

**DISTRICT SCHOOL BOARD
OF MARTIN COUNTY, FLORIDA**
Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2012

Prepared by the Finance Department

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION





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THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

500 East Ocean Blvd • Stuart, Florida 34994 • Telephone (772) 219-1200 EXT 30200 • Facsimile: (772) 219-1231

February 13, 2013

Dear Chairman, School Board Members, and Citizens of Martin County:

State law requires that all school districts publish after the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America ("GAAP"), and audited in accordance with auditing standards generally accepted in the United States of America by a licensed certified public accountant. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report ("CAFR") of the District School Board of Martin County, Florida (the "District") for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the District. Management was notified by District staff of issues regarding the financial statements presented on November 19, 2012. As a result of these issues, the CAFR needed to be restated in order to provide a fair presentation of the financials of the District. Management attests to the information herein.

Unrecorded liabilities of termination benefits earned by retirees in the amount of \$1,316,759 and overstatement of transfers to the General Fund from the Local Capital Improvement Tax Fund in the amount of \$1,330,969 created an overstatement of the unassigned fund balance in the General Fund by \$2,647,728. The unassigned fund balance as of June 30, 2012, as restated, is 4.2 percent of annual resources and below the requirement for School Board Policy 6210, which provides that the Board shall strive to maintain an unassigned fund balance in its operating fund equal to five (5) percent of annual resources.

Absent the restatement, described in more detail in Note XI to the financial statements, financial statement users may have incorrectly assessed the District's financial position in relation to Policy 6210.

The audit staff of the Auditor General, State of Florida, 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, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement

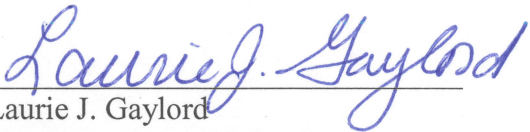
Laurie J. Gaylord, Superintendent

School Board Members: Maura Barry-Sorenson • Michael Busha • Michael DiTerlizzi • Rebecca Negron • Marsha Powers

"An Equal Opportunity Agency"

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

Respectfully submitted,


Laurie J. Gaylord
Superintendent of Schools


Helene DiBartolomeo, CPA
Accounting Manager



November 19, 2012

Dear Chairman, School Board Members, and Citizens of Martin County:

State law requires that all school districts publish after the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (“GAAP”), and audited in accordance with auditing standards generally accepted in the United States of America by a licensed certified public accountant. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report (“CAFR”) of the District School Board of Martin County, Florida (the “District”) for the fiscal year ended June 30, 2012.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the District’s assets from loss, theft, or misuses 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 management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The audit staff of the Auditor General, State of Florida, 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, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the District’s financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

This report includes all funds of the District, The Martin County School Board Leasing Corporation and The Hope Center for Autism, Inc., which comprise the reporting entity. The Martin County School Board Leasing Corporation was formed by the School Board to be the lessor in connection with financing the construction of the Dr. David L. Anderson Middle School and is included as a blended component unit. The Hope Center for Autism, Inc., is a public school operating under a charter issued by the District’s governing board (the “Board”). The charter school is included as a discretely presented component unit.

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.

PROFILE OF THE GOVERNMENT

The District and 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 the District officials in accordance with Chapter 1001, Florida Statutes. The Board consists of five elected officials responsible for the adoption of policies, which govern the operation of the District's public schools. The elected Superintendent of Schools ("Superintendent") is the executive officer of the Board and is responsible for the administration and management of the schools within the applicable parameters of Florida Statutes, State Board of Education Rules, and Board policies. The Superintendent has the specific responsibility for maintaining a uniform system of records and accounts in the District as prescribed by the State Board of Education.

The geographic boundaries of the District are those of Martin County, Florida. During the 2011-12 fiscal year, the District operated 22 schools, including 12 elementary schools, 5 middle schools, 3 high schools, and 2 special schools. The District operates 2 specialized schools for special needs students and sponsors 1 charter school, the Hope Center for Autism, Inc., which is considered a component unit. The Board also awarded a charter to Indian River State College ("IRSC") for the Clark Advanced Learning center. The school is operated under the direction of IRSC and is not considered a component unit of the District. In the 2011-12 fiscal year, the District provided general, special, vocational, and other education programs to 17,964 unweighted full-time equivalent students.

ECONOMIC CONDITION AND OUTLOOK

Martin County is part of the area known as the Treasure Coast along with St. Lucie and Indian River Counties. It is located on the East Central Coast of Florida. There are approximately 15,963 linear feet of public beaches in the county and 556 square miles of land. Martin County was established in 1925 and named for the then Governor of Florida, John Wellborn Martin. The County is largely agricultural with a major tourist sector. It is home to many winter citizens and has developed a pattern for slow but steady growth. The City of Stuart, (County Seat) is known as the "Sailfish Capital of the World" and as such, attracts many anglers visiting from all over the world.

The student population increased from 17,759 in 2011 to 17,964 as of September 2012. Based on the October 2012 survey, the District will have no significant change in student population for the 2012-13 fiscal year.

