

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2011



**The School Board of Marion County
Ocala, Florida**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**MARION COUNTY DISTRICT SCHOOL BOARD
OCALA, FLORIDA**

**FISCAL YEAR ENDED
JUNE 30, 2011**

Issued By:

James M. Yancey, Jr., Superintendent of Schools

Prepared By:

**Finance and Accounting Department
Theresa Boston-Ellis, Executive Director of Business Services
Alice McClellan, Director of Finance
Vida Linzmaier, Senior Accountant**

**Marion County District School Board
P.O. Box 670
Ocala, FL 34478-0670**

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INTRODUCTORY

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**MARION COUNTY DISTRICT SCHOOL BOARD
OCALA, FLORIDA**

**FISCAL YEAR ENDED
JUNE 30, 2011**

CHAIRPERSON

Judi Zanetti

BOARD MEMBERS

Angie Boynton
Ronald B. Crawford
Bobby L. James
Jacqueline Porter

SUPERINTENDENT

James M. Yancey, Jr.

EXECUTIVE DIRECTOR OF BUSINESS SERVICES

Theresa Boston-Ellis

ATTORNEY

Beverly A. Morris, P. L.

DIRECTOR OF FINANCE

Alice McClellan

AUDITORS

State of Florida Auditor General

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**MARION COUNTY DISTRICT SCHOOL BOARD
OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2011**

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**MARION COUNTY DISTRICT SCHOOL BOARD
OCALA, FLORIDA
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December 15, 2011

Members of the Board
Marion County School Board
512 SE 3rd Street
Ocala, Florida 34471

Dear School Board Members and Citizens of Marion County,

State statute requires that all local governments publish after the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Marion County District School Board (the District), for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the District. Responsibility for the administration and management of the schools and the administrative support units of the District is vested in the Superintendent of Schools who serves as the Board Secretary and Chief Executive Officer. Accordingly, responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the Superintendent and the designated representatives of the Superintendent. To provide a reasonable basis for making these representations, the Superintendent and/or his representatives have established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As District representatives, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Florida Auditor General has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the District's

James M. Yancey, Jr. Superintendent	Judi Zanetti District 1	Jacqueline Porter District 2	Bobby L. James District 3	Angie Boynton District 4	Ronald B. Crawford District 5
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basic financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The Florida Auditor General's report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the District was part of a broader, Federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. Information related to this single audit, including the schedule of expenditures of Federal awards, findings and questioned costs, summary of prior audit findings, and the independent auditor's reports on internal control over financial reporting and on compliance with applicable requirements, is included in the Other section.

This report includes all funds of the District. District school officials are responsible for providing a full range of educational programs to students in the District thus these programs and support activities meet the criteria for inclusion in the reporting entity. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

We trust the report provides sufficient information and insight to demonstrate a basis for confidence in our leadership team and its ability to keep raising the level of educational excellence in our District.

Profile of the School District

The District and its governing board (the Board) were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered and supervised by District school officials in accordance with Chapter 1001, Florida Statutes. The Board consists of five (5) elected officials responsible for the adoption of policies, which govern the operation of the District's public schools. The Superintendent is responsible for the administration and management of the schools within the applicable parameters of State laws, State Board of Education Rules and School Board policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts for the District by Section 1010.01, Florida Statutes, as prescribed by the State Board of Education.

The geographic boundaries of the District are coterminous with those of Marion County. Management of the District is independent of county and city governments.

The Comprehensive Annual Financial Report contains the audited financial statements for all operations over which the District is financially accountable. Various potential component units were evaluated to determine whether they should be considered as part of the District's reporting entity. A component unit was considered to be part of the District's reporting entity when it was concluded that the District was financially accountable for the entity or the nature and significance of the relationship between the District and the entity was such that exclusion would cause the District's financial statements to be misleading or incomplete. The Notes to Financial Statements include a detailed discussion of the blended component unit and the component units that are discretely presented in the financial statements.

I. BEING ACCOUNTABLE FOR WHAT WE DO

The District is legally responsible for providing a full range of educational programs in Marion County. This includes:

- ❖ Voluntary Pre-Kindergarten
- ❖ Kindergarten through 12th grade
- ❖ Basic, Regular and Enriched Programs
- ❖ Exceptional Student Education
- ❖ Career Technical Education
- ❖ Adult Education
- ❖ Specialized Instruction, in areas such as English Proficiency for Speakers of Other Languages.
- ❖ Alternative Education

This report accounts for the source and expenditure of all funds involved in the implementation and support of these programs.

II. COPING WITH CHANGE

Covering 1,663 square miles, Marion County is one of the largest counties in Florida and is in the midst of significant demographic change. The population of Marion County is more than 330,000 and has increased 25.8 percent from 2002 to 2011. While State projections indicated a decrease from 2007 through 2010, Marion County, located in the center part of the State, was not affected as quickly as other parts of the State.

With 41,331 students, Marion County student enrollment increased by 158 students from 2010 to 2011. Enrollment has decreased by more than 1,300 students from 2008 to 2011, which is approximate to the level of non-growth of students statewide. There is little projected change for the 2012 student enrollments.

Growth

In the past ten years, total population in the county has grown from 264,277 to 332,387 or 25.8 percent. Most of this increase, 23 percent, occurred from 2002 to 2008. Our non-adult student population has increased by approximately 2,164 students in the same time period. The student population decreased by approximately 3 percent from 2008 to 2011.

Diversity

The community has grown in population and in diversity. A traditional migration of retirees from the Northeastern United States has been supplemented by an influx of new residents from South Florida. In addition, newcomers from Latin America, India and the Caribbean seek job opportunities here. While this migration has slowed, younger families are leaving Florida to seek better job opportunities. These two factors combined have created a unique and diverse demographic for our schools.

The demographics of our school district reflect our new social, ethnic, racial, and economic diversity. For example:

- ❖ Almost 5 percent of our student population has a native language represented by one of approximately 45 different languages. Many of these students maintain their home language and learn English, making them bilingual and sometimes biliterate, which is our goal.
- ❖ 65 percent qualify for free or reduced price lunches.

Economic Development

As the community changes, efforts continue to build an economic base that is broader, more diverse and less volatile than the current economy built on agriculture, construction, sales and services.

Public-private partnerships, including the Business Development Board and the Workforce Development Board, are shaping strategies to attract and cultivate companies paying high wages for highly skilled jobs in targeted areas with growth potential, such as medical services and computer technology.

The District has become an integral part of these efforts. Preparing students for productive employment, which is part of our mission, is crucial to successful economic development. The ability to provide training on a continuous basis throughout a person's career in a dynamic economy is a critical component for our District as well.

The District is caught in a fiscal debate over how to accommodate the class size reduction amendment coupled with rising academic expectations. The long-term financial plan for obtaining these resources is discussed in the next section.

III. MOVING TO THE NEXT LEVEL

As we build on the progress we have made, a strong leadership team will guide us. We have narrowed our focus on our core objective to prepare children to succeed in the future. We have also initiated a strategy for accelerating the pace of improvement. For example:

- ❖ The District focuses on a model of Instructional Focus, which is a regular and careful analysis of student progress. This research and quality-based approach tracks student performance to help close the achievement gap between all racial and socioeconomic sub-groups, and is performance-driven. Implemented at all levels, this model treats students individually by assessing how much they are learning on a regular basis. Based on these assessments, students who have achieved mastery level receive enrichment to challenge them further. Students needing assistance receive remediation to bring their skills up to the accepted standards. We believe strong principals, high expectations for teachers and students, sharp instructional focus, a safe and orderly climate conducive to learning, and standards of achievement will make all Marion County Public Schools effective. We believe every child can learn and achieve at high levels given the proper time and resources, and we plan for all our schools to achieve "A" or "B" School Recognition Grades by 2012.

- ❖ Student mastery level is set at 80 percent, meaning students must attain at least an 80 percent score to achieve the lesson at-hand. Why so high? Florida's State grading scale designates 70 through 79 percent as a "C" grade. Marion County Public Schools strive for mastery, not just average. This is why our expectations are higher. We believe that if we shoot for average, we'll only be average. If we shoot for excellence, our students will achieve excellence.

- ❖ Student performance is paramount to any educational system. Success early in school in critical areas of reading, writing and mathematics is emphasized to promote success in higher grade levels. Lowering class size in kindergarten through third grades is just one way to accomplish this. Reducing the dropout rate begins in these early grades, when children learn the critical skills for learning. Identifying and targeting these challenging areas will keep students interested in learning and achieving at high levels, with the primary goal to see more students stay in school through graduation.

- ❖ Our current K-12 Reading Plan is focusing on the implementation of the Florida Assessment for Instruction in Reading (FAIR) reading assessment and its implication on classroom instruction and/or

remediation; improving performance at the high school level; and continuing to ensure fidelity to the reading block through the mentoring, modeling and ongoing staff development activities provided by the reading coaches. Through the reading initiative, schools have begun to monitor reading intervention data to determine if the gap is closing on reading deficiencies. Student Assistance Teams are diligently working to continue to identify those strategies that will be effective with the most at risk reader. Our local community continues to support literacy by providing reading activities and materials targeting classrooms and/or grade levels.

- ❖ The District has 104 teachers who have achieved certification through the National Board for Professional Teaching Standards.

- ❖ The District received \$1,174,810 from the Florida Department of Education for improving student test scores. The award is divided among 23 elementary and middle schools that improved school performance grades or received an “A” grade. District wide, 77 percent of all elementary and middle schools earned a grade of “A” or “B”. One school catapulted three letter grades. Last year’s only failing school jumped two letter grades. In addition, two other schools improved two letter grades. Meanwhile, six schools improved one letter grade, and eighteen schools maintained last year’s letter grade. However, eight schools declined by one letter grade, and one school declined by two letter grades. High school grades are pending and won’t be released until this fall when data is available for high school specific components.

- ❖ Our rate of growth for student Writing scores increased by nine points. Our fourth grade students scoring 4.0 and above improved from 62 percent to 71 percent and eighth grade students scoring 4.0 and above went from 69 percent to 74 percent. Our high school students improved Writing scores with an increase of 7 percent, in comparison to the State’s 3 percent increase.

- ❖ Marion County students’ scores dropped two points from the prior year on the Florida Comprehensive Assessment Test (FCAT) Mathematics, with 65 percent of students scoring at Level 3 or above. Marion County elementary students improved their performance compared to the previous year, exceeding the State by 2 points. At the secondary level, Marion County students exceeded the State’s gains by three percentage points.

- ❖ On FCAT Reading, 58 percent of Marion County students achieved a score of Level 3 or above, down one point from last year. Score trends of Marion County Schools mirrored the State with decreased scores at the elementary level and mixed results at the middle school level. However, Marion County high school students achieved higher scores and exceeded the State’s gains by 4 percentage points.

- ❖ Even though Marion County FCAT Science scores lag behind those of the State, students scoring at Level 3 and above at secondary and elementary level schools went up 2 to 3 percentage points.

- ❖ The Ocala/Marion County Chamber of Commerce works closely with the District to develop a strong Business Partner Program for all schools through the Public Education Foundation. Partners assist schools financially and strategically to enhance student achievement.

With a clear mission, strong leadership, qualified workforce, and a growing sense of partnership with business, parents, and the community at large, we are poised for higher achievement.

Immediate Challenges

Providing adequate facilities to all students is fundamental to maintaining an effective education system. It speaks to a range of standards, including safety, class size and equity. When there is not enough educational space, such standards may be compromised. There is a need for longer-term

revenue sources to meet the future facility needs of the District. Our success on either front will be determined by the credibility we earn as we move the District to the next level of performance in both student achievement and operational competence. This includes financial stewardship, which is the focus of the remainder of this report.

Financial Information

Long-Term Financial Planning

Long-term financial planning needs are addressed in a Five-Year District Facilities Work Plan encompassing all construction, maintenance, and facility renovation. The Facilities Work Plan is updated every year. Funding is provided from the local capital outlay millage levy, PECO funds, Classrooms for Kids appropriations, and impact fees for educational facilities. The Facilities Department managed a total budget of approximately \$130 million during the 2010-11 fiscal years.

Financial Information

A detailed explanation of the financial position and operating results of the District is provided in the Comprehensive Annual Financial Report (CAFR). Presented below is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information.

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The statements and schedules included in the financial section of this report demonstrate the District's continued commitment to sound financial management.

Budgetary Controls

The District maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriations budget approved by the Board. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds are included in the annual appropriations budget. Although a Five-Year District Facilities Work Plan is adopted for the capital projects fund, the funding for the projects is contingent upon the annual budget adoption. The budgetary process is discussed under the Budgetary Compliance and Accountability section of the Notes to Required Supplementary Information.

Retirement Program

The District participates in the Florida Retirement system, which is administered by the State. Note 11 to financial statements describe the District's retirement program in greater detail.

Audit

State statutes require an audit by the Florida Auditor General every three years. Annual audits by other independent certified public accountants are performed in the intervening years. The auditor's report is included at the beginning of the financial section in this CAFR.

Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District of Marion County, Florida, for its CAFR for fiscal year ended June 30, 2010. This is the eleventh consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish a comprehensive annual financial report that is organized and easy to read. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

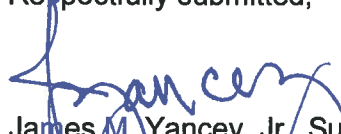
Acknowledgments

The preparation of the CAFR could not have been accomplished without the loyal and dedicated assistance of the entire staff of the Finance Department, as well as, the entire District administrative staff who provided assistance throughout the preparation of this report.

We would like to thank the School Board Members for their interest and support in establishing responsible and progressive financial policies for the District. The citizens of Marion County are also to be commended for their continued support of the public schools.

As this fiscal year ends, and we look back at the events that have affected us as a District and as a community, our commitment to quality education is as strong as ever.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "James M. Yancey, Jr.", written over the printed name.

James M. Yancey, Jr., Superintendent of Schools

A handwritten signature in blue ink, appearing to read "Theresa Boston-Ellis", written over the printed name.

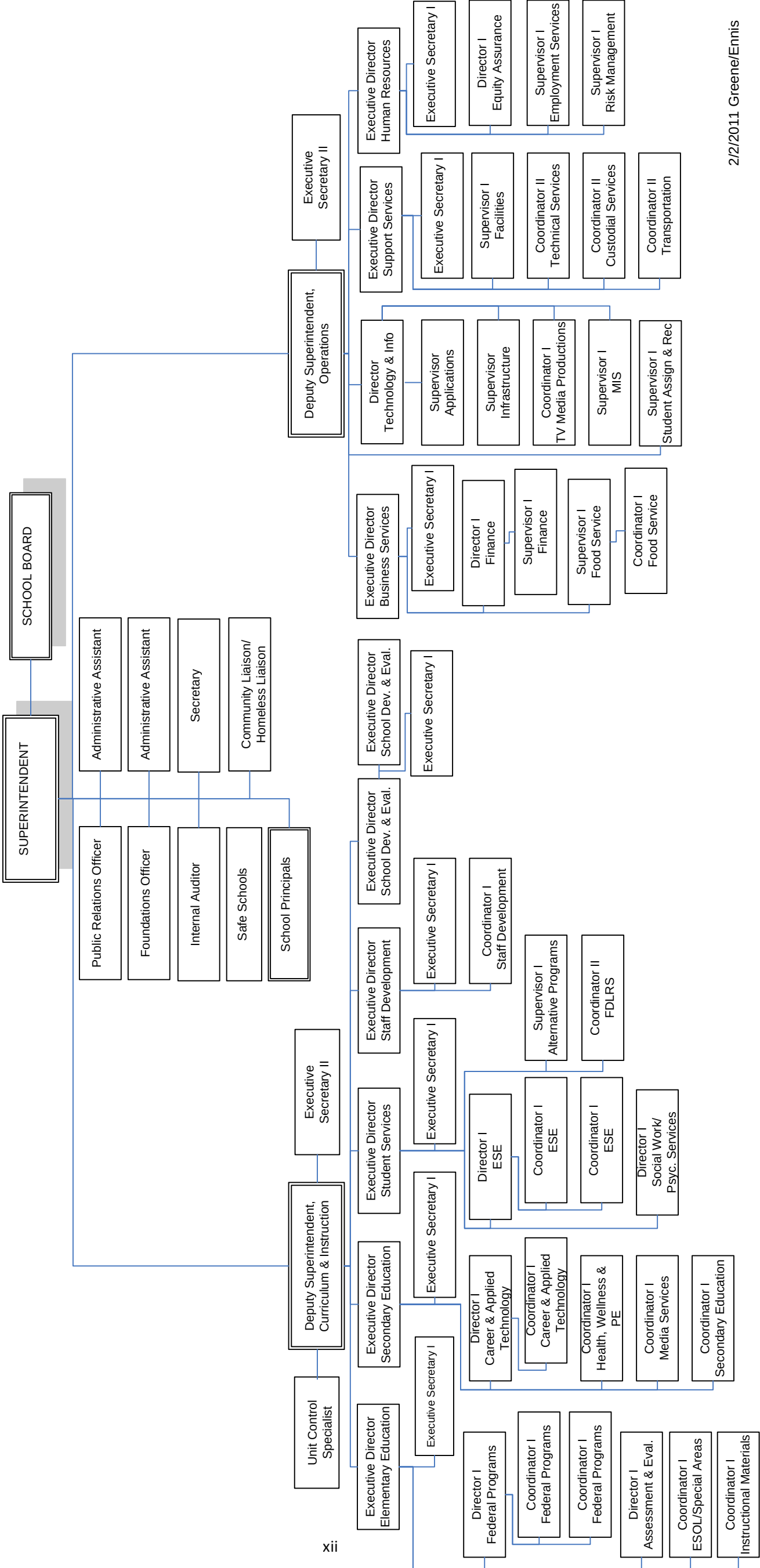
Theresa Boston-Ellis, Executive Director of Business Services

A handwritten signature in blue ink, appearing to read "Alice A. McClellan", written over the printed name.

Alice A. McClellan, Director of Finance

MARION COUNTY PUBLIC SCHOOLS

Organizational Chart 2010-2011



Certificate of Achievement for Excellence in Financial Reporting

Presented to
School District of Marion County
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

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FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report on Financial Statements

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

Required Supplementary Information

Notes to Required Supplementary Information

Supplementary Information:

Combining Nonmajor Governmental Statements and

Individual Fund Budgetary Schedules

Nonmajor Component Units

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DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 12 percent of the assets and 26 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the 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 discretely presented component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Marion County District School Board as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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 Marion 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; SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL FOR THE GENERAL FUND AND FEDERAL ECONOMIC STIMULUS FUND; SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS; and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining nonmajor governmental statements and individual fund budgetary schedules, and the statistical section, as listed in the table on contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining nonmajor governmental statements and individual fund budgetary schedules and the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** have 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, based on our audit and the reports of the other auditors, the combining nonmajor governmental statements and individual fund budgetary schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The

introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "David W. Martin". The signature is fluid and cursive, with the first name "David" and last name "Martin" being clearly legible, and "W." in the middle.

David W. Martin, CPA

December 14, 2011

Audit Report No. 2012-057

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Marion County District School Board (the District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- Total net assets are \$442,250,579, which represents a 3.25 percent decrease from the 2009-10 fiscal year.
- General revenues total \$364,878,479, or 92 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$31,601,626 or 8 percent.
- Expenses total \$411,357,605; only \$31,601,626 of these expenses were offset by program revenues, with the remainder paid from general revenues. Total expenses exceed total revenues by \$14,877,500.
- The combined assigned and unassigned fund balance of the General Fund, representing the net fund balance that is spendable and not restricted or committed, total \$22,929,658 at June 30, 2011, or 7.90 percent of total General Fund expenditures.
- The District's capital assets (net of depreciation) increased by \$16,533,801. With completion of several projects, buildings and fixed equipment additions total \$83,398,051.

OVERVIEW OF THE 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 primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets, and its 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 on all of the District's assets and liabilities, with the difference between the two reported as net assets. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in 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 four separate legal entities in this report including the Marion Charter School, Inc.; the McIntosh Area School, Incorporated; the Francis Marion Military Academy, Inc.; and the Public Education Foundation of Marion County, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Marion County School Board Leasing Corporation, Inc. (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as 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, Special Revenue – Federal Economic Stimulus Fund, Capital Projects – Section 1011.71 Capital Improvement Fund, and Capital Projects – Other Capital Projects Fund. Data from the other seven governmental funds are considered nonmajor and are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and are presented as supplemental information.

Proprietary Fund—Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains an internal service fund to report activities that provide services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for the cost of the District's self-insurance program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same types of information as the government-wide financial statements, only in more detail. The internal service fund is presented in a single column in the proprietary fund financial statements.

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 and the Silver River Museum. 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 resources held for student activities and groups and a Private-Purpose Trust Fund to account for private funds held for the Silver River Museum.

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.

Required Supplementary Information

The District adopts an annual budget for its governmental funds. A budgetary comparison schedule and required note disclosure has been provided for the General Fund and the major Special Revenue Fund to demonstrate compliance with the budget. Additional required supplementary information is presented relating to the funding progress for other postemployment benefits.

Notes to Required Supplementary Information

The notes provide additional information that is essential for a full understanding of the data provided in the required supplementary information.

Other Supplementary Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2011, compared to net assets as of June 30, 2010:

	Governmental Activities	
	6-30-11	6-30-10
Current Assets	\$ 130,812,464	\$ 170,894,387
Other Assets	3,015,539	2,355,552
Capital Assets, Net of Depreciation	544,759,855	528,226,054
Total Assets	678,587,858	701,475,993
Current Liabilities	17,659,143	18,808,400
Noncurrent Liabilities	218,678,136	225,539,514
Total Liabilities	236,337,279	244,347,914
Net Assets:		
Invested in Capital Assets - Net of Related Debt	397,845,050	385,274,585
Restricted	76,016,201	100,747,187
Unrestricted	(31,610,672)	(28,893,693)
Total Net Assets	\$ 442,250,579	\$ 457,128,079

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 net of unspent debt proceeds. 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 unrestricted net assets of \$23,529,156 (after exclusion of \$30,527,274 in compensated absences and \$24,612,554 in postemployment healthcare benefits payable) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

- The increase in capital assets is due, in part, to new buildings capitalized from construction in progress and other construction activities. The major projects included:
 - Wing additions at Marion Oaks Elementary, Saddlewood Elementary, and Shady Hill Elementary Schools
 - Renovations at Dr. N. H. Jones Elementary; Dunnelon High; South Ocala Elementary; Fort McKoy and Fessenden Elementary Schools
 - Projects still under construction include; renovations at Howard Middle School; wing addition at Evergreen Elementary School and several HVAC upgrade projects
- The decrease in long-term liabilities is due to normal retirement of debt during the year totaling approximately \$10 million.

