing cards or purchasing card numbers to purchase goods or services to avoid paying sales tax on the purchases. In addition, as noted above, the District issued a purchasing card to an employee of the FSMC who used the card to purchase goods and services related to performing services for the District. Goods or services purchased by or on behalf of the contracted vendors totaled approximately \$275,000 during the 2009-10 fiscal year.

After the District paid for purchases made by or on behalf of the two vendors using the District's tax-exempt purchasing cards or numbers, the vendors reimbursed the District for the purchases and paid a District-assessed 6 percent user fee by crediting these amounts back to the District on monthly invoices. Although District records did not evidence the basis for the fee assessment, District personnel indicated the fee was assessed, in part, to recover District costs associated with processing the vendors' purchasing card charges. The District collected user fees of approximately \$16,500 during the 2009-10 fiscal year. District personnel further indicated they considered vendor purchasing card transactions to be direct purchases by the District and exempt from sales tax under the provisions of

Section 212.08(6), Florida Statutes. However, Section 12A-1.038, Florida Administrative Code (FAC), defines agencies eligible to obtain tax exemption certificates, and it is questionable whether these two vendors are organizations authorized to receive tax exemption certificates or make tax-exempt purchases. Section 12A-1.038(4)(b), FAC, requires that payments for tax-exempt purchases be made directly to the vendor by the governmental unit. Also, Section 12A-1.0091, FAC, further identifies cleaning service providers as ultimate users or consumers of goods and states that they must pay sales taxes on cleaning products used to perform their services. In view of these requirements, the basis upon which the District allowed contracted vendors to use its tax-exempt purchasing cards or purchasing card numbers to purchase goods or services is not readily apparent. In addition, the District's collection of the 6 percent user fee could potentially be interpreted as the collection of sales taxes that should be remitted to the State.

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**Recommendation:**     **The District should obtain an opinion from the Florida Department of Revenue to determine the propriety of allowing vendors to use District tax-exempt purchasing cards.**

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**Finding No. 7: Statement of Financial Interests**

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Pursuant to Section 112.3145(2), Florida Statutes, each local officer must file, with the supervisor of elections, a statement of financial interests (statement) no later than July 1 of each year. Section 112.3145(1), Florida Statutes (2009), specifies that local officers for a school district include purchasing agents having the authority to make any purchases exceeding \$15,000 (increased to \$20,000 by the 2010 Florida Statutes). Our review disclosed that, as of December 2010, four of nine employees with purchasing card transaction limits exceeding \$20,000 had not filed a statement of financial interests, due on July 1, 2009, for the 2008 calendar year. In addition, we noted that two of the four employees did not file a statement of financial interests, due July 1, 2010, for the 2009 calendar year. District personnel indicated that the employees did not file the statements because they were unaware of these requirements. When local officers timely file required financial disclosure forms, a public record exists to properly disclose the financial associations of such officers, including potential conflicts of interest.

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**Recommendation:**     **The District should ensure that all local officers timely file the required statement of financial interests with the supervisor of elections.**

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**Finding No. 8: Direct-Support Organization Audit**

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Pursuant to Section 1001.453(4), Florida Statutes, school district direct-support organizations are required to obtain and provide for an annual financial audit performed by a certified public accountant (CPA) when the organization has expenditures or expenses that exceed \$100,000. Further, Chapter 10.700, Rules of the Auditor General, requires the CPA to perform such audits in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. GAS requires auditors to report on internal control and compliance with laws, regulations, and provisions of contracts or grant agreements; maintain additional continuing education requirements; and obtain a peer review of their system of quality control at least once every three years. GAS also requires auditors to communicate to officials at the audit entity violations of provisions of contracts or grant agreements, abuse, fraud, and illegal acts.

The financial activities of the District's direct-support organization, the Santa Rosa Education Foundation, Inc. (Foundation), are reported in the component unit columns of the District's financial statements and comprise 23 percent of assets, 4 percent of liabilities, 31 percent of revenues, 32 percent of expenses, and 28 percent of net

assets of the financial information reported in those columns. The Foundation had expenses totaling \$395,838, and obtained an audit performed by a CPA; however, because the District and Foundation were unaware of the GAS requirement, the CPA did not perform the audit in accordance with GAS, contrary to Chapter 10.700, Rules of the Auditor General.