The District is included among the largest employers in the County along with Martin Memorial Hospital and the Martin County Government.

FINANCIAL PLANNING AND POLICIES

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. The District's school building ages range from 1932 to 2011. The District has a construction program to rebuild, remodel, and expand schools as explained in the master facility plans of the District. This program is financially sound and is taking place over a number of years.

Recruiting and retaining District teachers and other staff members is a high priority for the Board and the Superintendent. District employee benefits continue to lead much of the State as the Board offers an ample benefit and salary package in an effort to retain teachers throughout their career.

The District has a policy to operate in accordance with State law and has developed a long-range strategic plan (Plan). The Plan sets forth goals and objectives for progress in all areas of District operations and outlines steps to be taken for their achievement. As part of the strategic plan for the District, the Board approves strategic goals and objectives to serve as a guide for planning on an annual basis in all areas of operations. The Board reviews the Plan annually with periodic progress reports made by staff. The Superintendent is responsible for keeping the Plan updated as needed.

The District has an investment policy in place for the investment of temporarily idle funds. The purpose of the policy is to outline the responsibility, authority, and general guidelines for the investment management of the District's cash reserves and to ensure compliance with Florida Statutes. See related Notes to the Basic Financial Statements for more information on the investment policy.

The annual budget serves as the basis for the District's financial planning and control and the level of budgetary control is established at the function and object level. Project length financial plans are adopted for the capital project funds. Activities of all governmental fund types are included in the annual appropriated budget.

Budgetary information is integrated into the accounting system and to facilitate budgetary control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at year-end, and encumbrances are ***re-appropriated as part of the subsequent year's budget.***

In order to provide budgetary control for salaries, the District utilizes a centralized position control system. On an annual basis, the Board adopts a District staffing plan that establishes teaching positions based generally on student populations served. Additionally, support and administrative positions are created based upon established criteria.

RISK MANAGEMENT

The District is exposed to a variety of accidental losses including destruction of assets and natural disasters among others. The District is a member of the South Central Educational Risk Management Program (SCERMP). SCERMP, having several school district members, has established a combined limited self-insurance program for property, general liability, auto liability, workers compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other insurance as needed. See related Notes to the Basic Financial Statements for more information on the risk management activities.

REPORTING ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting (GFOA) - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the sixth consecutive year that the District has received this prestigious award. The Certificate is a national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement for Excellence in Financial Reporting (ASBO) -The Association of School Business Officials International (ASBO) also awards a Certificate of Excellence in Financial Reporting to governments who meet the reporting requirements and submit their reports for review and consideration. The District received its fifth consecutive award for Certificate of Excellence in Financial Reporting, for the 2010-11 fiscal year. The Certificate of Excellence in Financial Reporting awarded by ASBO certifies that the CAFR substantially conforms to the accounting and reporting standards adopted by ASBO.

A GFOA Certificate of Achievement and the ASBO Certificate of Excellence are valid for a period of one year. We believe our current report continues to meet the requirements of the Certificate of Achievement Program as well as the Certificate of Excellence Program. Accordingly, we are submitting it to both the GFOA and ASBO for consideration for another award.

MAJOR INITIATIVES

The District has developed a master plan for all of its facilities and is in the process of remodeling and adding new buildings as designed in the future plans. The District completed Indiantown Middle School Phase I, Replacement Classrooms and Café Project 3802 and South Fork High School Phase II Project 3801 was completed at the start of the 2011-12 school-year. The District has on-going construction for the Martin County High School Chiller Plant and class room replacement project 3108 and has planned facility maintenance, improvements, additions, and technology enhancements to be completed within the next five years.

The District has a technology plan that is dedicated to providing students with a quality education. Among the many educational tools administered by the District for teachers, parents, and students are:

- *Pinnacle* - a secure, online grade book that provides parents with instant information on how their student is performing in school;
- *Alert Now* - an outbound calling system capable of sending recorded community outreach, attendance, or emergency phone messages to thousands of students and staff members in just minutes in both English and Spanish;
- *Performance Matters* - a software program that puts valuable student testing data right on teachers' desktops to help them pinpoint the specific areas where an individual student may need extra attention in the classroom; and
- *Raptor Technologies V-Soft* - Is a visitor and volunteer management system that enhances school security by screening visitors and volunteers against a compiled sex offender database from all 50 states. The use of the V-Soft system is a proactive measure by the District to provide an additional level of security for our schools.

ACADEMIC ACCOMPLISHMENTS

- In 2012, the District earned an “A” grade from the Florida Department of Education for the 11th consecutive year.
- In 2012, the District ranked 4th highest in the state for the total points earned on the Florida Comprehensive Assessment Test (FCAT).
 - ✓ In 2011-2012 Martin County School District (MCSD) 8th grade FCAT Writing scores ranked #1 among Florida's 67 school districts (this is the second year in a row MCSD earned the #1 ranking).
 - ✓ In 2011-2012 MCSD 9th and 10th grade Reading scores ranked #2 among Florida's 67 school districts.
 - ✓ In 2010-2011 MCSD ranked 3rd highest among Florida's 67 school districts for total FCAT points earned.
 - ✓ In 2009-2010 and 2008-2009 MCSD ranked 6th highest among Florida's 67 school districts for total FCAT points earned.