Governmental activities decreased the District's net assets by \$14,877,500 detailed as follows:

Operating Results for the Year		
	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	\$ 10,202,914	\$ 10,775,591
Operating Grants and Contributions	17,528,387	16,861,818
Capital Grants and Contributions	3,870,325	10,119,033
General Revenues:		
Property Taxes Levied for Operational Purposes	104,543,105	116,423,617
Property Taxes Levied for Capital Projects	26,226,951	29,293,207
Local Sales Taxes	-	9,238,526
Grants and Contributions Not Restricted to Specific Programs	223,978,645	205,886,975
Unrestricted Investment Earnings	1,398,387	2,356,932
Miscellaneous	8,731,391	5,162,516
Total Revenues	396,480,105	406,118,215
Functions/Program Expenses:		
Instruction	212,253,161	207,738,856
Pupil Personnel Services	24,133,279	24,231,179
Instructional Media Services	4,977,843	4,840,227
Instruction and Curriculum Development Services	7,700,687	6,923,344
Instructional Staff Training Services	9,080,596	8,053,287
Instruction Related Technology	2,794,199	2,678,244
Board of Education	660,329	576,161
General Administration	3,301,514	3,243,177
School Administration	18,642,721	18,305,607
Facilities Services - Non-Capitalized	16,456,978	10,439,477
Fiscal Services	2,750,245	2,668,741
Food Services	20,559,098	20,228,293
Central Services	4,407,750	4,299,653
Pupil Transportation Services	20,334,725	19,758,533
Operation of Plant	26,997,233	26,984,427
Maintenance of Plant	9,848,470	9,314,330
Administrative Technology Services	4,559,778	4,356,504
Community Services	4,224,491	3,914,444
Unallocated Interest on Long-Term Debt	7,131,032	7,525,224
Unallocated Depreciation Expense	10,543,476	10,361,493
Total Functions/Program Expenses	411,357,605	396,441,201
Increase (Decrease) in Net Assets	\$ (14,877,500)	\$ 9,677,014

Key elements of the change in net assets follows:

Grants and contributions increased for the 2010-11 fiscal year by approximately \$18 million. This is primarily because of State Fiscal Stabilization Funds and Education Job Funds that were received during the year.

Property tax revenue declined significantly from the previous year and is attributable to the reduction in property values experienced locally. The District's sales tax levy ended December 2009.

The revenue associated with investment earnings decreased by almost \$960,000 primarily due to the decline in the overall U.S. Treasury and agency markets where most of the District's investments are made.

Total expenses increased for the District by approximately \$15 million. This increase can be attributed to the salary increases provided during the year and increases in salary benefit costs and significant noncapitalized capital outlay activities for repairs and maintenance.

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$10,206,082 while the total fund balance is \$26,909,569. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.5 percent of the total general fund expenditures, while total fund balance represents 9.3 percent of that same amount. The total fund balance decreased by \$4,363,198 during the fiscal year. The fund balance remains above the level set by Board policy which is 3 percent of general fund revenues.

The decrease in fund balance is due to the implementation of programs targeting students needing remediation and/or credit recovery to be promoted or graduate.

Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$30,775,988 each. Expenditures were primarily for salaries and benefits.

The Capital Projects—Section 1011.71 Capital Improvement Fund has a total fund balance of \$21,778,483, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current fiscal year by \$5,142,935, which primarily is attributable to construction activity during the year.

The Capital Project—Other Capital Projects Fund has a total fund balance of \$36,199,569. The fund balance decreased by \$27.7 million is because the District is continuing to use the proceeds of the Certificates of Participation previously issued for the purposes of constructing new schools and renovating existing schools.

Proprietary Funds

Unrestricted net assets of the Internal Service Fund total \$2,796,396 at June 30, 2011, a decrease of \$925,640 from the previous year. Total operating expenses were \$1,901,751 greater during the 2010-2011 fiscal year from the previous fiscal year, primarily because the loss reserve was increased based on an actuarial review.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2010-11 fiscal year, the District amended its General Fund budget several times due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Overall, actual revenues were greater than budgeted by \$3,699,188. Actual local revenue increased by \$1,970,310 over projected amounts due to additional local property tax revenue, E-rate receipts, and Medicare reimbursements.

Based on budget cuts to revenue by the State, the District made several management decisions to curtail spending, which resulted in actual expenditures being approximately \$10 million less than final budget amounts. The management decisions included: 1) a hiring freeze; 2) overall reduction in operating expenditures; and 3) the deferral of capital expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$544,759,855 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the following:

Disposal of portable buildings, equipment, vehicles, and software totaled \$3,498,240.

Buildings and fixed equipment additions total \$83,398,051 due to completion of several projects including \$19,399,352 at Marion Oaks Elementary Exceptional Student Education wing; \$32,007,783 addition at Lake Weir High School; \$14,850,708 renovation at South Ocala Elementary School; and HVAC projects and wing additions at several other schools.

Additional information on the District's capital assets can be found in the notes to financial statements.

Long-Term Liabilities

At June 30, 2011, the District has total long-term, capital asset-related debt outstanding of \$149,746,144. This amount is comprised of \$139,570,000 of certificates of participation payable, \$9,590,000 of bonds payable, and \$586,144 in unamortized premium and issuance costs.

State School Bonds, Series 2001A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds, Series 2010A in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. As a result, State School Bonds, Series 2001A totaling \$195,000 are considered defeased in substance.

Other items classified as long-term liabilities, in the government-wide financial statements, include the other postemployment healthcare benefits payable in the amount of \$24,612,554, estimated insurance claims payable totaling \$9,704,882, retirement incentive program payable totaling \$1,905,406, and compensated absences liability totaling \$30,527,274.

Additional information on the District's long-term liabilities can be found in the notes to financial statements.

OTHER MATTERS OF SIGNIFICANCE

As a part of the State-wide educational funding formula, the District is given operational revenues through State appropriations. The District then aligns expenses to fall within those parameters.

Capital revenues are levied up to capacity based on the needs identified in the District Facilities Work Program to adequately house growth in the student population.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Marion County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School District of Marion County, Florida, Attn: Executive Director of Business Services; 512 SE 3rd Street; Ocala, FL 34471.

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BASIC FINANCIAL STATEMENTS

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MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Governmental Activities	Component Units
Assets		
Current Assets:		
Cash	\$ 59,769,116	\$ 855,598
Investments	48,423,665	486,555
Accounts Receivable	4,111,747	80,611
Deposits Receivable	65,000	3,090
Due from Other Agencies	15,227,919	-
Inventories	2,665,802	69,932
Prepaid Items	549,215	7,717
Total Current Assets	<u>130,812,464</u>	<u>1,503,503</u>
Noncurrent Assets:		
Investments	833,663	-
Deferred Charges - Debt Issue Costs, Net	2,181,876	-
Assets Held by Others	-	864,634
Capital Assets:		
Capital Assets Not Being Depreciated	39,380,552	360,876
Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>505,379,303</u>	<u>939,580</u>
Total Noncurrent Assets	<u>547,775,394</u>	<u>2,165,090</u>
Total Assets	<u><u>\$ 678,587,858</u></u>	<u><u>\$ 3,668,593</u></u>
Liabilities		
Current Liabilities:		
Salaries and Benefits Payable	\$ 2,926,411	\$ 5,550
Payroll Deductions and Withholdings Payable	2,039,519	-
Accounts Payable	8,068,842	153,311
Construction Contracts Payable	2,365,903	-
Construction Contracts Payable - Retainage	1,247,316	-
Accrued Interest Payable	693,366	-
Sales Tax Payable	5,552	-
Deposits Payable	207	-
Due to Other Agencies	20,306	-
Unearned Revenue	291,721	3,800
Funds Held on Behalf of Others	-	1,069
Notes Payable	-	13,423
Noncurrent Liabilities:		
Long-term Liabilities - Portion Due Within One Year	15,162,843	76,832
Long-term Liabilities - Portion Due After One Year	<u>203,515,293</u>	<u>477,855</u>
Total Liabilities	<u>236,337,279</u>	<u>731,840</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	397,845,050	754,738
Restricted for:		
State Required Carryover Programs	2,259,017	-
Food Service	9,858,767	-
Debt Service	525,621	-
Capital Projects	63,372,796	-
Other Purposes	-	1,295,342
Unrestricted	<u>(31,610,672)</u>	<u>886,673</u>
Total Net Assets	<u><u>\$ 442,250,579</u></u>	<u><u>\$ 2,936,753</u></u>

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 212,253,161	\$ 5,216,738	\$ -	\$ -
Pupil Personnel Services	24,133,279	-	-	-
Instructional Media Services	4,977,843	-	-	-
Instruction and Curriculum Development Services	7,700,687	-	-	-
Instructional Staff Training Services	9,080,596	-	-	-
Instruction Related Technology	2,794,199	-	-	-
Board of Education	660,329	-	-	-
General Administration	3,301,514	-	-	-
School Administration	18,642,721	-	-	-
Facility Services - Non-Capitalized	16,456,978	-	-	302,732
Fiscal Services	2,750,245	-	-	-
Food Services	20,559,098	4,747,902	17,528,387	-
Central Services	4,407,750	-	-	-
Pupil Transportation Services	20,334,725	238,274	-	-
Operation of Plant	26,997,233	-	-	-
Maintenance of Plant	9,848,470	-	-	2,298,626
Administrative Technology Services	4,559,778	-	-	-
Community Services	4,224,491	-	-	-
Unallocated Interest on Long-term Debt	7,131,032	-	-	1,268,967
Unallocated Depreciation Expense*	10,543,476	-	-	-
Total Primary Government	\$ 411,357,605	\$ 10,202,914	\$ 17,528,387	\$ 3,870,325
Component Units				
Charter Schools/Foundation	\$ 3,776,723	\$ 236,538	\$ 238,080	\$ 114,981

General Revenues

Taxes:

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

Total General Revenues

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

*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	
Governmental Activities	Component Units
\$ (207,036,423)	\$ -
(24,133,279)	-
(4,977,843)	-
(7,700,687)	-
(9,080,596)	-
(2,794,199)	-
(660,329)	-
(3,301,514)	-
(18,642,721)	-
(16,154,246)	-
(2,750,245)	-
1,717,191	-
(4,407,750)	-
(20,096,451)	-
(26,997,233)	-
(7,549,844)	-
(4,559,778)	-
(4,224,491)	-
(5,862,065)	-
(10,543,476)	-
(379,755,979)	-
-	(3,187,124)
104,543,105	-
26,226,951	-
223,978,645	3,486,225
1,398,387	45,086
8,731,391	-
364,878,479	3,531,311
(14,877,500)	344,187
457,128,079	2,592,566
\$ 442,250,579	\$ 2,936,753

**MARION COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Section 1011.71 Capital Improvement Fund
Assets			
Cash	\$ 4,629,879	\$ -	\$ 18,244,332
Investments	23,366,415	-	3,482,180
Accounts Receivable	1,195,967	-	3,323
Due from Other Agencies	7,773,000	205,953	1,931,451
Due from Other Funds	-	-	-
Inventories	1,896,926	-	-
Prepaid Items	467,589	-	-
Total Assets	\$ 39,329,776	\$ 205,953	\$ 23,661,286
Liabilities and Fund Balances			
Liabilities			
Salaries and Benefits Payable	\$ 2,402,505	\$ 8,230	\$ -
Payroll Deductions and Withholdings Payable	2,039,519	-	-
Accounts Payable	7,661,403	-	-
Construction Contracts Payable	-	-	1,187,339
Construction Contracts Payable - Retainage	-	-	155,875
Sales Tax Payable	5,552	-	-
Deposits Payable	207	-	-
Due to Other Agencies	20,300	-	-
Due to Other Funds	-	197,723	539,589
Deferred Revenue	290,721	-	-
Total Liabilities	12,420,207	205,953	1,882,803
Fund Balances			
Nonspendable:			
Inventories	1,896,926	-	-
Prepaid Amounts	467,589	-	-
Total Nonspendable Fund Balance	2,364,515	-	-
Restricted for:			
State Required Carryover Programs	1,615,396	-	-
Debt Service	-	-	-
Capital Projects	-	-	21,778,483
Food Service Operations	-	-	-
Total Restricted Fund Balance	1,615,396	-	21,778,483
Assigned for:			
Budget Shortfall Fiscal Year 2011-12	12,723,576	-	-
Total Assigned Fund Balance	12,723,576	-	-
Unassigned Fund Balance	10,206,082	-	-
Total Fund Balances	26,909,569	-	21,778,483
Total Liabilities and Fund Balances	\$ 39,329,776	\$ 205,953	\$ 23,661,286

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

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 25,329,663	\$ 8,309,715	\$ 56,513,589
10,333,169	2,850,214	40,031,978
973,261	490,196	2,662,747
700,264	4,617,251	15,227,919
1,069,208	296,908	1,366,116
-	768,876	2,665,802
-	81,626	549,215
<u>\$ 38,405,565</u>	<u>\$ 17,414,786</u>	<u>\$ 119,017,366</u>

\$ -	\$ 514,553	\$ 2,925,288
-	-	2,039,519
-	363,963	8,025,366
739,080	439,484	2,365,903
1,033,706	57,735	1,247,316
-	-	5,552
-	-	207
-	6	20,306
433,210	195,594	1,366,116
-	1,000	291,721
<u>2,205,996</u>	<u>1,572,335</u>	<u>18,287,294</u>

-	768,876	2,665,802
-	81,626	549,215
<u>-</u>	<u>850,502</u>	<u>3,215,017</u>

643,621	-	2,259,017
-	525,621	525,621
35,555,948	5,458,063	62,792,494
-	9,064,574	9,064,574
<u>36,199,569</u>	<u>15,048,258</u>	<u>74,641,706</u>

-	-	12,723,576
-	-	12,723,576
-	(56,309)	10,149,773
<u>36,199,569</u>	<u>15,842,451</u>	<u>100,730,072</u>
<u>\$ 38,405,565</u>	<u>\$ 17,414,786</u>	<u>\$ 119,017,366</u>

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**MARION COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 100,730,072

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 governmental funds. 544,759,855

The internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 2,796,396

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Certificates of Participation Payable	\$ 139,570,000	
Bonds Payable	9,590,000	
Premiums	2,768,020	
Retirement Incentive Program Payable	1,905,406	
Compensated Absences Payable	30,527,274	
Other Postemployment Benefits Payable	<u>24,612,554</u>	(208,973,254)

Issuance costs on long-term debt are treated as expenditures on the fund statements, but amortized over the life of the long-term debt on the government-wide statements. 2,181,876

Accrued interest on long-term debt is not due and payable in the current period, and therefore, is not reported as a liability in the governmental funds. (693,366)

Accrual of E-Rate rebate is not reported as an asset in the governmental funds but is reported on the government wide statements. 1,449,000

Total Net Assets - Governmental Activities \$ 442,250,579

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

MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Section 1011.71 Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 822,203	\$ -	\$ -
Federal Through State and Local	2,704,408	30,775,988	-
State	158,291,224	-	-
Local:			
Property Taxes	104,543,105	-	26,226,951
Charges for Services - Food Service	-	-	-
Impact Fees	-	-	-
Other	12,289,998	-	107,740
Total Revenues	<u>278,650,938</u>	<u>30,775,988</u>	<u>26,334,691</u>
Expenditures			
Current - Education:			
Instruction	166,828,831	23,986,770	-
Pupil Personnel Services	17,824,371	3,068,370	-
Instructional Media Services	4,921,194	-	-
Instruction and Curriculum Development Services	4,334,476	599,982	-
Instructional Staff Training Services	2,528,664	1,710,355	-
Instruction Related Technology	2,105,543	342,098	-
Board of Education	639,789	-	-
General Administration	1,393,340	974,528	-
School Administration	18,454,258	-	-
Facility Services - Non-Capitalized	203,716	-	5,494,833
Fiscal Services	2,700,701	-	-
Food Services	-	-	-
Central Services	4,140,917	-	-
Pupil Transportation Services	19,627,285	-	-
Operation of Plant	26,573,504	-	-
Maintenance of Plant	9,702,580	-	-
Administrative Technology Services	4,297,042	-	-
Community Services	2,883,754	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	3,039,605
Other Capital Outlay	913,322	93,885	-
Debt Service:			
Retirement of Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Dues, Fees, and Issuance Costs	-	-	-
Total Expenditures	<u>290,073,287</u>	<u>30,775,988</u>	<u>8,534,438</u>
(Deficiency) Excess of Revenues (Under)			
Over Expenditures	<u>(11,422,349)</u>	<u>-</u>	<u>17,800,253</u>
Other Financing Sources (Uses)			
Proceeds of Refunding Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Loss Recoveries	20,654	-	3,323
Payments to Refunded Bond Escrow Agent	-	-	-
Transfers In	7,046,638	-	-
Transfers Out	(8,141)	-	(22,946,511)
Total Other Financing Sources (Uses)	<u>7,059,151</u>	<u>-</u>	<u>(22,943,188)</u>
Net Change in Fund Balances	<u>(4,363,198)</u>	<u>-</u>	<u>(5,142,935)</u>
Fund Balances, July 1, 2010	<u>31,272,767</u>	<u>-</u>	<u>26,921,418</u>
Fund Balances, June 30, 2011	<u>\$ 26,909,569</u>	<u>\$ -</u>	<u>\$ 21,778,483</u>

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,557,561	\$ 2,379,764
-	46,579,667	80,060,063
-	4,646,307	162,937,531
-	-	130,770,056
-	4,747,902	4,747,902
958,161	-	958,161
686,184	47,556	13,131,478
<u>1,644,345</u>	<u>57,578,993</u>	<u>394,984,955</u>
-	17,299,840	208,115,441
-	2,988,507	23,881,248
-	46,731	4,967,925
-	2,755,531	7,689,989
-	4,738,452	8,977,471
-	316,064	2,763,705
-	-	639,789
-	883,532	3,251,400
-	-	18,454,258
2,650,939	89,536	8,439,024
-	-	2,700,701
-	20,048,272	20,048,272
-	-	4,140,917
-	424,908	20,052,193
-	-	26,573,504
-	-	9,702,580
-	-	4,297,042
-	1,286,988	4,170,742
26,722,377	7,341,286	37,103,268
-	640,944	1,648,151
-	10,367,792	10,367,792
-	7,150,589	7,150,589
-	19,700	19,700
<u>29,373,316</u>	<u>76,398,672</u>	<u>435,155,701</u>
<u>(27,728,971)</u>	<u>(18,819,679)</u>	<u>(40,170,746)</u>
-	180,000	180,000
-	27,740	27,740
-	-	23,977
-	(208,420)	(208,420)
-	16,022,994	23,069,632
-	(114,980)	(23,069,632)
-	15,907,334	23,297
<u>(27,728,971)</u>	<u>(2,912,345)</u>	<u>(40,147,449)</u>
63,928,540	18,754,796	140,877,521
<u>\$ 36,199,569</u>	<u>\$ 15,842,451</u>	<u>\$ 100,730,072</u>

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

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**MARION COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds **\$ (40,147,449)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in 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 period:

Capital Assets Additions	\$ 35,884,039	
Depreciation Expense	<u>(19,350,238)</u>	16,533,801

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt payments exceeded proceeds in the current period:

Debt Payments	\$ 10,367,792	
Refunded Bonds	195,000	
Proceeds of Refunding Bonds	<u>(180,000)</u>	10,382,792

Premiums on bond issues are amortized over the life of the debt in the statement of activities, but are reported as revenue in the fund statements. This is the amount of current amortization.	181,430
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Debt issuance costs are amortized over the life of the debt in the statement of activities, but are reported as expenses in the fund statements. This is the amount of current amortization.	(173,676)
--	-----------

Revenue for E-Rate rebate is not reported in the governmental funds statements, but is recorded as a receivable in the government-wide statements.	1,449,000
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Revenues reported in prior years governmental funds are subject to change as a result of student enrollment audits performed by the Florida Auditor General. This is the amount paid back in the current year.	636,418
--	---------

The net decrease in accrued interest on long-term debt is reported in the change in net assets, but not in the change in fund balance.	17,182
--	--------

The net decrease in compensated absences is reported in the change in net assets, but not in the change in fund balance.	493,710
--	---------

Unfunded other postemployment benefits payable are not reported in the governmental funds but are recorded as an expense in the government-wide statements. This is the change in the obligation for the current fiscal year.	(4,279,762)
---	-------------

Retirement incentive payouts are not reported in the governmental funds, but are recorded as a liability in the government-wide statements. This is the amount of the payment in the current year.	954,694
--	---------

The internal service fund is used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of the internal service fund is reported with governmental activities.	<u>(925,640)</u>
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Change in Net Assets - Governmental Activities	<u><u>\$ (14,877,500)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
Assets	
Current Assets:	
Cash	\$ 3,255,527
Investments	8,391,687
Deposits Receivable	65,000
Total Current Assets	11,712,214
Noncurrent Assets:	
Investments	833,663
Total Assets	\$ 12,545,877
 Liabilities and Net Assets	
Liabilities	
Current Liabilities:	
Salaries and Benefits Payable	\$ 1,123
Accounts Payable	43,476
Estimated Insurance Claims Payable	2,712,058
Total Current Liabilities	2,756,657
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	6,992,824
Total Liabilities	9,749,481
Net Assets	
Unrestricted	2,796,396
Total Liabilities and Net Assets	\$ 12,545,877

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

MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 5,552,240
Operating Expenses	
Salaries	103,812
Employee Benefits	28,628
Purchased Services	3,139,278
Insurance Claims	3,244,925
Total Operating Expenses	<u>6,516,643</u>
Operating Loss	(964,403)
Nonoperating Revenue	
Interest Income	<u>38,763</u>
Change in Net Assets	(925,640)
Net Assets, July 1, 2010	<u>3,722,036</u>
Net Assets, June 30, 2011	<u><u>\$ 2,796,396</u></u>

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$ 5,552,240
Cash Received for Other Receipts	102
Cash Payments to Suppliers for Goods and Services	(3,191,994)
Cash Payments to Employees for Services	(138,229)
Cash Payments for Claim Payments	(2,373,439)
Net Cash Used for Operating Activities	<u>(151,320)</u>
Cash Flows from Investing Activities	
Interest Income	38,763
Purchase of Investments	(9,225,350)
Net Cash Used for Investing Activities	<u>(9,186,587)</u>
Net Decrease in Cash	(9,337,907)
Cash, Beginning of Year	<u>12,593,434</u>
Cash, End of Year	<u><u>\$ 3,255,527</u></u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Operating Loss	\$ (964,403)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	102
Decrease in Salaries and Benefits Payable	(5,788)
Decrease in Accounts Payable	(52,717)
Increase in Estimated Insurance Claims Payable	871,486
Net Cash Used for Operating Activities	<u><u>\$ (151,320)</u></u>

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 4,016,139
Investments	<u>225,008</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 225,008</u>	<u>\$ 4,016,139</u>
LIABILITIES		
Internal Accounts Payable		<u>\$ 4,016,139</u>
NET ASSETS		
Assets Held in Trust for Silver River Museum	<u>\$ 225,008</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 225,008</u>	

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

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private-Purpose Trust Fund</u>
ADDITIONS	
Contributions:	
Gifts	\$ 225,000
Investment Earnings:	
Interest Income	<u> 8</u>
Total Additions	225,008
 Net Assets, July 1, 2010	 <u> -</u>
 Net Assets, June 30, 2011	 <u><u>\$ 225,008</u></u>

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

NOTES TO FINANCIAL STATEMENTS

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

■ **Blended Component Unit**

The Marion County School Board Leasing Corporation, Inc. (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. The governing board of the Leasing Corporation is the Marion County District School Board. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

■ **Discretely Presented Nonmajor Component Units**

The component unit columns in the basic financial statements, include the financial data of the Public Education Foundation of Marion County, Inc. (Foundation), and three charter schools: the Marion Charter School, Inc.; the Francis Marion Military Academy, Inc.; and the McIntosh Area School, Incorporated (Charter Schools).