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**Recommendation:**     **The District should ensure that the Foundation’s annual audit is performed in accordance with *Government Auditing Standards*.**

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**Finding No. 9: Information Technology – Risk Assessment**

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Risk management is the process of identifying vulnerabilities and threats to information technology (IT) resources used by an entity in achieving its goals and objectives and of deciding what measures to take, if any, to reduce the risks associated with these vulnerabilities and threats to an acceptable level. Risk assessment is a tool that can be used in providing valuable information in defining an IT strategic plan, designing and implementing controls, and in monitoring and evaluating those controls. As similarly noted in previous audits, most recently in our report No. 2010-128, our audit disclosed that the District’s risk assessment practices could be improved. We are not disclosing specific details of the needed improvements in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the needed improvements. The lack of adequate risk assessment practices may result in inadequate or improperly implemented controls, increasing the risk that sensitive or critical IT resources will not be sufficiently protected.

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**Recommendation:**     **The District should improve its risk assessment practices to provide assurance that IT-related risks are properly identified and managed.**

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**Finding No. 10: Information Technology – Disaster Recovery Planning**

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Disaster recovery planning establishes an entity’s response and recovery procedures to manage the availability of critical data and computer resources in the event of a disaster or a disruption to its operations. This planning should include ensuring a third-party provider’s commitment to contingency requirements. As similarly noted in previous audit reports, most recently in our report No. 2010-128, the District’s approved disaster recovery plan did not identify key recovery personnel and their responsibilities, nor did the plan incorporate the procedures that need to be performed by the District in response to a disaster or a disruption of operations at Northwest Regional Data Center (NWRDC) where the District’s administrative application systems are processed. The absence of this information in the District’s disaster recovery plan may hinder the District’s effort to minimize the impact of, and timely recover from, a disaster or a disruption of operations.

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**Recommendation:**     **The District should identify key recovery personnel and their responsibilities in its disaster recovery plan. In addition, the District should incorporate in its plan the procedures that need to be performed by the District in response to a disaster or a disruption of operations at NWRDC.**

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**Follow-up to Management’s Response:**

*The District’s response indicates that key recovery personnel, their responsibilities, and the procedures needed to be performed by the District in a disaster have been adequately identified. However, the District’s approved Disaster Recovery Plan did not list the names of District personnel to be contacted to*

*initiate the recovery process. Including this information would increase the likelihood that the District could timely reestablish connection to the data center.*

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**Finding No. 11: Information Technology – User Authentication**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As similarly noted in previous audit reports, most recently in our report No. 2010-128, our audit disclosed that certain District security controls related to user authentication could be improved. We are not disclosing specific details of the needed improvements to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the needed improvements. Without adequate security controls related to user authentication, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:** The District should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-128.

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**MANAGEMENT'S RESPONSE**

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Management's response is included as Exhibit A.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010*

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

| Audit Report No.<br>and Federal<br>Awards Finding No. | Program / Area                                                                                                              | Brief Description                                                                                                                                                                                                                                                                                                                                                                                                           | Status     | Comments                                                                                                                                                                                                            |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2006-127<br>(4)                                       | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) / Allowable Costs/Cost Principles | The District requested and received hurricane-related loss recoveries for the same costs from both flood insurance and the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program. The duplicate loss recoveries of \$776,268 received from the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program represent questioned costs subject to disallowance by the grantor. | Corrected. | The project in question has been closed by the Federal Emergency Management Agency (FEMA). Actual insurance proceeds were deducted from the eligible costs reimbursed by FEMA.                                      |
| 2007-122<br>(6)                                       | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) / Allowable Costs/Cost Principles | The District received \$13,197.14 in reimbursements for 22 science tables not specifically identified as being damaged on approved project worksheets.                                                                                                                                                                                                                                                                      | Corrected. | The project in question has been closed by the Federal Emergency Management Agency (FEMA). FEMA determined that all expenditures were eligible and reasonable.                                                      |
| 2010-128<br>(1)                                       | Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)/Program Administration                                       | The District did not provide sufficient oversight over control and use of food inventory and had not adequately maintained food storage facilities.                                                                                                                                                                                                                                                                         | Corrected. | The District has implemented additional inventory control methods to account for United States Department of Agriculture foods and has taken corrective actions to adequately maintain its food storage facilities. |
| 2010-128<br>(2)                                       | Special Education - Grants to States (CFDA No. 84.027)/Procurement                                                          | Enhancements were needed in the District's procedures to ensure that all contracts involving Federal grants include required contract language.                                                                                                                                                                                                                                                                             | Corrected. | The District has established procedures to ensure that, where applicable, required contract language is included in all Federally funded contracts.                                                                 |

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



Timothy S. Wyrosdick  
Superintendent of Schools

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February 23, 2011

David Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, I am submitting to you, in writing, statements of explanation (compiled from the responses as received from those in positions of responsibility of a given area) concerning some of the items presented in the preliminary and tentative audit findings for the fiscal year ended June 30, 2010. As a matter of organization and clarification, the responses can be referenced using the headings as submitted from your office.