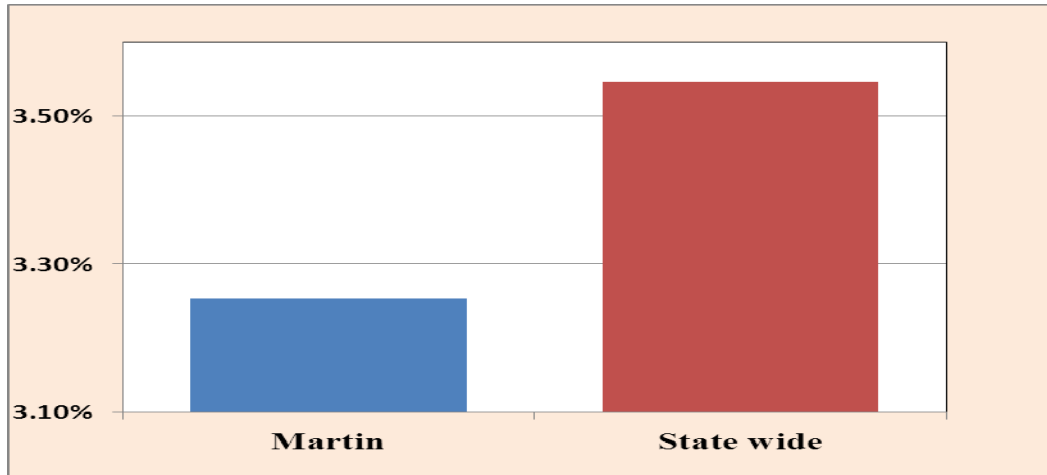
ACADEMIC ACCOMPLISHMENTS *(continued)*

- 2012 marked the 6th consecutive year the District has earned the Academically High-Performing School District designation from the Florida Department of Education. This award is based on compliance with:
 - ✓ Class Size Reduction
 - ✓ District Grades
 - ✓ High School Grades
 - ✓ Sound financial audits
- 2012 ACT composite scores were above state and national averages.
- 2012 SAT are above state and national averages.
- In 2012, MCSD's elementary and middle schools earned 13 "A's" and 4 "B's". Each high school is also projected to have earned an "A" grade when grades are finalized by the Florida Department of Education (FDOE).
- Increased focus on Career Academies, including the launch of middle school career academies.
- Increased community partnerships, including business partners for Career and Technical Education, Budget Committees, and Kids Education and You (KEY) Committee (the Superintendent stakeholders group).

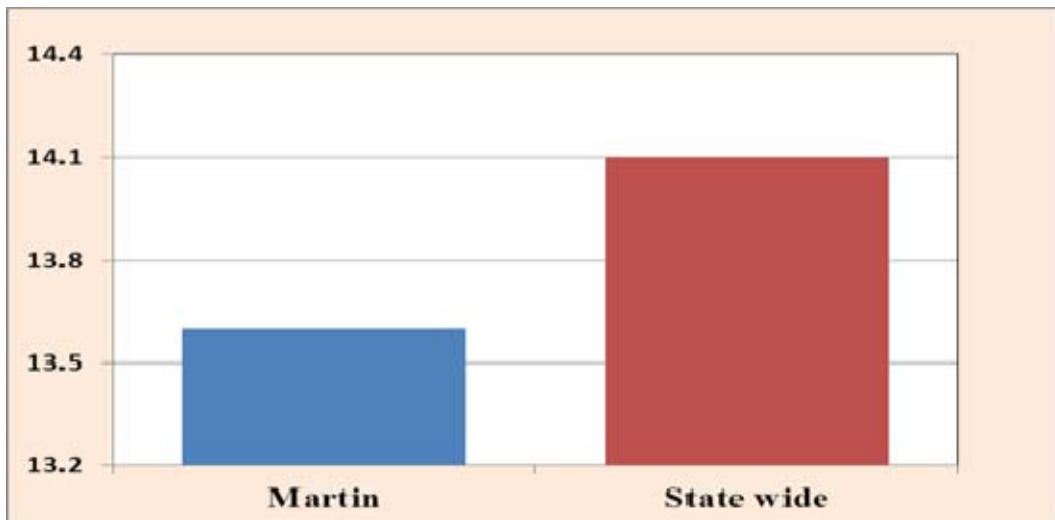
ADMINISTRATION: EFFICIENT OPERATION OF SCHOOLS

In the FDOE's Fall 2011-2012 Staffing Analysis, MCSD continues to operate with total administrative staffing levels below the state average. In addition, the report shows that in Martin County the number of students per teacher is lower than the state average.