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public pre-kindergarten through twelfth grade education and adult and vocational and community education programs in Marion County, Florida. The Foundation's governing board is comprised of volunteers, whose selection is approved by the District's Board and the Foundation is considered financially accountable to the District; accordingly, it is considered a component unit.

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

The Charter Schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, and the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter Schools operate under charters of the sponsoring District. At the end of the term of a charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the charter school in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)e, Florida Statutes, in the event a school is dissolved or terminated, any unencumbered funds, and all school property purchased with public funds shall automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The Marion Charter School, Inc.'s current charter is effective until June 30, 2015, and may be renewed up to an additional fifteen years provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. The McIntosh Area School, Incorporated's current charter was approved July 1, 2003, and was renewed in 2011 to be effective until June 30, 2021. The Francis Marion Military Academy, Inc.'s current charter was approved July 1, 2008, and is effective until June 30, 2013. The Charter Schools are considered component units of the District since they are fiscally dependent on the District to levy taxes for their support.

Annual post-audits of the Foundation's and the Charter Schools' financial statements are conducted by independent certified public accountants and are filed in the District's administrative offices.

Basis of Presentation

■ **Government-wide Financial Statements**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Indirect expenses are not allocated to the various functions but are reported as direct expenses in the functions that most closely match the related activities. Depreciation expense is allocated to the functions with custody of the related assets if specifically identifiable. Any remaining depreciation expense not allocable to a particular function 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

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

governmental function is self-financing or draws from the general revenues of the District.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are when eliminations would distort the direct costs and program revenues reported for the various functions concerned.

■ **Fund Financial Statements**

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

The District reports the following major governmental funds:

- **General Fund**—to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Special Revenue—Federal Economic Stimulus Fund**—to account for financial resources received as part of the American Reinvestment and Recovery Act (ARRA) of 2009 and other Federal stimulus funds to be used in key education areas such as the instruction of students with disabilities, services for low-income students, and the stabilization of local school district funding.
- **Capital Projects—Section 1011.71 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, and debt service payments on capital leases for relocatable school buildings.
- **Capital Projects—Other Capital Projects Fund**—to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally the District reports the following proprietary and fiduciary fund types:

- **Internal Service Fund**—to account for the District's individual self-insurance program.
- **Private-Purpose Trust Fund**—to account for the resources provided for the benefit of the Silver River Museum.

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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

■ **Basis of Accounting**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) principal and interest on long-term debt is recognized as expenditures when due; and (2) expenditures related to liabilities reported as long-term are recorded when due. Allocations of cost, such as depreciation or amortization, are not recognized in governmental funds.

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

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

When applying the susceptible to accrual concept under the modified accrual basis, resources also should be available in order to be accrued. Revenues are

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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 60 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.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). In an effort to codify the FASB private-sector standards of accounting and financial reporting, GASB has issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). The requirements of GASB 62 are for financial statement period beginning after December 15, 2011. The District has elected to early implement GASB 62. This early implementation resulted in no reporting changes to the presentation of the current or prior year financial statements.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for services to the District for property/casualty insurance programs. The principal operating expenses for the internal service fund include salary and benefits, claims, and premiums for excess coverage. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use in nongovernmental funds, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed. When restricted, assigned and unassigned resources in the governmental funds are available for use, it is the District's policy to use restricted resources first, assigned resources second, and then unassigned resources as they are needed.

The Foundation, shown as a discretely presented component unit, reports using the not-for-profit financial reporting model and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

The Charter Schools, shown as discretely presented component units, are comprised exclusively of governmental fund types, which use the current financial resource measurement focus and modified accrual basis of accounting.

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

■ **Restricted Net Assets**

In the accompanying statement of net assets, restricted net assets are subject to restrictions beyond the District's control. The restriction is either externally imposed (for instance, by creditors, grantors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation. It is the practice of the District to utilize restricted assets before unrestricted assets.

■ **Use of Estimates**

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

■ **Deposits and Investments**

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, and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The proprietary fund statement of cash flows considers cash as those accounts used as demand deposit accounts.

The District's investment policy established permitted investments, asset allocation limits and issuer limits, credit rating requirements, and maturity limits to protect the District's cash and investment assets. The District maintains a common cash and investment pool for the use of all funds. In addition, cash and investments are separately held by the District's special revenue, debt service, capital projects, internal service, and trust funds.

Investments consist of amounts placed in the State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys, 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, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments made locally consist of investments in direct obligations of the United States Treasury, Federal instrumentalities, corporate notes, municipal bonds, and registered investment companies (mutual funds), which are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

The District has a formal investment policy that allows for the following investments: Local Government Surplus Funds Trust Fund (Florida PRIME), United States Government securities, United States Government agencies, Federal instrumentalities, interest bearing time deposit or saving accounts, repurchase

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

agreements, commercial paper, corporate notes, bankers' acceptances, State and/or local government taxable and/or tax-exempt debt, registered investment companies (mutual funds), mortgage backed securities, short-term bond funds, intergovernmental investment pools, and other investments permitted by Section 218.415, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Florida PRIME.

■ **Inventories**

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

■ **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. Generally, capital assets are defined by the District as those costing \$1,000 or more except computer software which are those costing \$5,000 or more. 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.

Buildings and relocatable buildings are depreciated using the straight-line method over fifty years and twenty years, respectively. Other capital assets are depreciated

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using the composite depreciation method. Composite or group depreciation refers to depreciating a group of similar assets (school buses) or dissimilar assets (school buses, trucks, and vans) of the same class (motor vehicles) using the same depreciation rate. The rate is based on the weighted average estimate of useful lives of assets in the composite.

Capital assets are depreciated over the following useful lives:

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

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

■ **Long-term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method. Issuance costs are reported as deferred charges and amortized over the life of the related debt. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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 is reported in the governmental fund financial statements only for the current portion of compensated absences that have matured (i.e., unused reimbursable leave outstanding for employees who have resigned or retired) and are expected to be paid using expendable available resources.

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

■ **Governmental Funds – Fund Balances**

Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or

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contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District reports inventories and prepaid items as nonspendable fund balances.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on spending constraints.

- Restricted - Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed - Fund balances that contain self-imposed constraints by formal action of the School Board.
- Assigned - Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned - Fund balance of the General Fund that is not constrained for any particular purpose and the negative unassigned fund balance of the Special Revenue – Other Federal Programs Fund that represents prepaid items.

The District does not have a policy regarding the commitment of fund balances. As such, the District does not report any committed fund balance. In accordance with GASB 54, the District reports as assigned fund balance in the General Fund the amount of the fund balance needed to eliminate expected expenditures over expected revenues in the subsequent year.

■ **State Revenue Sources**

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that those educational program revenues be accounted for in the

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General Fund. A portion of the fund balance of the General Fund is restricted in the governmental funds financial statements for the balance of earmarked educational program resources.

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

A schedule of revenue from State sources for the current 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 Marion County Property Appraiser, and property taxes are collected by the Marion County Tax Collector.

The District adopted the 2010 tax levy on September 14, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 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 Marion County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded. Millages and taxes levied for the current year are presented in a subsequent note.

■ **Education Impact Fees**

The District receives educational impact fees based on an ordinance adopted by the Marion County Commission in July 2006. The fee is collected by the County for all new residential construction, and can only be used to provide growth-necessitated capital improvements to educational plants and ancillary plants of the District.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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■ **Federal Revenue Sources**

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

Note 2 - Investments

As of June 30, 2011, the District had the following investments with quality ratings by a nationally recognized rating agency (i.e., Moody's):

Security Type	Duration Year	Credit Rating	Fair Value
<u>Primary Government</u>			
State Board of Administration (SBA):			
Florida PRIME (1)	.08	AAAm	\$ 4,522,296
Fund B Surplus Funds Trust Fund (1)	7.16	Not Rated	2,492,465
Debt Service Accounts	.50	AAAm	164,463
U.S. Treasury Notes	1.23	TSY	10,464,103
Federal National Mortgage Association Notes (FNMA)	1.82	Aaa	7,529,254
Federal Farm Credit Bank (FFCB)	1.50	Aaa	4,167,504
Federal Home Loan Mortgage Corporation Notes (FHLMC)	2.02	Aaa	3,948,491
Federal Home Loan Bank Discount Notes (FHLB)	2.66	Aaa	2,160,455
Corporate Notes - Berkshire Hathaway	2.46	Aa2	1,301,468
Corporate Notes - Bank of New York	2.03	Aa2	1,074,655
Municipal Bonds	2.04	Aa1	705,565
Money Market Funds	N/A	AAAm	10,951,617
Total Investments, Primary Government			<u>49,482,336</u>
<u>Component Units</u>			
McIntosh Area School, Incorporated	(2)	AAAm	258,495
Public Education Foundation of Marion County, Inc.	(3)		228,060
Total Investments, Component Units			<u>486,555</u>
Total Investments			<u><u>\$ 49,968,891</u></u>

Notes: (1) Includes \$773,246 in Florida PRIME and \$500,655 in Fund B held pursuant to a trust agreement in connection with the Certificates of Participation, Series 2005B financing arrangement.
(2) McIntosh Area School, Incorporated, invests idle funds with the SBA. The maturities, risks, and ratings associated with these investments match those of the District.
(3) Information regarding the maturities, risks, and ratings associated with investments in money market funds, bonds, and various equities made by a brokerage firm on behalf of the Public Education Foundation of Marion County, Inc., was not disclosed in the annual post audit of the Foundation filed in the District's administrative offices.

■ **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 limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds will have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds (core funds) shall have a

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term appropriate to the need for funds, and in accordance with debt covenants, but should not exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's participation in Fund B, with a duration of 7.16 years which exceeds the District's investment policy limit, is involuntary.

The District utilizes duration as a measurement of interest rate risk and as of June 30, 2011, the investment portfolio had average duration of 1.72 years.

Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

■ **Credit Risk**

Board policy provides that temporarily idle funds be invested as prescribed by Florida Statutes Section 218.415(17), and State Board of Education rules. The District's investment policy permits for investments in the following investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

- The Florida PRIME, as with any other Intergovernmental Investment Pool, it shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's or the equivalent by another rating agency.
- Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's Investors Service and "A-1" by Standard & Poor's (prime commercial paper).
- Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's.
- Bankers' acceptances issued by a domestic bank or a Federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's.
- State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's and "AA" by

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JUNE 30, 2011

Standard & Poor's for long-term debt, or rated at least "MIG-1" by Moody's and "SP-1" by Standard & Poor's for short-term debt.

- Registered investment companies (money market mutual funds) shall be rated "AAAm" or AAAm-G" or better by Standard & Poor's or the equivalent by another rating agency.
- Bond funds shall be "AAA" rated or better by Standard & Poor's or the equivalent by another nationally recognized rating agency. Duration shall be no greater than 1.73 years.

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

The investments in the SBA Fund B Surplus Funds Trust Fund were not rated by any nationally recognized statistical rating agency.

The District's bank balance was deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

■ **Custodial Credit Risk**

The District's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposit, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2011, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy.

■ **Concentration of Credit Risk**

The District's investment policy has established asset allocation and issuer limits on the following investments which are designed to reduce concentration of credit risk of the District's investment portfolio.

A maximum of 25 percent of available funds may be invested in the Florida PRIME, 100 percent of available funds may be invested in the United States Government securities, 50 percent of available funds may be invested in United States Government agencies with a 25 percent limit on individual issuers, 80 percent of available funds may be invested in Federal instrumentalities with a 50 percent limit on individual issuers, 25 percent of available funds may be invested in non-negotiable interest bearing time certificates of deposit with a 15 percent limit on individual issuers, 50 percent of available funds may be invested in repurchase

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JUNE 30, 2011

agreements with a 25 percent limit on individual issuers, 35 percent of available funds may be invested in commercial paper with a 10 percent limit on individual issuers, 15 percent of available funds may be invested in corporate notes with a 5 percent limit on individual issuers, 35 percent of available funds may be invested in bankers' acceptances with a 10 percent limit on individual issuers, 20 percent of available funds may be invested in State and/or local government taxable and/or tax-exempt debt, 75 percent of available funds may be invested in registered investment companies (money market mutual funds) with a 25 percent limit on individual issuers, 20 percent of available funds may be invested in mortgage-backed securities, 25 percent of available funds may be invested in short-term-bond funds with a 10 percent limit on individual issuers, 25 percent of available funds may be invested in intergovernmental investment pools.

Investments in any one issuer that represent 5 percent or more of the District's investments are reported below and were included in investments in the General, Capital Projects - Other, and Internal Service Funds. As of June 30, 2011, the District had the following issuer concentration based on fair value:

Security Type	Fair Value	Portfolio Asset Allocation
Federal National Mortgage Association Notes (FNMA)	\$ 7,529,254	15.22%
Federal Farm Credit Bank Notes (FFCB)	4,167,504	8.42%
Federal Home Loan Mortgage Corporation Notes (FHLMC)	3,948,491	7.98%

Investments in Federal National Mortgage Association Notes and Federal Home Loan Mortgage Corporation Notes are 23 percent of the District's total investments and 36 percent, 7 percent, and 26 percent, of investments in the General Fund, Capital Projects – Other Fund, and Internal Service Fund, respectively.

Note 3 - Due from Other Agencies

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible accounts receivable is accrued.

**MARION COUNTY DISTRICT SCHOOL BOARD
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JUNE 30, 2011**

Funds/Source	Amount
Major Governmental Funds:	
General Fund:	
United States Department of Defense:	
Junior ROTC	\$ 43,546
Florida Department of Revenue:	
Mobile Home Tax Receipts	11,628
Marion County Tax Collector:	
Unremitted Property Taxes	7,703,529
Marion County Clerk of the Circuit Court:	
Dori Slosberg Funds	14,297
Special Revenue - Federal Economic Stimulus Fund:	
Florida Department of Education:	
Federal Grant Reimbursements	205,953
Capital Project Funds:	
Section 1011.71 Local Capital Improvement Fund:	
Marion County Tax Collector:	
Unremitted Property Taxes	1,931,451
Other Capital Projects Fund:	
Florida Department of Education:	
Classrooms For Kids	700,264
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Food Service Fund:	
Florida Department of Education:	
Meal Reimbursements	125,012
Other Federal Programs Fund:	
Florida Department of Education:	
Federal Grant Reimbursements	709,164
Capital Project Funds:	
Public Education Capital Outlay Fund:	
Florida Department of Education:	
Public Education Capital Outlay Allocations	3,783,075
Total Due From Other Agencies - Governmental Activities	\$ 15,227,919

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 4 - Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 11,636,610	\$ 528,682	\$ -	\$ 12,165,292
Construction in Progress	79,498,297	31,734,518	84,017,555	27,215,260
Total Capital Assets Not Being Depreciated	91,134,907	32,263,200	84,017,555	39,380,552
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,055,583	619,504	-	4,675,087
Buildings and Fixed Equipment	539,402,041	83,398,051	1,001,077	621,799,015
Furniture, Fixtures and Equipment	30,937,673	3,517,089	1,716,579	32,738,183
Motor Vehicles	30,634,417	93,851	780,584	29,947,684
Audio Visual Materials and Computer Software	3,736,213	9,899	-	3,746,112
Total Capital Assets Being Depreciated	608,765,927	87,638,394	3,498,240	692,906,081
Less Accumulated Depreciated for:				
Improvements Other Than Buildings	3,981,346	14,168	-	3,995,514
Buildings and Fixed Equipment	122,264,774	11,519,811	1,001,077	132,783,508
Furniture, Fixtures and Equipment	19,978,629	4,414,644	1,716,579	22,676,694
Motor Vehicles	22,127,986	3,269,304	780,584	24,616,706
Audio Visual Materials and Computer Software	3,322,045	132,311	-	3,454,356
Total Accumulated Depreciation	171,674,780	19,350,238	3,498,240	187,526,778
Total Capital Assets Being Depreciated, Net	437,091,147	68,288,156	-	505,379,303
Governmental Activities Capital Assets, Net	\$ 528,226,054	\$ 100,551,356	\$ 84,017,555	\$ 544,759,855

Depreciation expense was charged to functions as follows:

Function	
Instruction	\$ 2,501,119
Board of Education	11,449
General Administration	10,568
School Administration	65,170
Facility Services - Non-capitalized	5,164,287
Fiscal Services	24,659
Food Services	260,680
Central Services	291,504
Pupil Transportation Services	59,886
Operation of Plant	96,874
Maintenance of Plant	98,636
Administrative Technology Services	219,288
Community Services	2,642
Unallocated	10,543,476
Total Depreciation Expense	\$ 19,350,238

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 5 - Long-term Liabilities

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

Description	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
Governmental Activities					
Capital Asset Related Debt:					
Certificates of Participation Payable	\$ 148,445,000	\$ -	\$ 8,875,000	\$ 139,570,000	\$ 9,205,000
Unamortized Premiums	2,949,450	-	181,430	2,768,020	-
Bonds Payable	10,615,000	180,000	1,205,000	9,590,000	1,070,000
Capital Lease Payable	482,792	-	482,792	-	-
Less Deferred Amounts:					
Issuance Costs	(2,355,552)	-	(173,676)	(2,181,876)	-
Total Capital Asset Related Debt	160,136,690	180,000	10,570,546	149,746,144	10,275,000
Other Long-term Liabilities:					
Compensated Absences Payable	31,020,984	13,833,417	14,327,127	30,527,274	1,221,091
Other Postemployment Benefits Payable	20,332,792	6,119,276	1,839,514	24,612,554	-
Retirement Incentive Program Payable	2,860,100	-	954,694	1,905,406	954,694
Estimated Insurance Claims Payable	8,833,396	3,238,524	2,367,038	9,704,882	2,712,058
Total Governmental Activities	\$ 223,183,962	\$ 23,371,217	\$ 30,058,919	\$ 216,496,260	\$ 15,162,843

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the Internal Service Fund.

■ **Certificates of Participation Payable**

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Marion County School Board Leasing Corporation (Leasing Corporation), a blended component unit as described in Note 1, whereby the District secured the financing of various educational facilities. The financing was accomplished through the issuance, by the Leasing Corporation to third party investors, of certificates of participation. All the certificates issued and outstanding are subject to a master ground and facilities lease-purchase agreement between the District and the Leasing Corporation, which ends on the date that all certificates are paid in full. The lease payments, which are used to make debt service payments on the certificates, are payable from funds appropriated annually by the District for such purpose from current funds or other funds legally available. The District is not legally required to annually appropriate funds to make the lease payments.

As a condition of the financing arrangements, the District has given a ground lease on District property acquired with proceeds from the certificates to the Leasing Corporation. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through the term, the District may be required to surrender the sites included under the ground lease agreement for the benefit of the securers of the certificates for a period of time specified by the arrangements.

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The District properties included in the ground lease under the arrangement include the land on which properties are to be constructed. These projects are as follows:

Certificates	Description of Properties
Series 2003	Forest High School Replacement Facility
Series 2005	Saddlewood Elementary School, Refunding 1998
Series 2005B	Hammett Bowen, Jr., Elementary School; North Marion Middle School Cafeteria; Vanguard High School Classroom Additions; and Cafeteria/Multi-Purpose Building
Series 2007B	South Ocala Elementary School, Howard Middle School, Lake Weir High School
Series 2009A	Refunding 1998A, 1998B, Dunnellon Elementary School, Belleview Middle School, West Port High School, and Saddlewood Elementary School

Certificates of Participation are comprised of the following at June 30, 2011:

Certificates	Original Amount Issued	Amount Outstanding	Interest Rates	Annual Maturity To
Series 2003	\$ 36,990,000	\$ 25,405,000	3.727 - 5.250	2023
Series 2005	9,225,000	8,875,000	3.250 - 4.125	2023
Series 2005B	53,570,000	42,395,000	3.750 - 5.250	2025
Series 2007B	55,000,000	47,640,000	4.000 - 5.000	2027
Series 2009A	21,420,000	15,255,000	3.000 - 4.000	2018
Subtotal	176,205,000	139,570,000		
Unamortized Premiums	2,768,020	2,768,020		
Total Minimum Lease Payments	\$ 178,973,020	\$ 142,338,020		

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

Fiscal Year Ending June 30	Total	Principal	Interest
2012	\$ 15,494,323	\$ 9,205,000	\$ 6,289,323
2013	14,725,838	8,740,000	5,985,838
2014	14,724,994	9,075,000	5,649,994
2015	14,728,425	9,445,000	5,283,425
2016	14,717,525	9,820,000	4,897,525
2017-2021	66,770,050	48,905,000	17,865,050
2022-2026	46,543,412	40,210,000	6,333,412
2027	4,378,500	4,170,000	208,500
Subtotal	192,083,067	139,570,000	52,513,067
Unamortized Premiums	2,768,020	2,768,020	
Total Minimum Lease Payments	\$ 194,851,087	\$ 142,338,020	\$ 52,513,067

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

■ **Bonds Payable**

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

Bond Type	Original Amount Issued	Amount Outstanding	Interest Rates	Annual To
State School Bonds:				
Series 2002B, Refunding	\$ 6,160,000	\$ 2,615,000	4.000 - 5.375	2015
Series 2003A	1,560,000	1,245,000	3.000 - 4.250	2023
Series 2005A	1,590,000	1,275,000	4.000 - 5.000	2025
Series 2005A, Refunding	430,000	245,000	5.000	2016
Series 2005B, Refunding	1,020,000	770,000	5.000	2018
Series 2009A, Refunding	520,000	430,000	3.000 - 5.000	2019
Series 2010A, Refunding	180,000	180,000	4.000 - 5.000	2021
Total State School Bonds	11,460,000	6,760,000		
District Revenue Bonds:				
Series 2001A	3,440,000	2,830,000	4.250 - 5.000	2032
Total Bonds Payable	\$ 14,900,000	\$ 9,590,000		

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

■ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for the State Board of Education 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**

Improvement Revenue Bonds are authorized by Chapter 86-375, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Marion 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)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. All such moneys not needed for the payment of principal, interest, and handling charges becoming due during the current fiscal year may be used for other lawful purposes. Accordingly, the Board retains no excess sinking fund balances or reserves over the amounts needed to make the required fiscal year payments. The District has pledged \$4,555,598 of pari-mutuel revenue for these bonds equal to the amount of bond principal and interest outstanding. During the 2010-11 fiscal year, the District recognized pari-mutuel tax proceeds totaling \$223,250 and expended \$223,250 (100 percent) of these

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

revenues for debt service directly collateralized by these revenues. The pledged pari-mutual tax revenues (100 percent) are committed until final maturity of the debt, or December 1, 2031.