**Finding No. 1: Financial Reporting**

**Response:** The District will update the formula for Investment in Capital Assets, net of related debt.

There was a miscommunication about the ownership of funds between Capital Projects – Other Fund and Other Governmental Funds. Staff is now aware of the importance of sharing this type of information for proper accounting purposes. There was an oversight concerning entries related to the State school bond refunding. Staff will update the procedure manual to be sure these types of entries are booked and will strive to make appropriate adjustments to fund balance.

The District did not include the ARRA budgetary comparison in the original annual financial report submission to the Department of Education. The District did submit the ARRA budgetary comparison at a later date. This was the first year for the District to report the ARRA funds on the annual financial report and the schedule was inadvertently left out.

The District does the best review it can with the time and personnel constraints put on it. The District has a short window of time to prepare and submit the annual financial report and does as much review as possible.

**Finding No. 2: Performance Assessments**

**Response:** Santa Rosa County School District will adopt an evaluation process where 50% of the evaluation for instructional and administrative personnel is based on student performance. The final version of the evaluation instruments must receive DOE approval before May 1, 2011. We have submitted our first draft to DOE as of this date.

**Finding No. 3: Compensation and Salary Schedules**

**Response:** Our evaluation committee is currently working on recommendations to meet this finding. Any recommendation will have to go through the bargaining process.

**Finding No. 4: Workforce Development Funds**

**Response:** Santa Rosa County School District's technical center, Locklin Tech, offers classes with secondary and post secondary students enrolled in the same class. Students enrolled in the post secondary course number may be adults or secondary students who meet a certain criteria. The previous postsecondary health careers curriculum was

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

Response to Audit Findings for Year Ending June 30, 2010  
February 23, 2011  
Page 2

a single course number which allowed us to dually enroll qualified secondary students. With the new course numbering system that began in 2009-2010, the disparity between the secondary and postsecondary health careers curriculum frameworks no longer fit the needs of our secondary students. When this disparity was discovered, a determination was made to keep those students enrolled in the secondary course number. After speaking with personnel in the Office of Grants Administration of DOE, we were assured that the stimulus dollars could be spent on secondary or post secondary students.

**Finding No. 5: Collection of Social Security Numbers**

**Response:** We will begin citing the Statute on each document (whether hard copy or on-line) which requests the employee social security number. We will either update the document by adding this statement or attach the statement to the document. We will also have the employee initial by this statement.

**Finding No. 6: Purchasing Cards**

**Response:** The district agrees that an opinion from the Florida Department of Revenue be obtained.

**Finding No. 7: Statement of Financial Interests**

**Response:** We were made aware that several employees had failed to file disclosure forms. After an investigation, it was found that one employee had filed in Okaloosa County, where he lives. Several other employees who had their procurement card limit raised above the disclosure limit did not file. These employees had not been notified by the Supervisor of Elections office of this requirement due to not being notified by the district. Corrections were made and procedures put in place to insure proper notifications are made. The state Financial Disclosure Coordinator was contacted, who informed the district that since corrections had been implemented, no further action was necessary. This matter has been corrected.

**Finding No. 8: Direct-Support Organization Audit**

**Response:** The District has communicated to the Santa Rosa Education Foundation, Inc. that future audits should be performed in accordance with Government Auditing Standards. The Santa Rosa Education Foundation, Inc. will notify the Certified Public Accounting Firm that performs the next audit that it must be in accordance with Government Auditing Standards.

**Finding No. 9: Information Technology – Risk Assessment**

**Response:** The risk assessment will be completed by June 30, 2011.

**Finding No. 10: Information Technology – Disaster Recovery Planning**

**Response:** The District feels that we have adequately identified key recovery personnel, their responsibilities, and the procedures needed to be performed by the District in a disaster.

**Finding No. 11: Information Technology – User Authentication**

**Purpose:** The District will continue to examine and access the security controls.

In conclusion, let me reflect the sincere feeling of our school board and staff concerning the professional manner in which your staff conducted this audit. In the process of the audit, there always exists a mutual professional respect and consideration of each one's responsibility.

Sincerely,



Timothy S. Wyrosdick  
Superintendent of Schools

/chm