Total Administration as a Percentage of Full-Time Staff



Students Per Instructor



Source: Florida Department of Education, "Staff in Florida's Public Schools 2011-12"

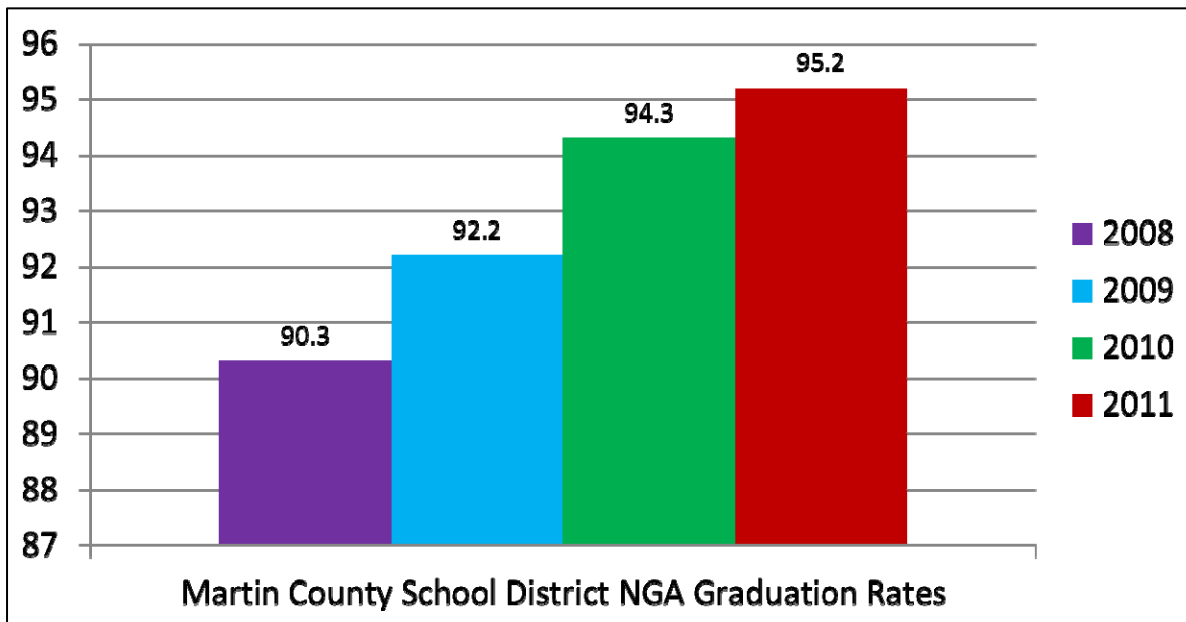
IMPROVED GRADUATION AND DROPOUT RATES

In 2011-2012, MCSD earned the:

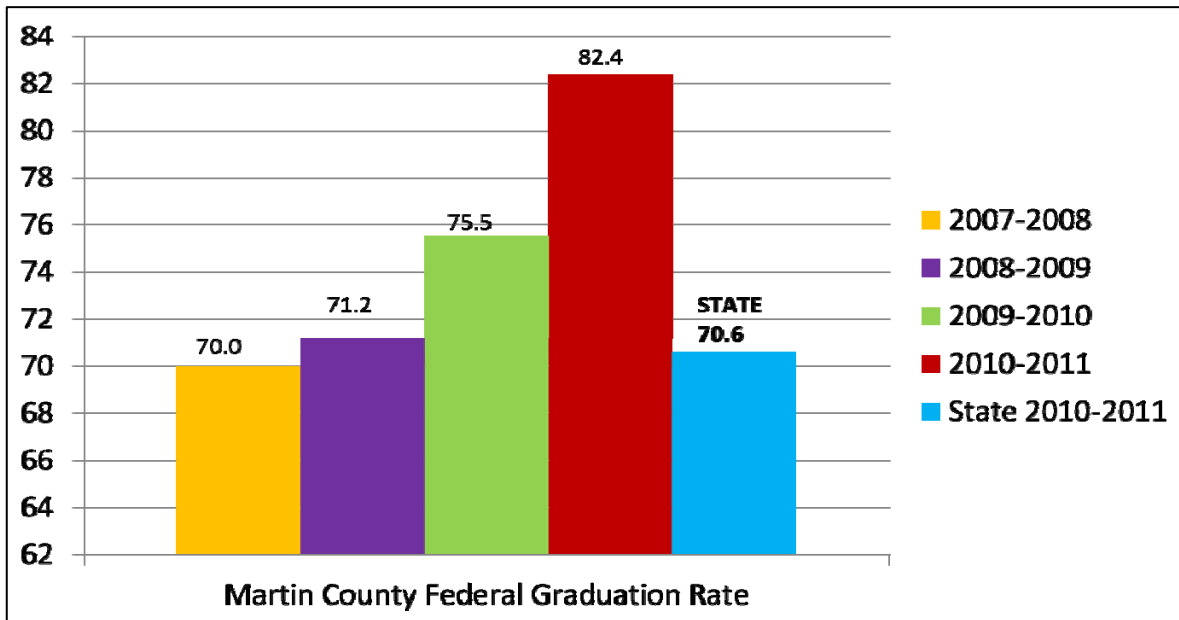
- 2nd highest Graduation Rate (National Governors Association –NGA- calculation) among Florida's 67 school districts. The NGA Graduation Rate only includes as graduates *recipients of standard and special diplomas*. It does not include GEDs.
- 3rd highest Federal Graduation Rate among Florida's 67 school districts. The Federal Graduation Rate only includes as graduates *recipients of standard diplomas*. It does not include special diplomas or GEDs.