Annual requirements to amortize bonds outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds			
2012	\$ 1,305,325	\$ 990,000	\$ 315,325
2013	1,334,375	1,060,000	274,375
2014	1,345,412	1,125,000	220,412
2015	1,007,588	845,000	162,588
2016	534,812	415,000	119,812
2017-2021	1,920,650	1,580,000	340,650
2022-2025	811,394	745,000	66,394
Total State School Bonds	8,259,556	6,760,000	1,499,556
District Revenue Bonds			
2012	217,375	80,000	137,375
2013	218,805	85,000	133,805
2014	219,910	90,000	129,910
2015	220,700	95,000	125,700
2016	216,283	95,000	121,283
2017-2021	1,084,775	555,000	529,775
2022-2026	1,082,000	710,000	372,000
2027-2031	1,080,500	910,000	170,500
2032	215,250	210,000	5,250
Total District Revenue Bonds	4,555,598	2,830,000	1,725,598
Total Bonds Payable	\$ 12,815,154	\$ 9,590,000	\$ 3,225,154

■ **Capital Lease Payable**

During the 2005-06 fiscal year, the District entered into a lease-purchase agreement in the amount of \$2,265,000 to purchase portable buildings. The cost of the portable buildings acquired is included in the amount reported for buildings and fixed equipment. The rate of interest on the lease was 5.13 percent, and it matured on July 28, 2010.

■ **Retirement Incentive Program Payable**

During the 2008-09 fiscal year, the School Board approved a one-time Retirement Incentive Plan (the Plan) for instructional and non-instructional employees. Under the Plan, employees must have declared their intent to retire by June 9, 2009, be at least 50 years old, have five or more years of service with the District, and for any member of the instructional staff, have annual base compensation of \$40,000 or more.

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
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Under the plan, employees receive a retirement bonus consisting of 4 percent of their final annual compensation times their total years of service. This bonus is paid over five years as an annual contribution to a 403(b) tax sheltered annuity plan on behalf of the employee. The total bonus will be a maximum of the employee's current annual salary or \$50,000, whichever is less.

At termination, payment for any accumulated vacation pay to which the employee is entitled will be contributed to the 403(b) annuity plan in a lump sum. Any terminal sick leave pay will be deposited in the plan, along with the annual separation incentive payments, over five years.

The District reported a long-term liability at June 30, 2011, of \$1,905,406, with a short-term portion of \$954,694 for the 127 retirees under the early retirement program.

Note 6 - Defeased Debt

The Florida Department of Education issued State Board of Education (SBE), Capital Outlay Bonds, Series 2010A, on October 14, 2010, for \$53,405,000. A portion of these bonds totaling \$7,380,000 was used to refund the SBE, Capital Outlay Bonds, Series 2001A bonds.

The District's portion of Series 2010A totaled \$180,000 and was used to refund \$195,000 of the District's portion of Series 2001A bonds. The District's pro rata share of the net proceeds of the Series 2010A bonds totaling \$206,023 (after deduction of \$1,717 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance cost and premium of \$27,740) was placed in an irrevocable trust to refund the Series 2001A bonds that matured on or after January 1, 2011.

The Series 2010A bonds were issued to reduce the total debt service over the next 10 years by approximately \$1,240,325 and to obtain an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$1,103,295. The District's portion resulted in a reduction of \$21,242 over the next 10 years and \$8,651 in economic gain. As a result, \$195,000 of the SBE Series 2001A SBE bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

Note 7 - Interfund Receivables, Payables, and Transfers

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

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Funds	Interfund	
	Due From	Due To
Major:		
Special Revenue Fund:		
Federal Economic Stimulus	\$ -	\$ 197,723
Capital Projects Funds:		
Section 1011.71 Capital Improvement		539,589
Other Capital Projects	1,069,208	433,210
Nonmajor Governmental Funds	296,908	195,594
Total	\$ 1,366,116	\$ 1,366,116

The Interfund receivables and payables were the result of temporary loans between the funds at June 30.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General Fund	\$ 7,046,638	\$ 8,141
Capital Projects Fund:		
Section 1011.71 Capital Improvement	-	22,946,511
Nonmajor Governmental Funds	16,022,994	114,980
Total	\$ 23,069,632	\$ 23,069,632

Transfers from the Capital Projects Funds are for payments of principal and interest on certificates of participation, bonds, and capital leases and to assist in funding maintenance operations of the District. The remaining transfers between funds were operational in nature.

Note 8 - Fund Balance Reporting

Fund balance is reported in classifications based on the constraints imposed on the uses of those resources. There are two major types of fund balances: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District has prepaid assets and inventory items that are considered nonspendable.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints by formal action of the School Board. The Board has not adopted any policies that provide for commitment of fund balance.
- Assigned: fund balances that contain self-imposed constraints of the government including assignment of fund balance for appropriations in excess of estimated revenue in the upcoming fiscal year.
- Unassigned: fund balances of the General Fund that are not constrained for any particular purpose and the unassigned fund balance of the Special Revenue – Other Federal Programs Fund that represents prepaid items in excess of fund balance.

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

Nonspendable: The District has prepaid assets of \$549,215 and inventories of \$2,665,802 classified as nonspendable.

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

- Restricted for State Required Carryover Programs, Debt Service, Capital Projects, and Food Services Operations:
Federal Laws and Florida Statutes require that certain revenues be specifically designated for the purposes of capital and debt service requirements and for certain designated State educational spending and school food service operations. These funds have been included in the restricted category of fund balance. The restricted fund balances for State required carryover programs, debt service, capital projects, and food service operations total \$2,259,017; \$525,621; \$62,792,494; and \$9,064,574, respectively.
- Assigned for School Operations:
The School Board has appropriated existing fund balance to eliminate a projected budgetary deficit in the 2011-12 fiscal year in an amount equal to the projected excess of expected expenditures over expected revenues. The District's approved budget for the 2011-12 fiscal year reflects a budget shortfall of \$12,723,576 expected to be paid from the June 30, 2011, fund balance. The Board authorized the finance director to assign fund balance by approval of the annual financial report.
- Unassigned:
The unassigned fund balance for the General Fund is \$10,206,082. The unassigned fund balance of the Special Revenue – Other Federal Programs Fund represents prepaid items in excess of fund balance. Board Policy 7.10, V, provides that, if feasible, 3 percent of the recurring revenues budget be set aside as "contingency reserves" to cover unforeseen events including, but not limited to, revenue shortfalls and student enrollment under projections. As of

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

June 30, 2011, the contingency reserve totals \$8,346,739 and is included in the General Fund unassigned fund balance of \$10,206,082.

Note 9 - Schedule of State Revenue Sources

The following is a schedule of the District's State revenue for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 107,946,767
Class Size Reduction - Operating	43,528,374
Workforce Development Program	2,845,432
Gross Receipts Tax (Public Education Capital Outlay)	2,298,626
School Recognition	1,837,099
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,571,699
Voluntary Prekindergarten Program	1,212,259
Food Service Supplement	408,050
State License Tax	234,826
Racing Commission Funds	223,250
Excellent Teaching Program	184,868
Discretionary Lottery Funds	148,352
Charter School Capital Outlay	114,980
Workforce Education Performance Incentive	102,908
Miscellaneous	280,041
Total	\$ 162,937,531

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

Note 10 - Property Taxes

The following is a summary of millages and taxes budgeted from the 2010 tax roll for the 2010-11 fiscal year; taxes budgeted are stated at 96 percent of the actual tax roll levy to allow for early payment discounts and uncollectable:

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

	<u>Millages</u>	<u>Taxes Budgeted</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.239	\$ 90,622,224
Basic Discretionary Local Effort	0.748	12,938,619
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Section 1011.71 Capital Improvements	1.500	25,946,428
Total	<u>7.487</u>	<u>\$ 129,507,271</u>

Note 11 - Florida Retirement System

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provision relating to FRS are established by Chapter 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 Division of Retirement, Department of Management Services 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).

For new plan participants, employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 (65 for new plan members) 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.

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;

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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 Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 655 District participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$2,657,876.

■ **FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contributions rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee (C)	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program - Applicable to Members from all of the Above Classes	0.00	12.25
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 0.03 percent for administrative costs of PEORP.

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

(C) Effective July 1, 2011, employees began contributing 3 percent towards their retirement contribution.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$18,557,438, \$18,708,743, and \$21,037,407, respectively, which were equal to the required contributions for each fiscal year.

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.

Note 12 - Other Postemployment Benefits

■ **Plan Description**

The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801,

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Florida Statutes, former employees who retire from the District and their eligible dependents, may continue to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverage.

The District subsidizes the premium rates paid by the 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 currently offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or other entity.

■ **Funding Policy**

For the Postemployment Healthcare Benefits Plan, contribution requirements of the District are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2010-11 fiscal year, 679 retirees received postemployment healthcare benefits. The District provided \$1,839,514 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees. The net amount of retiree contributions totaled approximately \$4,864,000, which represents 2.65 percent of covered payroll.

■ **Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated using the Entry Age Normal Cost Method 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 following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligations for Postemployment Healthcare Benefits.

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**

Other Postemployment Healthcare Benefit Costs

Normal Cost (service cost for one year)	\$ 3,372,694
Amortization of Unfunded Actuarial Accrued Liability	2,407,393
Interest on Normal Cost and Amorization	<u>252,048</u>
Annual Required Contribution	6,032,135
Interest on Net OPEB Obligation	813,312
Adjustment to Annual Required Contribution	<u>(726,171)</u>
Annual OPEB Cost (Expense)	6,119,276
Contribution Toward the OPEB Cost	<u>(1,839,514)</u>
Increase in Net OPEB Obligation	4,279,762
Net OPEB Obligation, Beginning of Year	<u>20,332,792</u>
Net OPEB Obligation, End of Year	<u><u>\$ 24,612,554</u></u>

The District's annual OPEB cost, the amount contributed, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011, was as follows:

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2010	\$5,868,553	\$1,501,265	25.58%	\$20,332,792
06/30/2011	6,119,276	1,839,514	30.06%	24,612,554

The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. The Annual OPEB Cost is the amount that is expensed for the year. Since the District's OPEB plan is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the employer contribution, and equals the total age-adjusted premiums paid by the District for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year).

■ **Funded Status and Funding Progress**

As of January 1, 2009, the most recent actuarial valuation to date, the actuarial accrued liability for benefits was \$63,555,775, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$63,555,775. The covered payroll (annual payroll of active participating employees) was \$183,748,293, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 34.59 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment and

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**

termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplemental information following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

■ **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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of January 1, 2009, used the Individual Entry Age Normal Cost method to estimate the unfunded actuarial liability as of June 30, 2011, and the Entry Age Normal Cost Actuarial Method to estimate the District's 2010-11 fiscal year annual required contribution. These methods were selected because they produced the lowest OPEB liability and annual cost. 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 a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 20 percent initially, reduced annually to an ultimate rate of 5 percent after six years and an inflation rate of 3.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2011, was 27 years.

Note 13 - Construction and Other Significant Commitments

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

Project	Contract Amount	Completed to Date	Balance Committed
Evergreen Elementary Addition	\$ 2,093,103	\$ 1,962,148	\$ 130,955
Howard Middle School - Renovation	8,811,412	7,447,616	1,363,796
North Marion High - HVAC Upgrade	4,003,294	318,386	3,684,908
Ocala Springs Elementary - HVAC Upgrade	1,881,249	1,786,259	94,990
Osceola Middle - Re-roofing	762,062	577,348	184,714
Shady Hill Elementary School - HVAC Upgrade	1,877,579	1,369,344	508,235
Total	<u>\$ 19,428,699</u>	<u>\$ 13,461,101</u>	<u>\$ 5,967,598</u>

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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 year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2011:

Major Funds				
General Fund	Capital Projects - Section 1011.71 Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 819,369	\$ 7,058,491	\$ 2,784,165	\$ 2,761,557	\$ 13,423,582

Note 14 - Risk Management Programs

■ **Self-Insured 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. Workers' compensation, automobile liability, general liability, property damage, and boiler and machinery coverage are being provided on a self-insured basis up to specific limits.

The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of \$9,704,882 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2011.

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

Fiscal Year Year	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	(Claim Payments)	Balance at Fiscal Year End
2009-10	\$ 10,015,916	\$ 1,150,277	\$ (2,332,797)	\$ 8,833,396
2010-11	8,833,396	3,244,925	(2,373,439)	9,704,882

MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

■ **Commercially Purchased Insurance**

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

Note 15 - Litigation

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated claims payable for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management, in consultation with legal counsel that the final settlements of these matters will not result in a material adverse effect of the financial position of the District.

Note 16 - Subsequent Events

On September 27, 2011, the School Board approved the issuance of Tax Anticipation Notes in the amount of \$12.5 million. The proceeds will be used for operating purposes for the fiscal year ending June 30, 2012.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Federal Direct:				
Reserve Officers Training Corps	\$ 350,640	\$ 437,640	\$ 477,011	\$ 39,371
Miscellaneous Federal Direct	-	-	345,192	345,192
Total Federal Direct	350,640	437,640	822,203	384,563
Federal Through State:				
Medicaid	1,500,000	1,500,000	2,416,291	916,291
National Forest Funds	-	288,117	288,117	-
Total Federal Through State	1,500,000	1,788,117	2,704,408	916,291
State:				
Florida Education Finance Program	112,128,402	107,045,907	107,946,767	900,860
Workforce Development	2,895,049	2,845,440	2,845,432	(8)
Workforce Education Performance Incentive	105,757	102,912	102,908	(4)
CO&DS Withheld for Administrative Expenses	26,000	26,000	23,294	(2,706)
District Discretionary Lottery Funds	110,602	149,091	148,352	(739)
Class Size Reduction/Operating Funds	43,947,812	43,947,812	43,528,374	(419,438)
School Recognition Funds	1,759,159	1,837,099	1,837,099	-
Excellent Teaching Program	-	184,868	184,868	-
Voluntary Prekindergarten Program	1,209,000	1,209,000	1,212,259	3,259
Other State:				
State License Tax	302,395	302,395	234,826	(67,569)
Miscellaneous State Revenue	100,000	212,676	227,045	14,369
Total State	162,584,176	157,863,200	158,291,224	428,024
Local:				
District School Taxes	103,560,843	102,896,385	103,367,358	470,973
Tax Redemption	950,000	950,000	1,175,747	225,747
Rent	200,000	202,981	264,039	61,058
Investment Income	600,000	600,000	439,534	(160,466)
Net Decrease in Fair Value of Investments	-	-	200,520	200,520
Gifts, Grants and Bequests	-	102,210	103,709	1,499
Adult General Education Course Fees	-	883	882	(1)
Postsecondary Vocational Course Fees	916,682	721,517	721,012	(505)
Continuing Workforce Education Course Fees	243,352	126,498	126,160	(338)
Capital Improvement Fees	56,181	36,590	36,292	(298)
Postsecondary Lab Fees	556,052	433,968	433,542	(426)
Lifelong Learning Fees	145,000	311,913	314,856	2,943
General Education Development Testing Fees	63,300	56,428	56,484	56
Financial Aid Fees	109,713	74,932	74,571	(361)
Other Student Fees	9,424	15,136	15,185	49
School Age Child Care Fees	3,300,000	3,364,427	3,437,754	73,327
Miscellaneous Local Revenues	4,335,459	4,968,925	6,065,458	1,096,533
Total Local	115,046,006	114,862,793	116,833,103	1,970,310
Total Revenues	279,480,822	274,951,750	278,650,938	3,699,188

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures				
Current Education:				
Instruction:				
Salaries	\$ 121,708,152	\$ 117,197,567	\$ 114,866,144	\$ 2,331,423
Benefits	35,914,125	34,408,977	32,794,930	1,614,047
Purchased Services	10,804,197	12,449,270	12,183,223	266,047
Energy Services	29,498	14,028	10,375	3,653
Materials and Supplies	7,230,369	5,551,749	4,698,682	853,067
Capital Outlay	1,063,999	893,928	664,363	229,565
Other	4,575,996	3,115,493	1,611,114	1,504,379
Total Instruction	<u>181,326,336</u>	<u>173,631,012</u>	<u>166,828,831</u>	<u>6,802,181</u>
Instructional Support:				
Salaries	22,778,048	22,302,261	21,405,276	896,985
Benefits	6,880,885	6,650,875	6,305,074	345,801
Purchased Services	2,692,204	2,751,650	2,449,791	301,859
Energy Services	17,500	19,450	15,153	4,297
Materials and Supplies	915,864	519,289	325,545	193,744
Capital Outlay	852,052	630,056	537,707	92,349
Other	968,639	1,018,347	675,702	342,645
Total Instructional Support	<u>35,105,192</u>	<u>33,891,928</u>	<u>31,714,248</u>	<u>2,177,680</u>
General Support:				
Salaries	18,784,807	19,322,959	19,263,171	59,788
Benefits	5,662,914	5,778,406	5,539,871	238,535
Purchased Services	2,261,556	2,266,204	2,170,113	96,091
Energy Services	30,100	52,600	34,333	18,267
Materials and Supplies	535,440	269,968	137,905	132,063
Capital Outlay	406,808	310,366	278,893	31,473
Other	91,360	130,057	108,435	21,622
Total General Support	<u>27,772,985</u>	<u>28,130,560</u>	<u>27,532,721</u>	<u>597,839</u>
Pupil Transportation Services:				
Salaries	10,250,169	10,987,423	10,981,725	5,698
Benefits	3,912,992	4,264,684	4,259,666	5,018
Purchased Services	961,658	1,294,252	1,287,618	6,634
Energy Services	2,131,436	2,201,565	2,192,842	8,723
Materials and Supplies	1,126,100	841,100	835,960	5,140
Capital Outlay	448,558	59,324	53,395	5,929
Other	105,170	20,170	16,079	4,091
Total Pupil Transportation Services	<u>18,936,083</u>	<u>19,668,518</u>	<u>19,627,285</u>	<u>41,233</u>
Operation and Maintenance of Plant:				
Salaries	13,689,474	13,987,478	13,954,161	33,317
Benefits	4,618,064	4,752,256	4,715,657	36,599
Purchased Services	11,591,165	11,200,315	11,178,260	22,055
Energy Services	7,860,780	8,191,780	8,179,259	12,521
Materials and Supplies	1,442,676	2,058,472	2,034,172	24,300
Capital Outlay	1,373,053	505,912	487,217	18,695
Other	67,857	39,857	24,400	15,457
Total Operation and Maintenance of Plant	<u>40,643,069</u>	<u>40,736,070</u>	<u>40,573,126</u>	<u>162,944</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (Concluded)				
Current Education: <i>(Concluded)</i>				
Community Services:				
Salaries	\$ 2,305,428	\$ 2,337,479	\$ 2,192,001	\$ 145,478
Benefits	552,787	552,787	541,605	11,182
Purchased Services	57,000	60,150	58,947	1,203
Materials and Supplies	35,000	45,600	36,512	9,088
Capital Outlay	41,500	83,700	42,609	41,091
Other	249,410	15,540	12,080	3,460
Total Community Services	3,241,125	3,095,256	2,883,754	211,502
Other Capital Outlay	-	913,322	913,322	-
Total Expenditures	307,024,790	300,066,666	290,073,287	9,993,379
(Deficiency) of Revenues Over Expenditures	(27,543,968)	(25,114,916)	(11,422,349)	13,692,567
Other Financing Sources (Uses)				
Transfers In	7,096,658	7,096,658	7,046,638	(50,020)
Loss Recoveries	-	20,659	20,654	(5)
Transfers Out	(20,000)	(20,000)	(8,141)	11,859
Total Other Financing Sources (Uses)	7,076,658	7,097,317	7,059,151	(38,166)
Net Change in Fund Balance	(20,467,310)	(18,017,599)	(4,363,198)	13,654,401
Fund Balance, July 1, 2010	31,272,762	31,272,762	31,272,767	5
Fund Balance, June 30, 2011	\$ 10,805,452	\$ 13,255,163	\$ 26,909,569	\$ 13,654,406

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR FUND - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Federal Economic Stimulus Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Federal Through State:				
State Fiscal Stabilization Funds K-12	\$ 13,028,520	\$ 12,938,233	\$ 12,938,233	\$ -
State Fiscal Stabilization Funds - Workforce	198,226	198,226	198,226	-
Race to the Top	-	564,810	319,587	(245,223)
Education Jobs Fund	-	8,262,531	8,262,531	-
Special Education	-	6,411,056	5,496,270	(914,786)
Title I	-	3,522,594	3,513,356	(9,238)
Miscellaneous Federal Through State	-	60,434	47,785	(12,649)
Total Revenues	13,226,746	31,957,884	30,775,988	(1,181,896)
Expenditures				
Instruction:				
Salaries	9,515,121	17,191,968	17,101,091	90,877
Benefits	2,922,956	5,421,322	5,360,635	60,687
Purchased Services	-	888,763	820,459	68,304
Materials and Supplies	-	454,259	431,320	22,939
Capital Outlay	-	385,676	190,264	195,412
Other	-	165,771	83,001	82,770
Total Instruction	12,438,077	24,507,759	23,986,770	520,989
Instructional Support:				
Salaries	541,540	4,050,895	3,846,205	204,690
Benefits	167,065	1,285,411	1,111,976	173,435
Purchased Services	-	767,819	688,079	79,740
Capital Outlay	-	156,578	69,555	87,023
Other	-	47,423	4,990	42,433
Total Instructional Support	708,605	6,308,126	5,720,805	587,321
General Support:				
Other	80,064	1,043,114	974,528	68,586
Total General Support	80,064	1,043,114	974,528	68,586
Operation and Maintenance of Plant:				
Purchased Services	-	5,000	-	5,000
Fixed Capital Outlay:				
Other Capital Outlay	-	93,885	93,885	-
Total Expenditures	13,226,746	31,957,884	30,775,988	1,181,896
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Fund Balance, July 1, 2010	-	-	-	-
Fund Balance, June 30, 2011	\$ -	\$ -	\$ -	\$ -

**MARION COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

Budgetary Compliance and Accountability

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

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

**MARION COUNTY DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress for Other Postemployment Benefits

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Funding Progress was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2006	\$ -	\$ 97,284,631	\$ 97,284,631	0.00%	\$ 178,462,439	54.51%
1/1/2009 (1)	-	63,555,775	63,555,775	0.00%	183,748,293	34.59%

- (1) Compared to the previous valuation, the Unfunded Actuarial Accrued Liability and the Annual OPEB Cost decreased significantly due to plan changes since the last valuation was performed. The District replaced some of the more generous plan options available to employees and retirees with more economical plans. In addition, retirees for the Medicare benefits began migrating to the newly introduced Medicare Advantage Plan.