The Martin County School District's commitment toward ensuring all students complete their education and earn a diploma is evidenced by the increase in graduation rates and decrease in dropout rates. Among the initiatives implemented by the District to address these two areas are the Bring It 180 attendance campaign, the Highway to Success dropout prevention program, and an increased focus on early intervention for at-risk students.

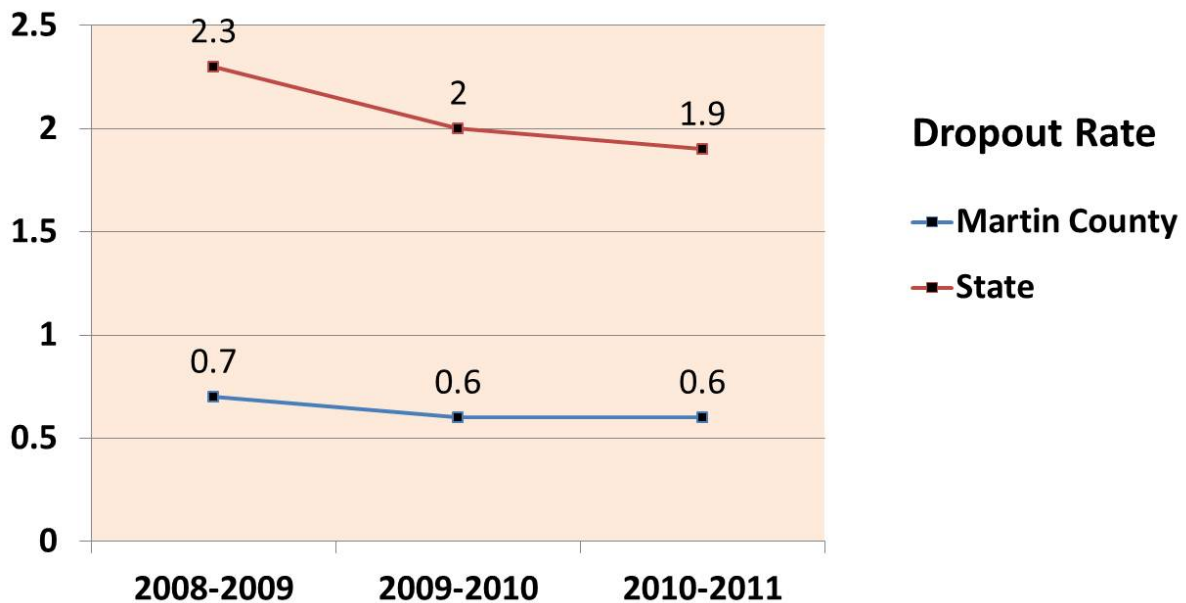
NGA Graduation Rates



Federal Graduation Rates



Decreased High School Dropout Rate



Florida's dropout rate is a single-year indicator that compares the number of dropouts in grades 9-12 to the total 9-12 students enrolled at any time during a single year. The dropout rates and graduation rates are not directly comparable since the graduation rate is a four-year, cohort-based indicator.

ACKNOWLEDGEMENTS

A comprehensive financial report of this nature could not have been prepared without the efficient and dedicated efforts of the Finance Department staff. We would like to express appreciation to all members of the Finance Department and those other staff members who assisted in providing a wealth of information for the preparation of this report.

In closing, we would also like to thank the members of the Board for their leadership and support in establishment of policies and approving processes for financial operations of the District.

Respectfully Submitted,



Nancy Kline
Superintendent



Bryan Thabit, CPA, CGFO
Executive Director of Finance

District School Board of Martin County, Florida



Nancy Kline
Superintendent



Michael Busha
School Board Member
District 1



Sue Hershey
School Board Chair
District 2



Laurie Gaylord
School Board Member
District 3



Maura Barry-Sorenson
School Board Vice-Chair
District 4



Dr. David L. Anderson
School Board Member
District 5



2011-12 Fiscal Year
Superintendent and School Board Members

District School Board of Martin County, Florida

LIST OF PRINCIPAL OFFICIALS – APPOINTED

Dr. Frank Raffone

Assistant Superintendent

Catherine Tedesco

**Executive Director for
Instructional Services**

Bryan Thabit

**Executive Director of
Finance**

Steven Weil

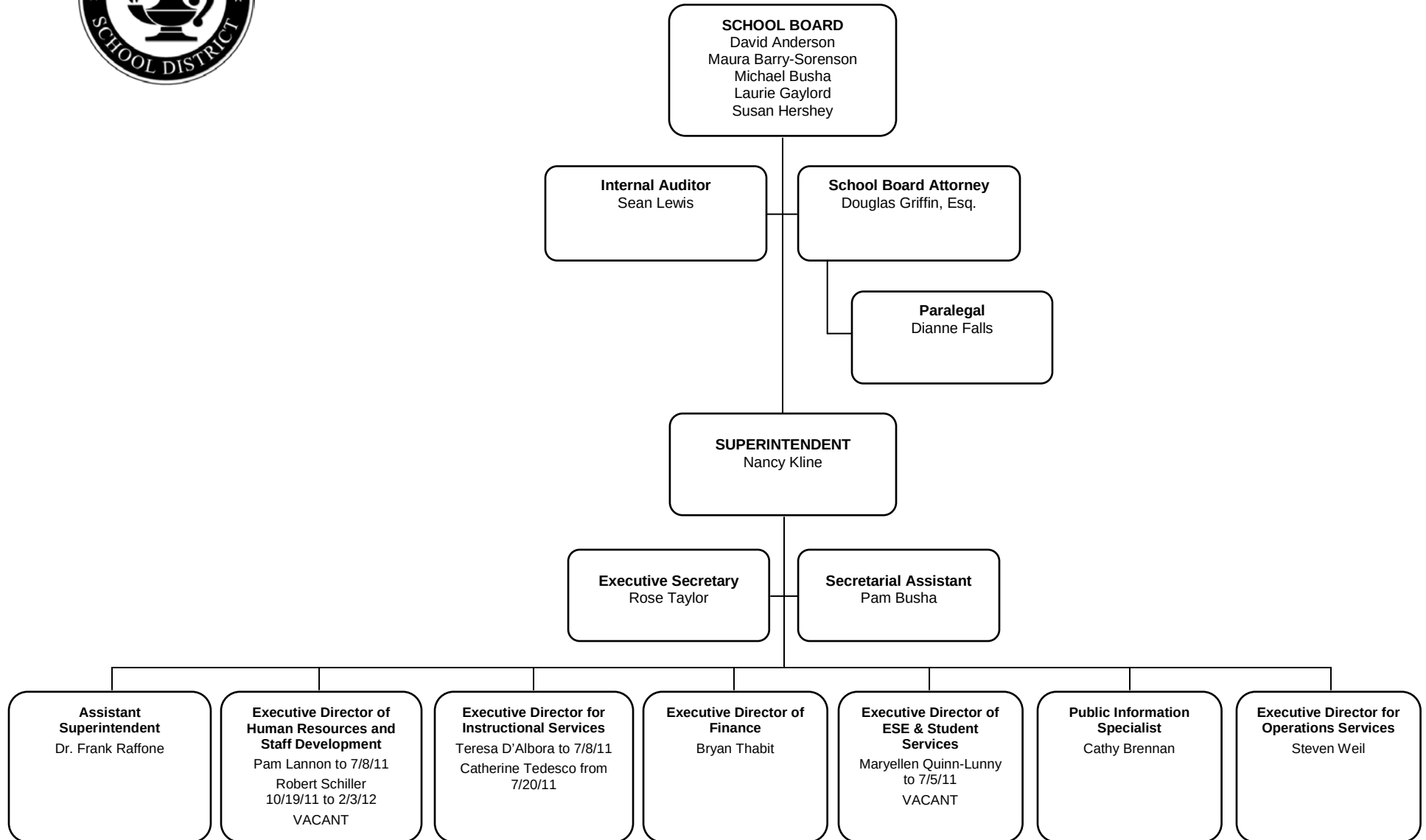
**Executive Director for
Operations Services**





SCHOOL BOARD OF MARTIN COUNTY

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

District School Board
of Martin County, Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of 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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director



This Certificate of Excellence in Financial Reporting is presented to

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



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FINANCIAL SECTION





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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



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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Martin County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report 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 report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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 discretely presented component unit, each major fund, and the aggregate remaining fund information for the Martin County District School Board as of June 30, 2012, and the respective changes in financial position, and the budgetary comparison for the general fund and major special revenue fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note I.A. to the financial statements, the Martin County Education Foundation, Inc., has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the

criteria of being a component unit of the District and, therefore, is not reported for the 2011-12 fiscal year. This affects the comparability of amounts reported for the 2010-11 fiscal year with amounts reported for the 2011-12 fiscal year.

As discussed in note XI, subsequent to issuance of the financial statements for the fiscal year ended June 30, 2012, the District became aware of circumstances that indicated the possibility of an unreported liability for termination benefits and potentially improper transfers from the Capital Project – Local Capital Improvement Tax Fund (LCITF) to the General Fund. Upon becoming aware of these circumstances, we determined that a General Fund unreported liability existed and excessive transfers were made from the LCITF to the General Fund. The financial statements have been reissued to reflect the restatement of account balances and transactions related to these termination benefits and transfers. Financial Statement Finding Nos. 1 and 2 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** provide additional information with respect to the related internal control deficiencies. Our auditor's report on the previously-issued financial statements (included in Report No. 2013-046, dated November 19, 2012) is not to be relied on because those statements have been restated, and our report on the previously-issued financial statements is replaced by this report.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Martin 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 FUNDING PROGRESS – EARLY RETIREMENT PLAN, SCHEDULE OF EMPLOYER CONTRIBUTIONS – EARLY RETIREMENT PLAN, and SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual financial fund financial statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the combining and individual fund financial statements and schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA

November 19, 2012, except for Note XI, as to
which the date is February 13, 2013

Audit Report No. 2013-046



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to the basic financial statements found on pages 17 through 71.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to those of a private-sector business and consist of the following two statements:

- The *statement of net assets* presents information on most of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is strengthening or weakening.
- The *statement of activities* presents information showing how the government's net assets changed during the 2011-12 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statement of activities presents functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental

activities of the District include educational programs (basic, vocational, adult, and exceptional education), and school support functions such as transportation, facilities, and administration.