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**SUPPLEMENTARY INFORMATION
COMBINING NONMAJOR GOVERNMENTAL STATEMENTS
AND INDIVIDUAL FUND BUDGETARY SCHEDULES**

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**MARION COUNTY DISTRICT SCHOOL BOARD
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2011**

	Special Revenue			Debt Service			Capital Projects		
	Other Federal		State Board of Education COBI Bonds Fund	Section		Public Education Capital Outlay and Debt Service Fund	Capital Outlay and Debt Service Fund		Total
	Fund	Programs		1011.14 Debt Service Fund	Other Debt Service Fund		Fund	Service Fund	
Assets									
Cash	\$ 5,560,124	\$ 120,712	\$ -	\$ -	\$ 360,545	\$ 1,972,407	\$ 295,927	\$ 8,309,715	
Investments	2,684,856	-	164,463	-	613	-	282	2,850,214	
Accounts Receivable	484,490	5,706	-	-	-	-	-	490,196	
Due from Other Agencies	125,012	709,164	-	-	-	3,783,075	-	4,617,251	
Due from Other Funds	296,908	-	-	-	-	-	-	296,908	
Inventories	768,876	-	-	-	-	-	-	768,876	
Prepaid Items	25,317	56,309	-	-	-	-	-	81,626	
Total Assets	\$ 9,945,583	\$ 891,891	\$ 164,463	\$ -	\$ 361,158	\$ 5,755,482	\$ 296,209	\$ 17,414,786	
Liabilities and Fund Balances									
Liabilities									
Salaries and Benefits Payable	\$ 74,532	\$ 440,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 514,553	
Accounts Payable	11,284	352,679	-	-	-	-	-	363,963	
Construction Contracts Payable	-	-	-	-	-	439,484	-	439,484	
Construction Contracts Payable - Retainage	-	-	-	-	-	57,735	-	57,735	
Due to Other Agencies	-	6	-	-	-	-	-	6	
Due to Other Funds	-	99,185	-	-	-	96,409	-	195,594	
Deferred Revenue	1,000	-	-	-	-	-	-	1,000	
Total Liabilities	86,816	891,891	-	-	-	593,628	-	1,572,335	
Fund Balances									
Nonspendable:									
Inventories	768,876	-	-	-	-	-	-	768,876	
Prepaid Items	25,317	56,309	-	-	-	-	-	81,626	
Total Nonspendable Fund Balances	794,193	56,309	-	-	-	-	-	850,502	
Restricted for:									
Debt Service	-	-	164,463	-	361,158	-	-	525,621	
Capital Projects	-	-	-	-	-	5,161,854	296,209	5,458,063	
Food Service Operations	9,064,574	-	-	-	-	-	-	9,064,574	
Total Restricted Fund Balance	9,064,574	-	164,463	-	361,158	5,161,854	296,209	15,048,258	
Unassigned Fund Balance	-	(56,309)	-	-	-	-	-	(56,309)	
Total Fund Balances	9,858,767	-	164,463	-	361,158	5,161,854	296,209	15,842,451	
Total Liabilities and Fund Balances	\$ 9,945,583	\$ 891,891	\$ 164,463	\$ -	\$ 361,158	\$ 5,755,482	\$ 296,209	\$ 17,414,786	

MARION COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue		Debt Service		Capital Projects		
	Food Service Fund	Other Federal Programs Fund	State Board of Education COBI Bonds Fund	Section 1101.14 Debt Service Fund	Other Debt Service Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund
Revenues							Total
Intergovernmental:							
Federal Direct	\$ -	\$ 1,557,561	\$ -	\$ -	\$ -	\$ -	\$ 1,557,561
Federal Through State	17,120,337	29,459,330	-	-	-	-	46,579,667
State	410,764	50,282	1,268,968	-	223,250	2,413,606	4,646,307
Local:							
Charges for Services - Food Service	4,747,902	-	-	-	-	-	4,747,902
Other	22,825	-	-	-	1,510	6,512	16,709
Total Revenues	22,301,828	31,067,173	1,268,968	-	224,760	2,420,118	57,578,993
Expenditures							
Current - Education:							
Instruction	-	17,299,840	-	-	-	-	17,299,840
Pupil Personnel Services	-	2,988,507	-	-	-	-	2,988,507
Instructional Media Services	-	46,731	-	-	-	-	46,731
Instruction and Curriculum Development Services	-	2,755,531	-	-	-	-	2,755,531
Instructional Staff Training Services	-	4,738,452	-	-	-	-	4,738,452
Instruction Related Technology	-	316,064	-	-	-	-	316,064
General Administration	-	883,532	-	-	-	-	883,532
Facility Services - Non-Capitalized	-	89,536	-	-	-	-	89,536
Food Services	20,048,272	-	-	-	-	-	20,048,272
Pupil Transportation	-	424,908	-	-	-	-	424,908
Community Services	-	1,286,988	-	-	-	-	1,286,988
Fixed Capital Outlay:							
Facilities Acquisition and Construction	-	-	-	-	-	7,341,286	7,341,286
Other Capital Outlay	403,860	237,084	-	-	-	-	640,944
Debt Service:							
Retirement of Principal	-	-	930,000	482,792	8,955,000	-	10,367,792
Interest	-	-	360,076	15,884	6,774,629	-	7,150,589
Dues, Fees and Issuance Costs	-	-	2,548	-	16,311	-	19,700
Total Expenditures	20,452,132	31,067,173	1,292,624	498,676	15,745,940	7,341,286	76,398,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,849,696	-	(23,656)	(498,676)	(15,521,180)	(4,921,168)	(18,819,679)

MARION COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)

	Special Revenue		Debt Service		Capital Projects		
	Food Service Fund	Other Federal Programs Fund	State Board of Education COBI Bonds Fund	Section 1011.14 Debt Service Fund	Other Debt Service Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund
Other Financing Sources (Uses)							
Proceeds of Refunding Bonds	\$ -	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ 180,000
Premium on Refunding Bonds	-	-	27,740	-	-	-	27,740
Payments to Refunded Bond Escrow Agent	-	-	(208,420)	-	-	-	(208,420)
Transfers In	8,141	-	-	498,676	15,516,177	-	16,022,994
Transfers Out	-	-	-	-	-	(114,980)	(114,980)
Total Other Financing Sources (Uses)	8,141	-	(680)	498,676	15,516,177	(114,980)	15,907,334
Net Change in Fund Balances	1,857,837	-	(24,336)	-	(5,003)	(5,036,148)	(2,912,345)
Fund Balances, July 1, 2010	8,000,930	-	188,799	-	366,161	10,198,002	18,754,796
Fund Balances, June 30, 2011	\$ 9,858,767	\$ -	\$ 164,463	\$ -	\$ 361,158	\$ 5,161,854	\$ 15,842,451

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Food Service Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal Through State:			
National School Lunch Act	\$ 12,561,480	\$ 12,679,451	\$ 117,971
School Breakfast Program	4,111,310	4,086,114	(25,196)
Miscellaneous Federal Revenues	924,301	354,772	(569,529)
Total Federal Through State	17,597,091	17,120,337	(476,754)
State:			
Breakfast Supplement	360,546	217,281	(143,265)
School Lunch Supplement	398,827	190,769	(208,058)
Miscellaneous State Revenues	2,714	2,714	-
Total State	762,087	410,764	(351,323)
Local:			
Investment Income	21,530	22,825	1,295
Food Service	7,990,227	4,747,902	(3,242,325)
Total Local	8,011,757	4,770,727	(3,241,030)
Total Revenues	26,370,935	22,301,828	(4,069,107)
Expenditures			
Current Education:			
Food Services:			
Salaries	7,023,668	6,344,682	678,986
Benefits	2,510,263	2,454,870	55,393
Purchased Services	620,957	482,853	138,104
Energy Services	303,808	274,237	29,571
Materials and Supplies	11,982,505	9,692,274	2,290,231
Capital Outlay	321,291	112,985	208,306
Other	1,006,499	686,371	320,128
Total Food Services	23,768,991	20,048,272	3,720,719
Fixed Capital Outlay:			
Other Capital Outlay	403,860	403,860	-
Total Expenditures	24,172,851	20,452,132	3,720,719
Excess of Revenues Over Expenditures	2,198,084	1,849,696	(348,388)
Other Financing Sources			
Transfers In	20,000	8,141	(11,859)
Net Change in Fund Balance	2,218,084	1,857,837	(360,247)
Fund Balance, July 1, 2010	8,000,930	8,000,930	-
Fund Balance, June 30, 2011	\$ 10,219,014	\$ 9,858,767	\$ (360,247)

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

	Other Federal Programs Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal Direct			
Miscellaneous Federal	\$ 2,164,617	\$ 1,557,561	\$ (607,056)
Federal Through State			
Vocational Education	770,908	720,940	(49,968)
Improving Teacher Quality	4,730,280	3,083,987	(1,646,293)
Special Education	11,798,050	10,133,115	(1,664,935)
Title I	17,671,502	14,423,789	(3,247,713)
Adult General Education	517,795	371,492	(146,303)
Other Federal Through State	1,135,922	726,007	(409,915)
Total Federal Through State	<u>36,624,457</u>	<u>29,459,330</u>	<u>(7,165,127)</u>
State			
Miscellaneous State	51,461	50,282	(1,179)
Total Revenues	<u>38,840,535</u>	<u>31,067,173</u>	<u>(7,773,362)</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

	Other Federal Programs Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures			
Current Education			
Instruction:			
Salaries	\$ 8,020,690	\$ 7,058,400	\$ 962,290
Benefits	3,171,979	2,699,808	472,171
Purchased Services	6,057,794	5,626,885	430,909
Energy Services	500	-	500
Materials and Supplies	1,872,025	1,263,237	608,788
Capital Outlay	907,944	578,884	329,060
Other	121,888	72,626	49,262
Total Instruction	<u>20,152,820</u>	<u>17,299,840</u>	<u>2,852,980</u>
Instructional Support:			
Salaries	6,218,162	5,344,402	873,760
Benefits	1,999,373	1,570,913	428,460
Purchased Services	3,742,381	2,402,902	1,339,479
Energy Services	5,434	1,420	4,014
Materials and Supplies	753,089	464,781	288,308
Capital Outlay	305,249	80,900	224,349
Other	1,894,802	979,967	914,835
Total Instructional Support	<u>14,918,490</u>	<u>10,845,285</u>	<u>4,073,205</u>
General Support:			
Purchased Services	167,537	2,296	165,241
Materials and Supplies	3,500	-	3,500
Capital Outlay	334,868	87,240	247,628
Other	1,139,944	883,532	256,412
Total General Support	<u>1,645,849</u>	<u>973,068</u>	<u>672,781</u>
Pupil Transportation Services:			
Salaries	156,834	129,819	27,015
Benefits	49,125	37,229	11,896
Purchased Services	1,620	1,550	70
Energy Services	271,100	256,310	14,790
Total Pupil Transportation Services	<u>478,679</u>	<u>424,908</u>	<u>53,771</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)

<u>Other Federal Programs Fund</u>			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (Concluded)			
Current Education (Concluded)			
Community Services:			
Salaries	\$ 5,656	\$ 5,656	\$ -
Benefits	1,344	1,344	-
Materials and Supplies	613	613	-
Other	1,400,000	1,279,375	120,625
Total Community Services	<u>1,407,613</u>	<u>1,286,988</u>	<u>120,625</u>
Fixed Capital Outlay:			
Other Capital Outlay	237,084	237,084	-
Total Capital Outlay	<u>237,084</u>	<u>237,084</u>	<u>-</u>
Total Expenditures	<u>38,840,535</u>	<u>31,067,173</u>	<u>7,773,362</u>
Net Change in Fund Balance	-	-	-
Fund Balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>State Board of Education COBI Bonds Fund</u>		
	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>		<u>Final Budget</u>
			<u>Positive</u>
			<u>(Negative)</u>
Revenues			
State:			
Debt Service for State Board of Education/COBI Bonds	\$ 1,268,784	\$ 1,268,784	\$ -
State Board of Education/COBI Bond Interest	184	184	-
Total Revenues	<u>1,268,968</u>	<u>1,268,968</u>	<u>-</u>
Expenditures			
Debt Service:			
Retirement of Principal	930,000	930,000	-
Interest	360,076	360,076	-
Dues, Fees and Issuance Costs	2,548	2,548	-
Total Expenditures	<u>1,292,624</u>	<u>1,292,624</u>	<u>-</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(23,656)</u>	<u>(23,656)</u>	<u>-</u>
Other Financing Sources (Uses)			
Proceeds on Refunding Bonds	180,000	180,000	-
Premium on Refunding Bonds	27,740	27,740	-
Payments to Refunded Bond Escrow Agent	(208,420)	(208,420)	-
Total Other Financing Sources (Uses)	<u>(680)</u>	<u>(680)</u>	<u>-</u>
Net Change in Fund Balance	(24,336)	(24,336)	-
Fund Balance, July 1, 2010	<u>188,799</u>	<u>188,799</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 164,463</u>	<u>\$ 164,463</u>	<u>\$ -</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Section 1011.14 Debt Service Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures			
Debt Service:			
Retirement of Principal	\$ 482,792	\$ 482,792	\$ -
Interest	15,884	15,884	-
Total Expenditures	<u>498,676</u>	<u>498,676</u>	<u>-</u>
Other Financing Sources			
Transfers In	<u>498,676</u>	<u>498,676</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
Fund Balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Other Debt Service Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
State:			
Racing Commission Funds	\$ 223,250	\$ 223,250	\$ -
Local:			
Investment Income	900	1,324	424
Net Increase in Fair Value of Investments	-	186	186
Total Local	900	1,510	610
Total Revenues	224,150	224,760	610
Expenditures			
Debt Service:			
Retirement of Principal	8,955,000	8,955,000	-
Interest	6,774,631	6,774,629	2
Dues, Fees, and Issuance Costs	16,566	16,311	255
Total Expenditures	15,746,197	15,745,940	257
Excess of Revenues (Under) Expenditures	(15,522,047)	(15,521,180)	867
Other Financing Sources			
Transfers in	15,521,406	15,516,177	(5,229)
Net Change in Fund Balance	(641)	(5,003)	(4,362)
Fund Balance, July 1, 2010	366,161	366,161	-
Fund Balance, June 30, 2011	\$ 365,520	\$ 361,158	\$ (4,362)

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Public Education Capital Outlay Fund		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
State:			
Public Education Capital Outlay	\$ 2,298,626	\$ 2,298,626	\$ -
Charter School Capital Outlay Funding	165,000	114,980	(50,020)
Total State	2,463,626	2,413,606	(50,020)
Local:			
Investment Income	-	6,512	6,512
Total Revenues	2,463,626	2,420,118	(43,508)
Expenditures			
Fixed Capital Outlay:			
Facilities Acquisition and Construction:			
Buildings and Fixed Equipment	2,479,125	1,754,155	724,970
Improvements Other than Buildings	-	-	-
Furniture, Fixtures, and Equipment	310,080	304,830	5,250
Remodeling and Renovations	9,242,678	5,272,729	3,969,949
Computer Software	9,572	9,572	-
Total Expenditures	12,041,455	7,341,286	4,700,169
Excess of Revenues (Under) Expenditures	(9,577,829)	(4,921,168)	4,656,661
Other Financing (Uses)			
Transfers Out	(165,000)	(114,980)	50,020
Net Change in Fund Balance	(9,742,829)	(5,036,148)	4,706,681
Fund Balance, July 1, 2010	10,198,002	10,198,002	-
Fund Balance, June 30, 2011	<u>\$ 455,173</u>	<u>\$ 5,161,854</u>	<u>\$ 4,706,681</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Capital Outlay and Debt Service Fund			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
State:			
Capital Outlay/Debt Service Distributed	\$ 295,867	\$ 260,886	\$ (34,981)
Interest on Undistributed Capital Outlay and Debt Service	18,552	18,551	(1)
Total State	314,419	279,437	(34,982)
Local:			
Investment Income	-	116	116
Other Miscellaneous Local Sources	-	16,593	16,593
Total Local	-	16,709	16,709
Total Revenues	314,419	296,146	(18,273)
Expenditures			
Current Education:			
Buildings and Fixed Equipment	7,020	-	7,020
Debt Service:			
Dues, Fees and Issuance Costs	843	841	2
Total Expenditures	7,863	841	7,022
Excess of Revenues Over Expenditures	306,556	295,305	(11,251)
Net Change in Fund Balance	306,556	295,305	(11,251)
Fund Balance, July 1, 2010	904	904	-
Fund Balance, June 30, 2011	\$ 307,460	\$ 296,209	\$ (11,251)

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section 1011.71 Capital Improvement Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local:				
District Local Capital Improvement Tax	\$ 25,946,428	\$ 26,226,952	\$ 26,226,951	\$ (1)
Investment Income	-	-	107,740	107,740
Total Revenues	<u>25,946,428</u>	<u>26,226,952</u>	<u>26,334,691</u>	<u>107,739</u>
Expenditures				
Current Education:				
Facility Services - Non-Capitalized	5,494,833	5,494,833	5,494,833	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	1,092,671	137,260	1,285	135,975
Furniture, Fixtures, and Equipment	392,260	4,633,057	1,036,946	3,596,111
Improvements Other than Building	74,853	408,202	-	408,202
Motor Vehicles	109,855	99,317	99,317	-
Remodeling and Renovations	15,534,210	13,408,366	1,902,057	11,506,309
Computer Software	4,383	260,381	-	260,381
Total Expenditures	<u>22,703,065</u>	<u>24,441,416</u>	<u>8,534,438</u>	<u>15,906,978</u>
Excess of Revenues Over Expenditures	<u>3,243,363</u>	<u>1,785,536</u>	<u>17,800,253</u>	<u>16,014,717</u>
Other Financing Sources (Uses)				
Insurance Loss Recoveries	-	-	3,323	3,323
Transfers Out	(22,951,740)	(22,951,740)	(22,946,511)	5,229
Total Other Financing Sources (Uses)	<u>(22,951,740)</u>	<u>(22,951,740)</u>	<u>(22,943,188)</u>	<u>8,552</u>
Net Change in Fund Balance	(19,708,377)	(21,166,204)	(5,142,935)	16,023,269
Fund Balance, July 1, 2010	<u>26,921,418</u>	<u>26,921,418</u>	<u>26,921,418</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 7,213,041</u>	<u>\$ 5,755,214</u>	<u>\$ 21,778,483</u>	<u>\$ 16,023,269</u>

MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Other Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Local:				
Interest on Investments	\$ -	\$ -	\$ 156,778	\$ 156,778
Increase in Fair Value of Investments	-	-	425,385	425,385
Impact Fees	800,000	958,161	958,161	-
Other Miscellaneous Local Sources	-	-	104,021	104,021
Total Revenues	<u>800,000</u>	<u>958,161</u>	<u>1,644,345</u>	<u>686,184</u>
Expenditures				
Current Education:				
Facility Services - Non-Capitalized	2,650,939	2,650,939	2,650,939	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction:				
Audio-Visual Materials	-	48,330	3,860	44,470
Buildings and Fixed Equipment	33,408,865	31,111,616	12,649,487	18,462,129
Furniture, Fixtures and Equipment	1,764,634	3,260,536	873,174	2,387,362
Land	1,504,543	1,504,543	528,682	975,861
Remodeling and Renovations	14,985,639	14,388,289	12,667,174	1,721,115
Total Expenditures	<u>54,314,620</u>	<u>52,964,253</u>	<u>29,373,316</u>	<u>23,590,937</u>
Excess of Revenues (Under) Expenditures	<u>(53,514,620)</u>	<u>(52,006,092)</u>	<u>(27,728,971)</u>	<u>24,277,121</u>
Net Change in Fund Balance	<u>(53,514,620)</u>	<u>(52,006,092)</u>	<u>(27,728,971)</u>	<u>24,277,121</u>
Fund Balance, July 1, 2010	<u>63,928,540</u>	<u>63,928,540</u>	<u>63,928,540</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 10,413,920</u>	<u>\$ 11,922,448</u>	<u>\$ 36,199,569</u>	<u>\$ 24,277,121</u>

**MARION COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Internal Accounts - Student Activity Funds				
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Assets				
Cash	\$ 1,652,610	\$ 14,108,568	\$ 11,745,039	\$ 4,016,139
Investments	2,277,003	8,883	2,285,886	-
Total Assets	<u><u>\$ 3,929,613</u></u>	<u><u>\$ 14,117,451</u></u>	<u><u>\$ 14,030,925</u></u>	<u><u>\$ 4,016,139</u></u>
 Liabilities				
Internal Accounts Payable	<u><u>\$ 3,929,613</u></u>	<u><u>\$ 14,117,451</u></u>	<u><u>\$ 14,030,925</u></u>	<u><u>\$ 4,016,139</u></u>

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NONMAJOR COMPONENT UNITS

Foundation

Public Education Foundation of Marion County, Inc.

Charter Schools

Marion Charter School, Inc.

McIntosh Area Charter School, Incorporated

Francis Marion Military Academy, Inc.