The government-wide financial statements include not only the District itself (known as the primary government), but also the Hope Center for Autism, Inc., charter school. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information, for the component unit, is reported separately from the financial information presented for the primary government.

In prior years, the Martin County Education Foundation, Inc. (Foundation), was considered a discretely presented component unit. For the 2011-12 fiscal year, the Foundation amended its Articles of Incorporation and is no longer considered part of the reporting entity of the District.

The government-wide financial statements may be found on pages 19-21 of this report.

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 are 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 detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories: governmental funds or fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, 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. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the

long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General, Federal Economic Stimulus, and Local Capital Improvement Tax Funds. Data from the other eight governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The District adopts annual budgets for its General and Federal Economic Stimulus Funds. Budgetary to actual comparisons have been provided for these funds to demonstrate budgetary compliance.

The basic governmental funds financial statements can be found on pages 22-35 of this report.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds 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 reports the following fiduciary fund types:

- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Private-Purpose Trust Funds – to account for resources of various scholarship trust funds.
- Agency Funds – to account for resources held for student activities and groups.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 39-71 of this report.

Other Information

Combining statements referred to earlier, present a more detailed view of nonmajor funds used in governmental funds. This section includes budget to actual schedules for nonmajor special revenue, debt service, and capital projects funds. Also included are statements for agency funds and component units. Combining and individual fund schedules can be found on pages 82-102. Additional information about the District that

may be of interest to the reader is found under the Statistical section on pages 105-139 of this report.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

Government-wide Statements

- The District's assets exceed its liabilities at June 30, 2012, by \$301 million (*net assets*).
- The District's total net assets decreased by \$21.1 million, which represents a 6.5 percent decrease from the 2010-11 fiscal year.
- General revenues total \$163.7 million, or 92.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$12.8 million, or 7.3 percent of all revenues.
- Expenses total \$197.6 million; \$12.8 million of these expenses are offset by program specific charges, with the remainder paid from general revenues. Total expenses exceed total revenues by \$21.1 million.

Fund Statements

- At June 30, 2012, the District's governmental funds report combined ending fund balances of \$36.2 million, a decrease of \$16.8 million from the prior fiscal year.
- At June 30, 2012, assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriations by the Board, totals \$5.4 million or 4.2 percent of total General Fund revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

District School Board of Martin County, Florida			
Net Assets			
	Governmental Activities		Percent Change
	<u>2012</u>	<u>2011</u>	
Current and other assets	\$ 47,061,595	\$ 67,196,272	-30.0%
Capital assets	<u>376,202,540</u>	<u>370,104,601</u>	1.6%
Total assets	<u>423,264,135</u>	<u>437,300,873</u>	-3.2%
Other liabilities	7,072,691	10,228,217	-30.9%
Long-term liabilities	<u>115,186,040</u>	<u>104,998,777</u>	9.7%
Total liabilities	<u>122,258,731</u>	<u>115,226,994</u>	6.1%
Net assets:			
Invested in capital assets, net of related debt	328,366,440	319,932,319	2.6%
Restricted	30,311,138	42,529,840	-28.7%
Unrestricted Deficit	<u>(57,672,174)</u>	<u>(40,388,280)</u>	42.8%
Total net assets	<u>\$ 301,005,404</u>	<u>\$ 322,073,879</u>	-6.5%

The largest portion of the District's net assets (\$328.4 million) reflects its investment in capital assets (e.g., land, buildings, furniture, fixtures, and equipment) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the District's net assets, \$30.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets is unrestricted net assets \$8.2 million - after exclusion of \$17.1 million in compensated absences payable and \$48.8 million in other postemployment benefits obligations. The District's unrestricted net assets balance is negative because of the District's future liabilities for employee compensated absences and other postemployment benefits; however, the District has sufficient current assets to meet its current obligations.

Restricted net assets have decreased \$12.2 million from June 30, 2012, to June 30, 2011. These net assets represent restrictions from specific revenue sources and grants. The deficit in unrestricted net assets in the governmental type activities has increased \$17.3 million. This is primarily due to the recognition and presentation of other postemployment benefit liability obligations of the District.