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**MARION COUNTY DISTRICT SCHOOL BOARD
NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Public Education Foundation of Marion County, Inc.	Marion Charter School, Inc.	McIntosh Area Charter School, Incorporated	Francis Marion Military Academy, Inc.	Total
Assets					
Cash and Cash Equivalents	\$ 384,424	\$ 257,106	\$ 172,916	\$ 41,152	\$ 855,598
Investments	228,060	-	258,495	-	486,555
Accounts Receivable	77,913	2,698	-	-	80,611
Deposits Receivable	-	3,090	-	-	3,090
Inventories	69,932	-	-	-	69,932
Prepaid Items	3,961	-	3,756	-	7,717
Assets Held by Others	864,634	-	-	-	864,634
Capital Assets Not Being Depreciated	-	248,319	112,557	-	360,876
Capital Assets Being Depreciated, Net of Accumulated Depreciation	2,547	595,529	103,097	238,407	939,580
Total Assets	1,631,471	1,106,742	650,821	279,559	3,668,593
Liabilities and Net Assets					
Liabilities					
Salaries and Benefits Payable	-	-	-	5,550	5,550
Accounts Payable	27,541	98,508	18,568	8,694	153,311
Unearned Revenue	-	-	-	3,800	3,800
Funds Held on Behalf of Others	1,069	-	-	-	1,069
Notes Payable	-	-	-	13,423	13,423
Noncurrent Liabilities:					
Portion Due Within One Year	-	42,153	-	34,679	76,832
Portion Due After One Year	-	363,139	-	114,716	477,855
Total Liabilities	28,610	503,800	18,568	180,862	731,840
Net Assets					
Invested in Capital Assets, Net of Related Debt	2,547	438,556	215,654	97,981	754,738
Restricted for:					
Other Purposes	1,295,342	-	-	-	1,295,342
Unrestricted	304,972	164,386	416,599	716	886,673
Total Net Assets	\$ 1,602,861	\$ 602,942	\$ 632,253	\$ 98,697	\$ 2,936,753

**MARION COUNTY DISTRICT SCHOOL BOARD
NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Nonmajor Component Units				
Governmental Activities				
Public Education Foundation of Marion County, Inc.:				
Community Services	\$ 807,949	\$ 126,574	\$ 238,080	\$ -
Marion Charter School, Inc.:				
Instruction	786,633	8,100	-	-
Instructional Support Services	109,782	-	-	-
General Administration	346,499	-	-	-
Maintenance of Plant	21,496	-	-	47,350
Community Services	27,860	47,106	-	-
Interest on Long-term Debt	28,118	-	-	28,118
Total Marion Charter School, Inc.	<u>1,320,388</u>	<u>55,206</u>	<u>-</u>	<u>75,468</u>
McIntosh Area Charter School, Incorporated:				
Instruction	384,386	7,794	-	-
Instructional Support Services	7,034	-	-	-
General Administration	215,209	-	-	39,513
Maintenance of Plant	13,901	-	-	-
Community Services	22,725	25,978	-	-
Total McIntosh Area Charter School, Inc.	<u>643,255</u>	<u>33,772</u>	<u>-</u>	<u>39,513</u>
Francis Marion Military Academy, Inc.:				
Instruction	597,536	20,986	-	-
General Administration	349,076	-	-	-
Maintenance of Plant	7,652	-	-	-
Community Services	44,260	-	-	-
Interest on Long-term Debt	6,607	-	-	-
Total Francis Marion Military Academy, Inc.	<u>1,005,131</u>	<u>20,986</u>	<u>-</u>	<u>-</u>
Total Nonmajor Component Units	<u>\$ 3,776,723</u>	<u>\$ 236,538</u>	<u>\$ 238,080</u>	<u>\$ 114,981</u>

General Revenues

Grants and Contributions Not Restricted
To Specific Programs
Unrestricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets, July 1, 2010

Net Assets, June 30, 2011

Net (Expense) Revenue and Changes in Net Assets				
Component Units				
Public Education Foundation of Marion County, Inc.	Marion Charter School, Inc.	McIntosh Area Charter School, Incorporated	Francis Marion Military Academy, Inc.	Total
\$ (443,295)	\$ -	\$ -	\$ -	\$ (443,295)
-	(778,533)	-	-	(778,533)
-	(109,782)	-	-	(109,782)
-	(346,499)	-	-	(346,499)
-	25,854	-	-	25,854
-	19,246	-	-	19,246
-	-	-	-	-
-	(1,189,714)	-	-	(1,189,714)
-	-	(376,592)	-	(376,592)
-	-	(7,034)	-	(7,034)
-	-	(175,696)	-	(175,696)
-	-	(13,901)	-	(13,901)
-	-	3,253	-	3,253
-	-	(569,970)	-	(569,970)
-	-	-	(576,550)	(576,550)
-	-	-	(349,076)	(349,076)
-	-	-	(7,652)	(7,652)
-	-	-	(44,260)	(44,260)
-	-	-	(6,607)	(6,607)
-	-	-	(984,145)	(984,145)
(443,295)	(1,189,714)	(569,970)	(984,145)	(3,187,124)
489,184	1,265,369	622,630	1,109,042	3,486,225
44,136	61	889	-	45,086
533,320	1,265,430	623,519	1,109,042	3,531,311
90,025	75,716	53,549	124,897	344,187
1,512,836	527,226	578,704	(26,200)	2,592,566
\$ 1,602,861	\$ 602,942	\$ 632,253	\$ 98,697	\$ 2,936,753

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**STATISTICAL SECTION
(UNAUDITED)**

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STATISTICAL SECTION

This part of the Marion County District School Board's Comprehensive Annual Financial Report presents detailed information as a context for understanding what information in the financial statements, note disclosures, required and supplementary information says about the School Board's overall financial health.

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Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	81
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These schedules present information to help the reader assess the District's most significant local revenue sources, which is property taxes.	86
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	92
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	97
Operating Information	
These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	99

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

MARION COUNTY DISTRICT SCHOOL BOARD
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
 (UNAUDITED)

Table 1

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ 196,072,642	\$ 171,639,335	\$ 216,586,970	\$ 215,096,627	\$ 238,439,142	\$ 304,419,959	\$ 341,762,148	\$ 361,414,395	\$ 385,274,585	\$ 397,845,050
Restricted	25,537,251	64,632,213	32,382,433	45,063,291	58,819,626	74,133,587	89,525,923	112,533,192	100,747,187	76,016,201
Unrestricted (Deficit)	(7,759,971)	(8,908,121)	(8,810,793)	(3,731,879)	(2,141,534)	(4,211,094)	(7,254,735)	(26,496,521)	(28,893,693)	(31,610,672)
Total Governmental Net Assets	\$ 213,849,922	\$ 227,363,427	\$ 240,158,610	\$ 256,428,039	\$ 295,117,234	\$ 374,342,452	\$ 424,033,336	\$ 447,451,066	\$ 457,128,079	\$ 442,250,579

Source: Marion County District School Board, Finance Department Records

Table 2

MARION COUNTY DISTRICT SCHOOL BOARD
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)
 (UNAUDITED)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Functions/Program Expenses:										
Instruction	\$ 133,736,991	\$ 140,778,873	\$ 154,978,927	\$ 162,326,079	\$ 168,086,386	\$ 192,867,939	\$ 209,504,540	\$ 200,716,797	\$ 207,738,856	\$ 212,253,161
Pupil Personnel Services	15,519,208	16,401,280	17,632,425	18,579,560	19,603,682	21,672,610	24,166,357	23,670,282	24,231,179	24,133,279
Instructional Media Services	4,125,162	3,879,349	4,165,824	4,551,663	4,851,459	5,291,431	5,543,724	5,087,765	4,840,227	4,977,843
Instruction and Curriculum Development Services	4,085,596	4,142,640	6,441,866	6,710,440	6,331,654	7,048,331	7,977,806	7,375,377	6,923,344	7,700,887
Instructional Staff Training	2,792,771	3,918,916	4,224,087	4,924,073	5,821,908	6,150,737	5,512,266	6,990,939	8,053,287	9,080,596
Board of Education	436,752	436,218	498,117	693,991	726,003	839,764	633,551	621,036	576,161	660,329
General Administration	1,482,202	1,723,217	1,864,750	1,756,581	2,138,444	2,285,407	2,143,608	2,084,111	3,243,177	3,301,514
School Administration	12,379,510	13,650,863	14,731,653	15,197,730	15,977,416	17,841,733	18,696,988	18,185,673	18,305,607	18,642,721
Facilities Services - Non-Capitalized	1,518,469	10,746,340	8,235,614	15,617,642	15,686,676	12,931,761	12,931,761	9,725,266	10,439,477	16,456,978
Fiscal Services	1,676,595	1,910,973	2,127,953	2,300,149	2,157,156	2,698,021	2,736,896	2,518,283	2,668,741	2,750,245
Food Services	13,365,767	13,897,381	15,210,279	15,505,789	16,516,657	17,397,012	19,280,277	20,124,044	20,228,293	20,559,098
Central Services	3,541,725	4,151,628	4,533,682	6,617,873	4,647,314	4,809,401	4,893,471	4,456,886	4,299,653	4,407,750
Pupil Transportation Services	13,887,987	15,595,443	17,086,584	19,924,221	21,926,006	22,588,074	25,390,210	21,091,291	19,758,533	20,334,725
Operation of Plant	14,982,099	16,387,605	17,143,583	18,202,279	20,492,746	23,957,644	27,357,197	27,818,480	26,984,427	26,997,233
Maintenance of Plant	5,079,550	6,316,935	6,689,346	10,072,163	9,472,811	10,477,455	11,298,938	10,839,742	9,314,330	9,848,470
Administrative Technology Services	-	-	-	-	3,578,836	3,866,119	4,336,244	4,387,626	4,356,504	4,559,778
Community Services	1,669,655	2,131,343	2,190,998	2,315,573	2,359,477	2,923,540	3,475,705	3,681,787	3,914,444	4,224,491
Unallocated Interest on Long-term Debt	4,654,230	3,397,166	4,595,765	4,022,775	5,216,358	5,812,574	8,424,083	8,065,434	7,525,224	7,131,032
Unallocated Depreciation Expense	9,517,730	7,050,704	6,086,099	6,138,141	6,844,963	6,932,916	8,024,189	10,126,994	10,361,493	10,543,476
Total Functions/Program Expenditures	244,451,999	266,516,874	288,437,552	315,456,722	334,354,948	368,287,882	404,870,338	389,885,409	396,441,201	411,357,605
Program Revenues:										
Charges for Services:										
Instruction	2,443,284	2,831,096	985,537	3,391,420	3,647,948	4,387,090	4,894,294	5,163,169	5,531,573	5,216,738
Food Services	4,559,731	4,598,768	4,557,070	4,690,282	5,394,058	5,627,409	5,662,999	5,398,770	4,931,558	4,747,902
Pupil Transportation Services	181,078	109,902	234,428	198,885	263,145	209,175	323,601	335,932	312,460	238,274
Community Service	-	-	2,078,956	-	-	-	-	-	-	-
Operating Grants and Contributions:										
Food Services	9,230,955	9,540,960	10,122,444	10,734,224	11,167,544	12,701,597	13,639,524	15,149,055	16,861,818	17,528,387
Pupil Transportation Services	9,333,255	9,486,330	9,603,775	9,987,021	10,635,283	10,686,279	11,467,327	10,517,358	-	-
Capital Grants and Contributions:										
Facilities Services - Non-Capitalized	9,307,674	3,742,018	6,316,952	4,094,223	9,424,797	32,252,115	20,125,293	5,853,001	8,051,663	302,732
Maintenance of Plant	1,303,909	1,287,919	-	1,342,964	1,461,877	1,448,476	1,247,550	1,246,755	814,191	2,298,626
Unallocated Interest on Long-term Debt	-	-	-	-	-	-	-	-	1,253,179	1,268,967
General Revenues:										
Property Taxes Levied for:										
Operational Purposes	52,332,254	56,513,523	61,415,103	68,729,998	76,319,716	99,928,192	119,479,605	124,589,357	116,423,617	104,543,105
Debt Service	5,832,236	6,349,074	6,054,472	-	-	-	-	-	-	-
Capital Projects	15,484,580	16,886,831	19,015,106	21,819,188	25,363,374	34,037,909	42,611,688	38,043,765	29,293,207	26,226,951
Local Sales Taxes	-	-	-	10,530,640	23,953,114	23,144,189	20,770,565	19,414,830	9,238,526	-
Grants and Contributions Not Restricted to Specific Programs	155,047,356	164,452,113	176,304,867	190,614,390	195,621,997	205,507,165	193,336,608	179,696,112	205,886,975	223,978,645
Unrestricted Investment Earnings	1,253,124	817,305	1,084,106	1,688,370	5,201,237	7,562,309	7,199,706	(328,594)	2,356,932	1,398,387
Extraordinary Items	-	-	-	-	1,040,981	-	-	-	-	-
Miscellaneous	3,603,787	3,414,540	3,459,919	3,904,546	3,549,072	6,140,377	13,802,462	8,223,630	5,162,516	8,731,391
Total Revenues	269,913,223	280,030,379	301,232,735	331,726,151	373,044,143	443,612,282	454,561,222	413,303,140	406,118,215	396,480,105
Change in Net Assets	\$ 25,461,224	\$ 13,513,505	\$ 12,795,183	\$ 16,269,429	\$ 38,689,195	\$ 75,324,400	\$ 49,690,884	\$ 23,417,731	\$ 9,677,014	\$ (14,877,500)

Source: Marion County District School Board, Finance Department Records

Table 3

MARION COUNTY DISTRICT SCHOOL BOARD
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Federal Direct	\$ 468,558	\$ 1,902,441	\$ 1,289,887	\$ 869,735	\$ 1,001,678	\$ 1,008,726	\$ 981,697	\$ 1,069,180	\$ 1,609,243	\$ 2,379,764
Federal Through State and Local	27,877,756	33,357,447	36,792,006	37,484,626	39,702,766	40,942,212	42,018,298	44,295,566	69,840,822	80,060,063
State	155,876,834	153,365,577	164,266,144	178,418,463	187,607,054	220,624,694	196,816,307	167,097,534	160,672,169	162,937,531
Local	85,370,074	91,404,916	98,757,818	114,001,242	143,241,906	181,029,985	214,160,084	200,575,559	173,858,286	149,607,597
Total Revenues	269,593,222	280,030,381	301,105,855	330,774,066	371,553,404	443,605,617	453,976,386	413,037,839	405,980,520	394,984,955
Expenditures										
Current - Education:										
Instruction	135,600,838	139,269,050	151,318,393	156,093,529	165,128,569	190,279,971	203,666,254	192,555,029	202,978,125	208,115,441
Pupil Personnel Services	15,746,513	16,379,948	17,513,091	18,536,117	19,636,234	21,471,163	23,574,904	22,985,235	23,930,121	23,881,248
Instructional Media Services	4,202,697	3,871,265	4,167,049	4,540,272	4,862,947	5,211,569	5,402,131	4,797,188	4,814,832	4,967,925
Instruction and Curriculum Development Services	4,207,339	4,164,693	6,395,055	6,693,579	6,348,090	6,918,098	7,770,173	7,101,176	6,847,503	7,689,989
Instructional Staff Training	2,803,040	3,917,266	4,199,808	4,913,429	5,826,936	6,138,389	5,383,146	6,770,652	7,960,268	8,977,471
Instruction Related Technology (a)	-	-	-	-	1,921,267	2,270,949	2,481,471	2,249,285	2,645,417	2,763,705
Board of Education	436,752	435,220	491,318	688,461	711,125	833,915	620,847	600,024	562,013	639,789
General Administration	1,226,112	1,709,809	1,836,628	1,740,544	2,134,907	2,228,249	2,082,280	2,047,677	3,186,466	3,251,400
School Administration	12,892,290	13,564,986	14,555,890	15,083,352	15,972,936	17,387,163	18,165,186	17,603,349	18,017,619	18,454,258
Facilities Services - Non-Capitalized	118,243	409,151	490,105	517,836	11,350,557	903,451	853,056	574,478	18,438	8,439,024
Fiscal Services	1,721,365	1,893,341	2,090,114	2,269,409	2,130,708	2,636,470	2,660,367	2,450,046	2,614,061	2,700,701
Food Services	13,468,321	13,767,357	14,732,289	15,371,746	16,131,608	17,353,436	18,392,997	19,581,193	19,824,364	20,048,272
Central Services	3,650,288	4,092,329	4,422,473	6,529,392	4,047,420	4,558,679	4,751,967	4,100,340	4,065,784	4,140,917
Pupil Transportation Services	13,986,972	15,458,790	16,855,061	19,880,653	21,873,087	22,463,825	24,736,052	20,477,342	19,675,741	20,052,193
Operation of Plant	15,114,619	16,348,684	17,000,533	18,103,950	20,392,960	23,842,434	26,621,750	27,042,358	26,591,041	26,573,504
Maintenance of Plant	5,208,153	6,255,571	6,580,665	9,925,344	9,454,939	10,359,939	10,924,839	10,372,930	9,180,879	9,702,580
Administrative Technology Services (a)	-	-	-	-	3,489,197	3,715,664	4,145,610	3,959,590	4,167,870	4,297,042
Community Services	1,672,948	2,130,416	2,178,460	2,310,916	2,359,755	2,926,497	3,393,735	3,560,481	3,870,685	4,170,742
Capital Outlay:										
Facilities Acquisition and Construction	20,923,671	21,891,895	39,066,954	27,125,441	42,019,802	77,713,964	73,326,980	65,010,879	50,084,138	37,103,268
Other Capital Outlay	2,512,127	1,851,515	4,342,739	3,798,649	2,913,932	3,198,158	2,402,392	1,845,579	1,842,850	1,648,151
Debt Service:										
Principal	8,660,000	9,257,432	13,680,815	5,071,664	6,319,878	7,309,157	9,053,112	9,452,526	10,132,414	10,367,792
Interest and Fiscal Charges	3,927,064	3,397,808	4,531,053	4,070,539	5,035,618	6,117,389	8,397,333	8,149,354	7,382,505	7,150,589
Dues, Fees and Issuance Costs	901,895	695,200	144,876	344,697	700,986	585,354	94,879	14,901	377,215	19,700
Total Expenditures	268,981,247	280,761,726	326,593,369	323,609,519	370,763,458	436,423,883	458,901,461	433,301,612	430,770,349	435,155,701
Excess of Revenues Over (Under) Expenditures	611,975	(731,345)	(25,487,514)	7,164,547	789,946	7,181,734	(4,925,075)	(20,263,773)	(24,789,829)	(40,170,746)

Table 3

MARION COUNTY DISTRICT SCHOOL BOARD
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses)										
Long-term Bonds Issued	\$ 1,378,957	\$ 12,249,487	\$ 3,111,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding Bonds Issued	1,974,159	36,990,000	-	9,225,000	54,675,820	57,348,101	-	-	520,000	180,000
Certificates of Participation Issued	-	-	-	1,590,000	-	-	-	-	21,420,000	-
Capital Outlay Bonds Issued	-	-	-	59,675	-	-	-	-	-	-
Premium on Capital Outlay Bonds	-	28,836	-	-	-	-	-	-	52,193	27,740
Discount on Debt Issued	-	-	-	-	-	-	-	-	(12,828)	-
Proceeds from Sale of Capital Assets	320,000	-	-	-	-	-	12,000	3,600	96,680	-
Payments to Escrow Agent	(1,472,819)	(12,226,387)	-	(8,908,762)	(1,593,590)	-	-	-	(21,606,898)	(208,420)
Loans Incurred	-	-	-	-	2,216,855	-	-	-	-	-
Insurance Loss Recoveries	-	-	-	723,403	1,040,980	54,809	120,516	88,623	9,317	23,977
Transfers In	7,056,133	4,958,522	7,016,851	11,428,896	14,300,734	16,234,114	20,673,467	24,759,695	23,332,714	23,069,632
Transfers Out	(7,056,133)	(4,958,521)	(7,016,851)	(11,428,896)	(14,300,734)	(16,234,114)	(20,673,467)	(24,759,695)	(23,332,714)	(23,069,632)
Total Other Financing Sources (Uses)	2,200,297	37,041,937	3,111,309	2,689,316	57,928,953	57,402,910	132,516	92,223	478,464	23,297
Net Change in Fund Balances	\$ 2,812,272	\$ 36,310,592	\$ (22,376,205)	\$ 9,853,863	\$ 58,718,899	\$ 64,584,644	\$ (4,792,559)	\$ (20,171,550)	\$ (24,311,365)	\$ (40,147,449)
Debt Service as a Percentage of Noncapital Expenditures	5.81%	5.48%	6.93%	3.35%	3.84%	4.10%	4.80%	5.05%	4.96%	4.39%

(a) In fiscal year ending June 30, 2006, two new function expenditure classifications were implemented to report technology expenses that were previously reported in central services.

Source: Marion County District School Board, Finance Department Records

Table 4

**MARION COUNTY DISTRICT SCHOOL BOARD
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**
(Modified Accrual Basis of Accounting)
(UNAUDITED)

	2002(a)	2003(a)	2004(a)	2005(a)	2006(a)	2007(a)	2008(a)	2009(a)	2010	2011
General Fund										
Nonspendable										
Spendable:										
Restricted	\$ 1,836,891	\$ 1,837,432	\$ 1,842,555	\$ 2,187,015	\$ 4,300,979	\$ 2,337,748	\$ 2,350,940	\$ 2,249,011	\$ 3,410,988	\$ 2,364,515
Assigned	4,577,637	5,001,154	3,685,351	752,234	1,971,542	2,598,777	2,060,664	7,540,364	2,317,781	1,615,396
Unassigned	1,477,505	392,280	810,027	1,898,001	1,299,443	996,584	601,554	330,685	16,573,438	12,723,576
	10,716,648	15,803,697	16,222,242	16,781,070	20,366,728	27,036,524	23,798,971	22,226,646	8,970,560	10,206,082
Total General Fund	\$ 18,608,681	\$ 23,034,563	\$ 22,560,175	\$ 21,618,320	\$ 27,938,692	\$ 32,969,633	\$ 28,812,129	\$ 32,346,706	\$ 31,272,767	\$ 26,909,569
All Other Government Funds										
Nonspendable										
Spendable:										
Restricted	\$ 590,655	\$ 746,320	\$ 665,095	\$ 744,659	\$ 446,173	\$ 881,932	\$ 747,421	\$ 509,359	\$ 541,201	\$ 850,502
Unassigned (b)	23,874,725	55,713,612	33,853,956	44,489,514	97,183,558	156,325,389	155,825,086	132,357,583	109,087,802	73,026,310
	(12,856)	(122,698)	(83,636)	(3,043)	(74)	(23,961)	(24,202)	(24,759)	(24,249)	(36,309)
Total All Other Governmental Funds	\$ 24,452,524	\$ 56,337,234	\$ 34,435,415	\$ 45,231,130	\$ 97,629,657	\$ 157,183,360	\$ 156,548,305	\$ 132,842,183	\$ 109,604,754	\$ 73,820,503
Combined Governmental Funds	\$ 43,061,205	\$ 79,371,797	\$ 56,995,590	\$ 66,849,450	\$ 125,568,349	\$ 190,152,993	\$ 185,360,434	\$ 165,188,889	\$ 140,877,521	\$ 100,730,072

(a) The District implemented GASB 54 in the 2010 fiscal year. The fund balances from the prior fiscal years were restated for comparison purposes.

(b) The District reported a negative unassigned fund balance for All Other Governmental Funds as a result of prepaid items exceeding the ending fund balances in the Special Revenue - Other Federal Programs Fund.

Source: Marion County District School Board, Finance Department Records

Table 5

MARION COUNTY DISTRICT SCHOOL BOARD
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCES
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
 (UNAUDITED)

Fiscal Year	Property Taxes					Sales Surtax (a)	Impact Fees (b)	Total
	Operational Purposes	Debt Service	Capital Projects					
2002	\$ 52,332,254	\$ 5,832,236	\$ 15,484,580		\$ -	-	-	\$ 73,649,070
2003	56,513,523	6,349,074	16,886,831		-	-	-	79,749,428
2004	61,415,103	6,054,472	19,015,106		-	-	-	86,484,681
2005	68,729,998	-	21,819,188		10,530,640	-	-	101,079,826
2006	76,319,716	-	25,363,374		23,953,114	-	-	125,636,204
2007	99,928,192	-	34,037,909		23,144,189	1,685,718	-	158,796,008
2008	119,479,605	-	42,611,688		20,770,565	4,967,977	-	187,829,835
2009	124,589,357	-	38,043,765		19,414,830	2,484,914	-	184,532,866
2010	114,728,839	-	28,787,837		9,238,526	740,445	-	153,495,647
2011	104,543,105	-	26,226,951		-	958,161	-	131,728,217

(a) A half-cent sales surtax was voted in by the citizens of Marion County effective January 1, 2005, for a period of five years.

(b) In response to the growing population and new home sales in Marion County, the Marion County Board of County Commissioners approved an impact fee on new home sales to begin on October 1, 2006, to aid funding for new schools. Due to downturn in local housing markets, impact fees significantly declined in 2010.

Source: Marion County District School Board, Finance Department Records

MARION COUNTY DISTRICT SCHOOL BOARD
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Real Property	Tangible Property	Railroad Property	Less:		Total Taxable Assessed Value (a)	Total Direct Tax Rate
				Tax-Exempt Property			
2002	\$ 11,587,044,419	\$ 1,035,755,810	\$ 13,364,461	\$ 4,657,254,160		\$ 7,978,910,530	9.500
2003	12,819,400,375	1,084,930,098	14,205,282	5,231,546,800		8,686,988,955	9.436
2004	14,177,653,309	1,169,172,680	22,187,403	5,621,351,796		9,747,661,596	9.065
2005	16,203,462,528	1,206,148,832	25,460,847	6,310,795,783		11,124,276,424	8.272
2006	19,412,346,247	1,270,139,439	17,321,150	7,642,075,899		13,057,730,937	8.013
2007	28,210,781,781	1,398,251,481	16,831,233	12,082,162,532		17,543,701,963	7.869
2008	36,918,976,765	1,531,172,245	18,006,999	16,120,773,828		22,347,382,181	7.607
2009	36,172,335,899	1,608,354,450	15,007,701	15,472,964,184		22,322,733,866	7.498
2010	31,005,053,635	1,547,921,757	15,121,409	12,592,151,804		19,975,944,997	7.478
2011	27,141,206,875	1,424,892,450	13,690,221	10,703,365,015		17,876,424,531	7.487

(a) Assessed values are as of January 1.

Source: Marion County Property Appraiser - <http://www.pa.marion.fl.us/>

Table 7

**MARION COUNTY DISTRICT SCHOOL BOARD
PROPERTY TAX RATES (a) OF
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Direct										
Marion County District School Board										
General Fund (Required Local Effort)	5.9900	5.9370	5.7170	5.5710	5.2530	5.1090	4.8960	5.0530	5.2300	5.2390
General Fund (Discretionary)	0.7600	0.7490	0.7180	0.7010	0.7600	0.7600	0.7110	0.6950	0.7480	0.7480
Debt Service Fund	0.7500	0.7500	0.6300	-	-	-	-	-	-	-
Capital Projects Fund	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	1.7500	1.5000	1.5000
Total School Board	9.5000	9.4360	9.0650	8.2720	8.0130	7.8690	7.6070	7.4980	7.4780	7.4870
Overlapping										
Board of County Commissioners										
General Fund	4.2900	4.2500	4.0700	3.9800	3.7300	3.6200	2.7300	3.1300	3.1300	3.1900
Fine and Forfeiture Fund	1.3900	1.4100	1.2400	1.0200	0.8600	0.7100	0.5600	0.5600	0.5600	0.5300
Parks and Land Acquisition Debt Service Fund	0.2100	0.2200	0.1800	0.1600	0.1300	0.1000	0.0800	0.0800	0.0900	0.0500
Marion County Health Department Fund	0.1700	0.1600	0.1500	0.1500	0.1500	0.1400	0.1200	0.1200	0.1200	0.1200
Total General County	6.0600	6.0400	5.6400	5.3100	4.8700	4.5700	3.4900	3.8900	3.9000	3.8900
Total County-Wide	15.5600	15.4760	14.7050	13.5820	12.8830	12.4390	11.0970	11.3880	11.3780	11.3770
Special Districts										
Rainbow Lakes Estates MSD (b)	2.8500	2.8500	2.8500	2.8500	2.8500	1.4000	1.0800	1.5600	2.0000	2.0000
Rainbow Lakes Estates MSTU (c)	-	-	-	0.8000	1.5000	0.4500	0.2100	0.3000	0.3400	0.3400
Marion Oaks MSTU For Fire Protection (c)	-	-	-	3.0000	3.0000	1.6300	1.0200	1.0200	1.0200	1.0200
MSTU for Law Enforcement (c)	3.5500	3.4600	3.4200	3.2600	3.1800	2.2800	2.0300	2.0300	2.3300	2.8100
MSTU for EMS (c)	-	-	0.4000	0.4000	0.4700	1.0400	0.8300	0.8300	0.8300	0.8300
MSTU for EMT (c)	-	-	-	0.2700	0.2700	0.2100	0.4000	-	-	-
Silver Springs Shores Special Tax District	2.2400	2.4400	2.5900	2.5900	2.5900	3.0000	2.8500	3.0000	3.0000	3.0000
Silver Springs Shores MSTU for Fire Protection (c)	-	-	-	-	-	-	-	-	-	-
Hills of Ocala MSTU for Recreation (c)	-	-	-	0.2200	0.1700	0.1400	0.0900	0.1400	0.1400	0.1800
Southwest Florida Water Management District	0.7170	0.6870	0.6870	0.6870	0.6870	0.6870	0.6174	0.6174	0.6174	0.6078
St. Johns River Water Management District	0.4620	0.4620	0.4620	0.4620	0.4620	0.4620	0.4158	0.4158	0.4158	0.4158
Municipalities										
Ocala	5.7784	5.7784	5.6760	5.9260	5.9260	5.6760	4.5288	4.5288	4.9664	5.6183
Ocala (Downtown Development District "A")	1.9500	1.9500	1.9500	1.8667	1.8667	1.8667	1.5470	1.3726	1.3967	1.5647
Ocala (Downtown Development District "B")	1.5669	1.5669	1.5669	1.5361	1.5361	1.5361	1.1981	1.1566	1.2163	1.5508
Ocala (Downtown Development District "C")	1.3698	1.3698	1.3698	1.2187	1.2187	1.2187	1.0115	0.9493	1.0062	1.1347
Bellevue	4.3660	4.0272	4.0272	4.4139	4.4139	3.8188	2.8905	2.8905	2.9544	3.3472
Dunnellon	6.5000	6.5000	6.5000	6.5000	6.5000	6.5000	5.2266	5.2266	6.4469	6.9101
McIntosh	1.7540	1.5800	1.4900	1.4266	1.2611	1.0540	0.8681	1.8050	1.9670	2.1344

(a) Rates are stated per \$1,000 of assessed value. Rates were adopted after June 30 for all years presented. Collections on the related tax levy occur in the succeeding fiscal year.

(b) MSD is an abbreviation for municipal service district.

(c) MSTU is an abbreviation for municipal service taxing unit.

**MARION COUNTY DISTRICT SCHOOL BOARD
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 8

Fiscal Year	Direct	Direct	Overlapping
	Marion County School Board Discretionary Sales Surtax (a)	Marion County Discretionary Sales Surtax	State of Florida Sales Tax (b)
2002	-	-	6.0%
2003	-	1.0%	6.0%
2004	-	1.0%	6.0%
2005	0.5%	-	6.0%
2006	0.5%	-	6.0%
2007	0.5%	-	6.0%
2008	0.5%	-	6.0%
2009	0.5%	-	6.0%
2010	0.5%	-	6.0%
2011	-	-	6.0%

(a) The Marion County School Board discretionary sales tax rate of one half cent was voted in by the citizens of Marion County in November 2004, to be in effect for five years, commencing on January 1, 2005. The surtax has a designated purpose to construct certain school facilities in the county. The surtax expired on December 31, 2009.

(b) The State of Florida sales tax rate is set as mandated by Florida State Statute to be six cents per one dollar.

Source: Florida Department of Revenue - http://dor.myflorida.com/dor/taxes/sales_tax.html

**MARION COUNTY DISTRICT SCHOOL BOARD
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Table 9

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Progress Energy Florida, Inc.	\$ 140,894,572	1	0.79%			
Sumter Electric Cooperative, Inc.	102,405,870	2	0.57%	\$ 51,736,550	3	0.65%
Embarq (formerly Sprint-Florida, Inc.)	88,535,393	3	0.49%	109,395,597	1	1.37%
Wal-Mart	70,989,656	4	0.40%			
K-Mart Distribution	54,980,913	5	0.31%	53,020,537	4	0.66%
On Top of the World	53,104,798	6	0.30%			
Marion Community Hospital	45,555,790	7	0.25%			
Deltona Corp.	38,912,149	8	0.22%			
Paddock Mall Associates	35,142,214	9	0.20%	27,303,206	5	0.34%
Florida Gas Transmission Co.	32,755,032	10	0.18%			
Florida Power Corporation				83,487,714	2	1.05%
Clay Electric Cooperative, Inc.				23,880,085	6	0.30%
Ocala Regional Medical Center				21,705,725	7	0.27%
Dayco Products, Inc.				21,339,955	8	0.27%
Del Webb's Spruce Creek				19,052,940	9	0.24%
Lockheed Martin				18,506,042	10	0.23%
Total Principal Taxpayers	663,276,387		3.70%	429,428,351		5.38%
All Other Taxpayers	17,239,468,613		96.30%	7,549,482,179		94.62%
Total Taxable Valuation	<u>\$ 17,902,745,000</u>		<u>100.00%</u>	<u>\$ 7,978,910,530</u>		<u>100.00%</u>

Source: Marion County Property Appraiser Office and website - www.pa.marion.fl.us

**MARION COUNTY DISTRICT SCHOOL BOARD
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 10

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (a)	Total Collections to Date	
		Amount (a)	Percentage of Levy		Amount (a)	Percentage of Levy
2002	\$ 75,799,650	\$ 72,753,461	95.98%	\$ 727,748	\$ 73,481,209	96.94%
2003	82,059,728	78,827,201	96.06%	922,227	79,749,428	97.18%
2004	88,447,457	85,017,749	96.12%	1,466,932	86,484,681	97.78%
2005	92,114,667	88,904,841	96.52%	1,644,345	90,549,186	98.30%
2006	104,658,905	101,126,372	96.62%	556,718	101,683,090	97.16%
2007	137,150,917	133,644,030	97.44%	322,071	133,966,101	97.68%
2008	170,492,916	161,800,192	94.90%	291,101	162,091,293	95.07%
2009	168,776,671	158,593,292	93.97%	4,039,831	162,633,123	96.36%
2010	150,217,728	143,516,676	95.54%	2,200,148	145,716,824	97.00%
2011	134,903,407	129,266,064	95.82%	1,503,993	130,770,057	96.94%

(a) Net of allowable discounts. Florida law allows a 4 percent discount starting November and reducing 1 percent each month until February.

Sources: Marion County School Board Approved Budget
Marion County School Board Superintendent's Annual Financial Report

MARION COUNTY DISTRICT SCHOOL BOARD
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 11

Fiscal Year	General Obligation Bonds	State Board of Education Bonds	District Improvement Bonds	Certificates of Participation	Note Payable	Capital Lease	Total	Unweighted FTE (a)	Ratio of Debt Per FTE (a)
2002	\$ 14,325,000	\$11,425,000	\$ 3,440,000	\$ 45,945,000	\$ 700,000	\$ -	\$ 75,835,000	38,463	1,971.64
2003	8,917,055	10,640,000	3,380,000	80,825,000	-	-	103,762,055	39,027	2,658.72
2004	-	11,405,000	3,320,000	77,410,000	1,057,549	-	93,192,549	39,652	2,350.26
2005	-	12,160,000	3,255,000	74,485,000	535,884	-	90,435,884	40,637	2,225.46
2006	-	11,175,000	3,190,000	123,245,000	-	2,265,000	137,610,000	41,455	3,319.54
2007	-	10,220,000	3,125,000	172,380,000	-	1,840,843	185,725,000	41,966	4,425.61
2008	-	9,430,000	3,055,000	164,625,000	-	1,402,731	177,110,000	41,668	4,250.50
2009	-	8,600,000	2,985,000	156,525,000	-	950,205	168,110,000	41,792	4,022.54
2010	-	7,705,000	2,910,000	148,445,000	-	482,792	159,060,000	41,659	3,818.14
2011	-	6,760,000	2,830,000	139,570,000	-	-	149,160,000	41,500	3,594.22

(a) FTE is an abbreviation for full-time equivalent student.

Source: Marion County District School Board, Finance Department Records

Table 12

MARION COUNTY DISTRICT SCHOOL BOARD
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Population (a)	Assessed Value (b)	General Obligation Bonds	State Board of Education Bonds	District Improvement Bonds	Certificates of Participation	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	Net Bonded Debt as a Percentage of Personal Income
2002	264,277	\$ 7,978,910,530	\$ 14,325,000	\$ 11,425,000	\$ 3,440,000	\$ 45,945,000	\$ 75,135,000	\$ 4,113,877	\$ 71,021,123	0.89%	\$ 268.74	1.07%
2003	271,096	8,686,988,955	8,917,055	10,640,000	3,380,000	80,825,000	103,762,055	4,145,084	99,616,971	1.15%	367.46	1.41%
2004	280,288	9,747,661,596	-	11,405,000	3,320,000	77,410,000	92,135,000	1,013,055	91,121,945	0.93%	325.10	1.25%
2005	293,317	11,124,276,424	-	12,160,000	3,255,000	74,485,000	89,900,000	531,007	89,368,993	0.80%	304.68	1.30%
2006	304,926	13,057,730,937	-	11,175,000	3,190,000	123,245,000	137,610,000	604,174	137,005,826	1.05%	449.31	1.90%
2007	315,074	17,543,701,963	-	10,220,000	3,125,000	172,380,000	185,725,000	673,270	185,051,730	1.05%	587.33	2.27%
2008	325,023	22,347,382,181	-	9,430,000	3,055,000	164,625,000	177,110,000	596,319	176,513,681	0.79%	543.08	1.94%
2009	330,440	22,322,733,866	-	8,600,000	2,985,000	156,525,000	168,110,000	571,608	167,538,392	0.75%	507.02	1.70%
2010	331,800	19,975,944,997	-	7,705,000	2,910,000	148,445,000	159,060,000	554,960	158,505,040	0.79%	477.71	1.55%
2011	332,387	17,876,424,531	-	6,760,000	2,830,000	139,570,000	149,160,000	525,621	148,634,379	0.83%	447.17	1.45%

(a) Population is as of December 31 of the previous calendar year.

(b) Assessed values are as of January 1 for all years presented. Collections on the related tax levies occur in the succeeding fiscal year.

Sources: Florida Research and Economic Database - <http://www.fred.labormarketinfo.com>

Florida Demographic Estimating Conference and the Florida Demographic Database, August 2010 - <http://www.edr.state.fl.us/content/population-demographics>

Marion County Property Appraiser - <http://www.pa.marion.fl.us/>

Marion County District School Board, Finance Department Records

Table 13

**MARION COUNTY DISTRICT SCHOOL BOARD
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed Value (a)	\$ 7,978,910,530	\$ 8,686,988,955	\$ 9,747,661,596	\$ 11,124,276,424	\$ 13,057,730,937	\$ 17,543,701,963	\$ 22,347,382,181	\$ 22,322,733,866	\$ 19,975,944,997	\$ 17,876,424,531
Debt Limit on Assessed Value (b)	\$ 7,978,910,530	\$ 8,686,988,955	\$ 9,747,661,596	\$ 11,124,276,424	\$ 13,057,730,937	\$ 17,543,701,963	\$ 22,347,382,181	\$ 22,322,733,866	\$ 19,975,944,997	\$ 17,876,424,531
Amount of Debt Applicable to Debt Limit:										
Bonds Payable (c)	\$ 14,325,000	\$ 8,917,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Amount Available for Debt Service	(3,527,783)	(3,611,933)	-	-	-	-	-	-	-	-
Total Debt Applicable to the Debt Limit	10,797,217	5,305,122	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 7,968,113,313	\$ 8,681,683,833	\$ 9,747,661,596	\$ 11,124,276,424	\$ 13,057,730,937	\$ 17,543,701,963	\$ 22,347,382,181	\$ 22,322,733,866	\$ 19,975,944,997	\$ 17,876,424,531
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.14%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(a) Assessed value is as of January 1.

(b) The State of Florida does not have a limit on the amount of voter approved (general obligation) debt.

(c) Includes General Obligation Bonds only.

Source: Marion County Property Appraiser - <http://www.pa.marion.fl.us/>

MARION COUNTY DISTRICT SCHOOL BOARD
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011
(UNAUDITED)

Table 14

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (c)</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Debt Repaid With Property Taxes</u>			
Certificates of Participation	\$ 139,570,000	0.781%	\$ 1,089,691
<u>Other Debt</u>			
State School Bonds (COBI)	6,760,000	0.038%	2,556
District Improvement Revenue Bond	<u>2,830,000</u>	<u>0.016%</u>	<u>448</u>
Subtotal	149,160,000		1,092,696
Marion County Board of County Commissioners Direct Debt (a)	<u>164,901,923</u>	0.922%	<u>1,521,146</u>
Total Direct and Overlapping Debt	<u><u>\$ 314,061,923</u></u>		<u><u>\$ 2,613,841</u></u>
Assessed Taxable Property Value (b)	\$ 17,876,424,531		

(a) Marion County Board of County Commissioner's Comprehensive Annual Financial Report for fiscal year ending September 30, 2010 - <http://www.marioncountyclerk.org>

(b) Assessed value as of January 1, 2010.

(c) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by dividing the portion of another government unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

Sources: Marion County Board of County Commissioners Comprehensive Annual Financial Report for fiscal year ending September 30, 2010 - <http://www.marioncountyclerk.org>

Marion County Property Appraiser - <http://www.pa.marion.fl.us/>

**MARION COUNTY DISTRICT SCHOOL BOARD
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Table 15

Fiscal Year	District Revenue Bonds					
	Pari-Mutuel Revenues	Miscellaneous Revenue	Debt Service		Other Dues & Fees	Coverage
			Principal	Interest		
2002	\$ 223,250	\$ 17,273	\$ -	\$ 119,700	\$ 55,690	1.37
2003	223,250	3,623	60,000	160,950	532	1.02
2004	223,250	3,551	60,000	158,850	532	1.03
2005	223,250	5,577	65,000	156,663	1,000	1.03
2006	223,250	11,050	65,000	154,388	539	1.07
2007	223,250	15,251	65,000	152,080	539	1.10
2008	223,250	11,744	70,000	149,580	539	1.07
2009	223,250	4,071	70,000	146,850	539	1.05
2010	223,250	1,009	75,000	143,913	539	1.02
2011	223,250	1,299	80,000	140,725	539	1.01

Source: Marion County School District Finance Department - Fund 291, Improvement Revenue Bonds.

**MARION COUNTY DISTRICT SCHOOL BOARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Population (a)	Personal Income (b) <i>(in thousands)</i>	Per Capita Personal Income (b)	Unemployment Rate (c)		
				Marion County	Florida	United States
2002	264,277	\$ 6,613,796	\$ 25,026	5.4%	5.3%	5.9%
2003	271,096	7,059,882	26,042	4.9%	5.6%	6.5%
2004	280,288	7,312,434	26,089	3.9%	4.8%	5.4%
2005	293,317	6,896,469	23,512	3.5%	3.7%	4.8%
2006	304,926	7,220,988	24,749	3.5%	3.6%	4.6%
2007	315,074	8,160,559	26,893	4.8%	4.2%	4.9%
2008	325,023	9,118,829	29,012	7.2%	5.7%	5.7%
2009	330,440	9,827,058	30,322	12.6%	10.8%	9.7%
2010	331,800	10,215,839	31,225	13.9%	11.6%	9.6%
2011	332,387	10,216,751	31,097	12.6%	11.1%	9.3%

(a) Population is as of December 31 of the previous calendar year.

(b) The Personal Income and Per Capita Income are as of 2009 (the most recent available).

(c) The unemployment rates are as of June.

Sources: Florida Research and Economic Database - <http://fred.labormarketinfo.com>

Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment
Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Statistics

Table 17

**MARION COUNTY DISTRICT SCHOOL BOARD
PRINCIPAL EMPLOYERS, TEN LARGEST EMPLOYERS
LAST YEAR AND NINE YEARS AGO
(UNAUDITED)**

	2011			2002		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Employer						
Marion County Public Schools	5,913	1	5.09%	5,184	1	4.93%
Munroe Regional Medical Center	2,652	2	2.28%	2,100	2	2.00%
State of Florida (all departments)	2,582	3	2.22%			0.00%
Wal-Mart (Combined)	2,370	4	2.04%	1,452	4	1.38%
Ocala Regional Medical Center & West Marion Community Hospital	1,725	5	1.48%	1,200	6	1.14%
Marion County Government (all departments)	1,439	6	1.24%			0.00%
Publix Supermarkets (combined)	1,275	7	1.10%	1,400	5	1.33%
AT&T	1,000	8	0.86%			
City of Ocala (all departments)	950	9	0.82%			
Lockheed Martin	928	10	0.80%			
Emergency One, Inc.				1,600	3	1.52%
Clarison International Corporation				915	7	0.87%
Winn-Dixie Supermarkets (Combined)				866	8	0.82%
K-Mart Corporation				650	9	0.62%
Mark IV Automotive-Dayco Products				640	10	0.61%
Totals	20,834		17.93%	16,007		15.22%
All Others	95,393		82.07%	89,079		84.78%
Total Employment	116,227		100.00%	105,086		100%

Sources: Florida Research and Economic Database - <http://fred.labormarketinfo.com>
Marion County Economic Development Corporation - <http://www.ocalaedc.org>

Table 18

MARION COUNTY DISTRICT SCHOOL BOARD
NUMBER OF FULL TIME EMPLOYEES
LAST TEN FISCAL YEARS
 (UNAUDITED)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instructors	2,504	2,418	2,581	2,599	2,706	2,876	2,934	2,863	2,891	2,961
Administrators	153	155	158	160	169	173	175	173	174	171
Non-Instructional	1,100	1,149	1,172	1,183	1,194	1,244	1,219	1,123	1,057	1,020
Educational Support	1,427	1,445	1,483	1,495	1,604	1,724	1,762	1,717	1,753	1,761
Total Full Time Employees	5,184	5,167	5,394	5,437	5,673	6,017	6,090	5,876	5,875	5,913

Source: Marion County District School Board, Payroll Department records

Table 19

MARION COUNTY DISTRICT SCHOOL BOARD
OPERATING STATISTICS
LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Number of Schools	Expenditures (a) (d)	Enrollment	Cost Per Student	Percentage Change	Total All Employees	Teaching Staff	Student/Teacher Ratio	Student Attendance Percentage (b)	Unweighted FTE (c)	Ratio of FTE to Instructors	Ratio of FTE to All Employees
2002	46	\$ 234,599,327	39,167	\$ 5,990	2.13%	5,184	2,504	15.6	94.13%	38,463	15.36	7.42
2003	46	246,293,753	39,439	6,245	4.26%	5,167	2,418	16.3	94.23%	39,027	16.14	7.55
2004	46	269,456,252	40,242	6,695.90	7.22%	5,394	2,581	15.6	94.02%	39,652	15.36	7.35
2005	46	287,424,816	40,992	7,011.73	4.72%	5,437	2,599	15.8	93.59%	40,637	15.64	7.47
2006	46	309,039,936	41,896	7,376.36	5.20%	5,673	2,706	15.5	93.28%	41,455	15.32	7.31
2007	47	344,393,653	42,332	8,135.54	10.29%	6,017	2,876	14.7	93.78%	41,966	14.59	6.97
2008	48	367,382,376	42,691	8,605.62	5.78%	6,090	2,934	14.6	96.93%	41,668	14.20	6.84
2009	48	350,240,755	41,498	8,439.94	-1.93%	5,876	2,863	14.5	95.41%	41,792	14.60	7.11
2010 (d)	49	362,794,059	41,173	8,811.46	4.40%	5,875	2,891	14.2	95.41%	41,659	14.41	7.09
2011 (d)	49	331,924,409	41,331	8,030.88	-8.86%	5,913	2,961	14.0	93.33%	41,500	14.02	7.02

(a) Expenditures are General Fund and Special Revenue - Food Service Fund.

(b) Attendance is a calculation based on the average daily attendance.

(c) FTE is an abbreviation for full-time equivalent student.

(d) Expenditures for 2010 and 2011 include State Fiscal Stabilization and Education Jobs Funds which were provided to supplement State and local funding for operating costs.

Source: Marion County District School Board, Finance Department, Payroll Department, Student Records Department records

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Table 20

**MARION COUNTY DISTRICT SCHOOL BOARD
FOOD SERVICE OPERATING DATA
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Years									
	2002	2003	2004	2005 (a)	2006	2007	2008	2009	2010	2011
Days Meals Were Served	180	180	180	175	180	180	180	180	180	180
Average Number of Free and Reduced Meals Served Daily	25,166	24,936	25,965	26,815	27,680	29,647	31,794	33,590	36,106	38,045
Number of Free and Reduced Meals Served	4,529,849	4,488,558	4,673,728	4,692,555	4,982,395	5,336,404	5,722,889	6,046,250	6,499,156	6,848,032
Average Daily Subsidy	48,494	49,226	52,678	55,677	58,677	64,226	70,172	78,690	87,589	93,162
Total Subsidy Received	\$ 8,728,917	\$ 8,860,655	\$ 9,482,103	\$ 9,743,440	\$ 10,561,891	\$ 11,560,705	\$ 12,630,918	\$ 14,164,256	\$ 15,765,930	\$ 16,769,140
Average Number of Meals Served Daily	32,160	31,856	33,730	36,201	37,309	41,831	43,978	45,203	45,808	47,869
Number of Meals Served	5,788,787	5,734,077	6,071,389	6,335,155	6,715,557	7,529,593	7,916,097	8,136,563	8,245,488	8,616,330
Percentage of Free and Reduced Meals Served to Total Meals Served	78%	78%	77%	74%	74%	71%	72%	74%	79%	79%
Average Daily Sales	\$ 76,926	\$ 78,717	\$ 81,760	\$ 88,612	\$ 92,749	\$ 102,797	\$ 108,124	\$ 114,594	\$ 121,164	\$ 123,899
Total Revenue	\$13,846,710	\$14,169,090	\$14,716,743	\$15,507,150	\$16,694,789	\$18,503,456	\$19,462,242	\$20,626,922	\$21,809,462	\$22,301,828
Average Daily Costs	\$ 76,149	\$ 77,172	\$ 82,407	\$ 88,321	\$ 90,886	\$ 97,820	\$ 104,691	\$ 109,885	\$ 112,828	\$ 113,623
Total Costs	\$13,706,860	\$13,891,000	\$14,833,280	\$15,456,193	\$16,359,471	\$17,607,657	\$18,844,391	\$19,779,218	\$20,309,079	\$20,452,132

(a) In the 2004-05 fiscal year, Marion County was affected by three different hurricanes resulting in a net loss of five school days.

Source: Marion County District School Board, Finance Department records

Table 21

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year			Student Membership (c)									
Acquired (a)	Square Footage (b)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Elementary Schools												
Anthony	57,271	323	329	330	317	315	331	351	310	371	340	
Bellevue	67,529	738	698	707	686	705	696	701	683	658	645	
Bellevue-Santos	112,560	728	694	751	794	856	860	828	863	869	800	
College Park	124,473	557	558	679	683	673	649	644	711	713	713	
Dr. NH Jones	107,211	590	646	694	733	808	753	741	741	739	751	
Dunnellon	103,758	626	636	657	661	701	683	764	711	743	648	
East Marion	84,145	769	770	735	740	753	786	730	741	725	718	
Eighth Street	35,223	367	378	374	406	390	382	348	344	317	298	
Emerald Shores	89,976	697	687	654	644	703	690	647	704	647	590	
Evergreen	111,305	717	682	712	711	769	767	753	607	619	624	
Fessenden	65,757	524	515	501	481	457	504	485	489	476	472	
Fort McCoy School (d)	177,679	640	634	605	604	595	578	564	551	578	569	
Greenway	122,462	672	685	748	843	955	1,036	1,012	989	974	925	
Hammett Bowen, Jr.	95,679	-	-	-	-	-	789	870	901	951	776	
Harbour View	115,704	703	683	686	662	709	688	701	693	731	756	
Horizon Academy at Marion Oaks (d)	165,247	-	-	481	475	500	477	459	454	454	459	
Madison Street	56,624	496	500	778	821	839	879	928	874	895	856	
Maplewood	130,536	754	755	-	-	-	-	-	-	-	679	
Marion Oaks	118,704	-	-	-	-	-	-	-	-	-	-	
Oakcrest	113,941	549	551	539	539	561	496	478	587	654	706	
Ocala Springs	92,444	652	603	591	601	600	623	668	626	636	624	
Reddick-Collier	107,162	504	464	448	397	431	428	447	417	418	411	
Romeo	111,906	725	750	808	800	822	791	800	756	744	764	
Saddlewood	129,949	830	853	849	947	1,052	585	623	596	674	746	
Shady Hill	103,723	666	646	651	634	597	618	702	625	609	605	
South Ocala	102,767	609	509	534	503	510	546	609	612	588	616	
Sparr	53,327	505	477	462	441	455	408	391	365	388	404	
Stanton-Weirsdale	72,983	603	542	565	585	580	539	575	560	505	527	
Sunrise	114,540	868	890	909	972	1,093	1,226	1,402	950	899	752	
Ward-Highlands	104,006	796	766	780	845	818	856	883	842	799	777	
Wyomina Park	50,240	560	531	526	551	561	585	538	520	495	549	
Total Elementary Schools		17,768	17,432	17,754	18,076	18,808	19,232	19,685	19,356	19,346	19,258	
Middle Schools												
Bellevue	188,723	1,308	1,211	1,208	1,202	1,157	1,223	1,190	1,131	1,071	1,070	
Dunnellon	117,731	1,020	939	916	985	1,029	1,086	1,118	689	636	672	
Fort King	124,328	819	755	936	960	977	974	1,020	1,212	1,187	1,202	
Fort McCoy School (d)	177,679	633	653	659	632	590	545	540	543	513	521	
Horizon Academy at Marion Oaks (d)	165,247	-	-	-	-	-	-	-	704	708	722	
Howard	165,397	1,669	1,148	1,250	1,222	1,119	1,084	1,017	1,003	975	918	
Lake Weir	163,406	1,302	1,341	1,313	1,315	1,313	1,350	1,380	1,392	1,262	1,261	
Liberty	196,005	798	1,301	1,199	1,218	1,219	1,266	1,267	1,098	1,027	1,086	
North Marion	145,432	954	936	872	945	897	863	781	795	779	764	
Osceola	91,248	1,087	999	963	1,006	1,080	1,182	1,190	925	892	930	
Total Middle Schools		9,590	9,283	9,316	9,485	9,381	9,573	9,503	9,492	9,050	9,146	

Table 21

High Schools		1992	235,758	1,941	1,869	1,828	1,782	1,680	1,626	1,545	1,438	1,351	1,427
Bellevue		1980	145,560	1,256	1,298	1,281	1,333	1,353	1,360	1,465	1,432	1,338	1,176
Dunnellon		2001	302,838	1,815	1,787	1,737	1,880	2,081	2,147	2,249	2,372	2,233	2,091
Forest		1974	236,533	1,669	1,687	1,649	1,734	1,686	1,662	1,709	1,611	1,556	1,503
Lake Weir		1955	187,257	-	-	-	-	264	308	1,469	357	398	359
Marion Technical Institute		1963	200,779	1,470	1,509	1,571	1,542	1,589	1,540	1,606	1,433	1,278	1,320
North Marion		1969	203,384	1,722	1,721	1,743	1,811	1,771	1,689	1,711	1,573	1,558	1,666
Vanguard		1999	401,724	751	1,155	1,503	1,501	1,674	1,702	353	1,778	1,731	1,870
West Port													
Total High Schools				10,624	11,026	11,312	11,583	12,098	12,034	12,107	11,994	11,443	11,412
Charter Schools													
FLAAS		n/a	n/a	41	66	97	66	-	-	-	-	-	-
Francis Marion Military Academy		n/a	n/a	-	-	-	-	-	-	-	-	-	-
McIntosh Charter		n/a	n/a	-	-	20	52	73	84	104	104	97	149
Marion Charter		n/a	n/a	150	183	186	214	207	196	176	179	182	181
Total Charter Schools				191	249	303	332	280	280	280	329	379	424
Special Programs													
ARC (Age 3) PK		n/a	n/a	50	53	49	34	31	37	34	32	34	35
CFCC Academy		n/a	n/a	-	74	74	68	-	-	-	-	-	-
Hillcrest School		1971	50,235	162	167	171	172	174	174	170	159	154	154
Infinity		1979	21,159	144	73	123	98	83	96	61	-	-	-
Kingsbury Academy		n/a	n/a	111	118	151	152	278	242	201	214	188	198
Marion County Marine Institute		n/a	n/a	-	-	-	-	-	-	58	-	-	-
Marion County Jail		n/a	n/a	19	19	19	11	5	2	2	17	11	16
Marion Youth Development Ctr.		n/a	n/a	93	89	91	91	87	-	-	-	-	-
MJDC		n/a	n/a	90	75	64	77	59	70	55	56	32	26
MJFC		n/a	n/a	41	38	38	36	37	40	40	37	22	38
MRMC Speech/Language		n/a	n/a	182	191	224	232	214	206	186	-	-	-
Ni'Ke Academy		n/a	n/a	119	143	127	166	-	-	-	-	-	-
Pace Center for Girls		n/a	n/a	44	41	41	40	41	50	52	51	51	50
Pre-K Program ESE		n/a	n/a	124	-	-	-	-	-	-	122	148	161
Silver River Marine Institute		n/a	n/a	113	140	161	188	190	184	134	176	242	284
Storefront		n/a	n/a	94	92	84	-	-	-	-	-	-	-
Student Services (Homebound)		n/a	n/a	42	55	45	54	68	55	54	68	27	93
Teen Parent/Comm. Ed		n/a	n/a	24	54	68	82	46	40	45	29	36	9
Teen Parent PK		n/a	n/a	23	27	27	15	16	17	24	17	10	27
Total Special Programs				1,475	1,449	1,557	1,516	1,329	1,213	1,116	978	955	1,091
Total District				39,648	39,439	40,242	40,992	41,896	42,332	42,691	42,149	41,173	41,331

(a) Year acquired is generally the land acquisition year.

(b) The square footage is for permanent buildings only and does not include relocatable units.

(c) Student membership is based on the 180 day count.

(d) Fort McCoy and Horizon Academy at Marion Oaks are both elementary and middle schools. The square footage is presented on both lines. The student enrollment is presented at each school individually.

Sources: Marion County District School Board FISH (Florida Inventory of School Houses) Report
Marion County District School Board, Management Information Services Department Records

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**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH THE *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES AND
THE PROVISIONS OF OFFICE OF MANAGEMENT AND BUDGET
(OMB) CIRCULAR A-133**

**MARION COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 4,086,114
National School Lunch Program	10.555	300	11,522,556
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	1,156,895
Total Child Nutrition Cluster			16,765,565
Florida Department of Education:			
Fresh Fruit and Vegetable Program	10.582	None	354,772
Florida Department of Banking and Finance:			
Secure Payments for States and Counties Containing Federal Lands	10.665	None	288,117
Total United States Department of Agriculture			17,408,454
United States Department of Housing and Urban Development			
Indirect:			
City of Ocala:			
Community Development Block Grants/Entitlement Grants	14.218	None	7,613
Total United States Department of Housing and Urban Development			7,613
United States Department of Education			
Direct:			
Federal Pell Grant Program	84.063	N/A	1,279,376
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	25,201
Fund for the Improvement of Education	84.215	N/A	252,984
Total Direct			1,557,561
Indirect:			
Florida Department of Education:			
Title I, Part A Cluster:			
Title 1 Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	14,423,789
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	3,513,356
Total Title I, Part A Cluster			17,937,145
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	9,754,524 (3)
Special Education - Preschool Grants	84.173	266, 267	378,591 (3)
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	5,399,362
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	96,908
Total Special Education Cluster			15,629,385
Education for Homeless Children and Youth Cluster			
Education for Homeless Children and Youth	84.196	127	92,236
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	34,875
Total Education for Homeless Children and Youth Cluster			127,111
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	121, 122	118,021
ARRA - Education Technology State Grants, Recovery Act	84.386	121	12,909
Total Educational Technology State Grants Cluster			130,930
State Fiscal Stabilization Fund Cluster:			
ARRA - Stabilization Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	12,938,233
ARRA - Stabilization Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	198,226
Total State Fiscal Stabilization Fund Cluster			13,136,459
Adult Education - Basic Grants to States	84.002	191,193	371,492
Migrant Education - State Grant Program	84.011	217	22,865
Career and Technical Education - Basic Grants to States	84.048	161	720,940
English Language Acquisition Grants	84.365	102	323,131

**DISTRICT SCHOOL BOARD OF MARION COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Amount of Expenditures (1)
United States Department of Education (concluded):			
Indirect (concluded):			
Florida Department of Education (concluded):			
Improving Teacher Quality State Grants	84.367	224	\$ 3,083,987
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top			
Incentive Grants, Recovery Act	84.395	RD211, RL111	319,587
Education Jobs Fund	84.410	541	8,262,531
Washington County District School Board:			
Reading First State Grants	84.357	7929003	20,715
Total Indirect			<u>60,086,278</u>
Total United States Department of Education			<u>61,643,839</u>
United States Department of Health and Human Services			
Indirect:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	66,999
Total United States Department of Health and Human Services			<u>66,999</u>
Corporation for National and Community Service			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	7,903
Total Corporation for National and Community Service			<u>7,903</u>
United States Department of Homeland Security			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	87,240
Total United States Department of Health and Human Services			<u>87,240</u>
United States Department of Defense			
Direct:			
Air Force Junior Reserve Officer Training Corps	None	N/A	241,731
Army Junior Reserve Office Training Corps	None	N/A	184,619
Navy Junior Reserve Officer Training Corps	None	N/A	50,661
Total United States Department of Defense			<u>477,011</u>
Total Expenditures of Federal Awards			<u>\$ 79,699,059</u>

Notes to Schedule of Federal Financial Assistance:

- (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2010-11 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to an are in agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance. Food Distribution represents the amount of donated food received during the 2010-11 fiscal year. Fair value is determined at the time of donation.
- (3) Subrecipients. The District provided Federal awards to subrecipients as follows

Program Title	CFDA Number	Amount
Special Education - Grants to States	84.027	\$ 28,971
Special Education - Preschool Grants	84.173	6,484



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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 Marion County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon 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. Our audit did not extend to the school and activity funds, commonly called the school internal funds, or to the discretely presented component units. 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 Marion County District School Board's financial statements. For the school internal funds and the aggregate discretely presented component units, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

The results of our operational audit of the District for the fiscal year ended June 30, 2011, will be presented in a separate report.

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

December 14, 2011

Audit Report No. 2012-057



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

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

Compliance

We have audited the Marion 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, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

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

Management's response to the finding 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 the response.

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

December 14, 2011

Audit Report No. 2012-057

**MARION COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
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 <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); 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); State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants (CFDA No. 84.395-ARRA); and Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,390,971
Auditee qualified as low-risk auditee?	Yes

**MARION COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Special Tests and Provisions – Net Cash Resources. Title 7, Section 210.14(b), Code of Federal Regulations (CFR), provides that the District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its food service program or another amount established by the Florida Department of Education (FDOE) pursuant to Title 7, Section 210.19(a), CFR. Pursuant to Title 7, Section 210.19(a)(2), CFR, should the net cash resources exceed three months' average expenditures for the food service program or amount established by FDOE, FDOE may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program. Without such action, FDOE must make adjustments in the rate of reimbursement under the National School Lunch Program.

In a letter dated May 13, 2011, FDOE advised the District that at June 30, 2010, the District had excess net cash resources of \$2,191,125.21 based on the District's total net cash resources (\$7,268,394.87) less the average three months' 2009-10 fiscal year expenditures (\$5,077,269.66; or \$20,309,078.65 of total food service expenditures divided by twelve months and multiplied by three months). Similarly, at June 30, 2011, the District had excess net cash resources of \$3,530,620.74 based on total net cash resources (\$8,643,653.86) less the average three months' 2010-11 fiscal year expenditures (\$5,113,033.12). District personnel indicated that the noncompliance occurred, in part, because the District lacked a food service program director for most of the 2010-11 fiscal year; accumulated unspent food service employee salaries due to untimely resolution of union negotiations; and accumulated resources to cover anticipated increased food costs.

In June 2011, the District submitted a plan to FDOE to bring excess cash resources of its food service program into compliance with Federal regulations. The District's plan includes expenditures of \$1 million for improving food service equipment, including modifying food service lines in secondary schools; \$625,000 for expanding freezer capacity; \$360,000 for enhancing food products (i.e., increasing fruits and vegetables); and \$80,000 for enhancing program technology by replacing old point of sale terminals, computers, and other required technology. In the event the District fails to bring net cash resources into compliance with Federal regulations, FDOE may require the District to reduce the price charged to students for lunches or make adjustments in the rate of reimbursement under the National School Lunch Program.

Recommendation: The District should enhance procedures to ensure that net cash resources of its food service program are maintained within the level prescribed by Federal regulations.

District Contact Person: Susan Johnson, Supervisor Food and Nutrition Services

PRIOR AUDIT FOLLOW-UP

The District had taken correct actions for findings included in previous reports on audits of the District's financial statements and Federal awards.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

**MARION COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

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

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

EXHIBIT A
MANAGEMENT'S RESPONSE



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December 1, 2011

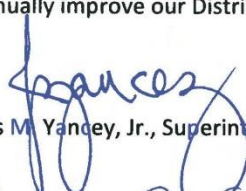
David W. Martin, Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

In response to the auditors' comments relative to the audit of our financial statements and federal awards, we offer the following:

Child Nutrition Cluster – Net Cash Resources

Prior to the 2009/10 fiscal year, our School Food Service program had not accumulated any excess cash and the reason for the recent accumulation is due to the significant rise in the number of free and reduced lunches that were provided to eligible students. The rise in the number of eligible students was the direct result of the rise in unemployment in our area for the same time period. As noted in your comment, we have already begun a corrective action plan. The recent passing of the Healthy Hunger Free Kids Act has added requirements of training, program modifications and enhancements. Our plan is to utilize the excess funds to secure resources that will support the District in meeting the new regulations and to provide a program that supports the well-being, nutrition, and education of children in Marion County. We are continuing to work with the Florida Department of Education to determine appropriate actions we can take to reduce the cash balances in a conservative manner that best serves the needs of our food service program.

We appreciate your assistance and review of our systems and look forward to working together to continually improve our District.


James M. Yancey, Jr., Superintendent


Theresa Boston-Ellis, Executive Director of Business Services


Alice McClellan, Director of Finance

James M. Yancey, Jr. Superintendent	Judi Zanetti District 1	Jacqueline Porter District 2	Bobby L. James District 3	Angie Boynton District 4	Ronald B. Crawford District 5
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- An Equal Opportunity School District & Drug-Free Workplace -

SAVE-A-FRIEND Hotline 1-877-7FRIEND

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