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

District School Board of Martin County, Florida
Changes in Net Assets

	Governmental Activities		Percent
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 6,003,286	\$ 5,884,507	2.0%
Operating grants and contributions	4,830,648	4,520,960	6.9%
Capital grants and contributions	1,994,232	3,075,398	-35.2%
Total Program revenues	<u>12,828,166</u>	<u>13,480,865</u>	-4.8%
General revenues:			
Property taxes, levied for operational purposes	89,175,396	97,202,185	-8.3%
Property taxes, levied for capital purposes	26,224,667	26,738,877	-1.9%
Grants and contributions not restricted to specific prog.	45,362,980	52,672,114	-13.9%
Other	2,899,401	3,169,129	-8.5%
Total General revenues	<u>163,662,444</u>	<u>179,782,305</u>	-9.0%
Total revenues	<u>176,490,610</u>	<u>193,263,170</u>	-8.7%
Expenses			
Instruction	96,030,312	101,154,165	-5.1%
Pupil personnel services	9,903,132	9,928,751	-0.3%
Instructional media services	2,213,015	2,263,085	-2.2%
Instructional and curriculum development services	3,711,583	3,418,956	8.6%
Instructional staff training services	2,895,164	3,155,887	-8.3%
Instruction related technology	1,741,333	1,699,938	2.4%
School board	729,644	731,165	-0.2%
General administration	729,721	750,550	-2.8%
School administration	10,316,230	9,925,657	3.9%
Facilities services	26,041,389	26,211,680	-0.6%
Fiscal services	1,066,902	1,159,594	-8.0%
Food services	7,170,203	6,591,543	8.8%
Central services	4,822,277	4,216,113	14.4%
Pupil transportation services	6,468,443	6,143,955	5.3%
Operation of plant	13,838,429	15,184,217	-8.9%
Maintenance of plant	4,373,070	4,595,135	-4.8%
Administrative technology services	563,865	563,005	0.2%
Community services	2,740,540	2,729,930	0.4%
Unallocated interest on long-term debt	2,203,833	2,239,480	-1.6%
Total expenses	<u>197,559,085</u>	<u>202,662,806</u>	-2.5%
Change in net assets	(21,068,475)	(9,399,636)	
Net assets - beginning	322,073,879	331,473,515	
Net assets - ending	<u>\$ 301,005,404</u>	<u>\$ 322,073,879</u>	-6.5%

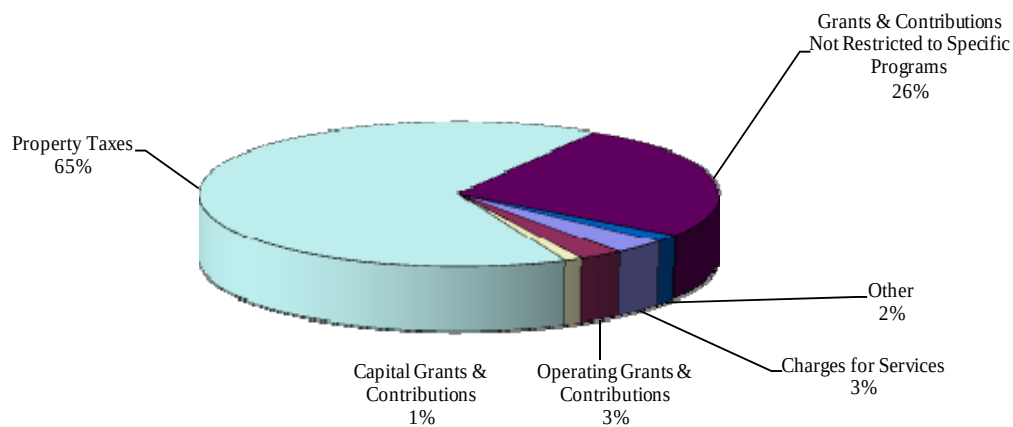
Major changes in revenues were caused by the following:

- Capital Grants – Decreased by 35.2 percent due to a decrease in State capital outlay appropriations.
- Property taxes levied for operational and capital purposes - Decreased \$8.0 million and \$0.5 million, respectively, due to the decrease in assessed property value and millage levy.
- Grants and contributions – Decreased by 13.9 percent, due to the loss of American Recovery and Reinvestment Act (ARRA) and Education Jobs Fund programs.

Major changes in expenses were caused by the following:

- Instruction – Decreased by \$5.1 million or 5.1 percent, due to the new requirement for employees to contribute 3 percent of their pay to the Florida Retirement System and attrition.
- Instructional & Curriculum Instruction – Increased by \$0.3 million or 8.6 percent due to the implementation of Race-to-the-Top grant initiatives.
- Food services – Increased by \$0.6 million or 8.8 percent, due primarily to the increase in food costs.
- Central Services – Increased by \$0.6 million or 14.4 percent, due primarily to the increase in the Board’s contribution for retiree health insurance.

Revenues by Source - Governmental Activities



FUND FINANCIAL ANALYSIS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful when assessing the District's financing requirements. For example, *unassigned fund balance* may serve as a useful measure of the District's resources available to finance future contracts or services.

District School Board of Martin County, Florida Fund Balance

	2012	2011
Fund balance:		
Nonspendable	\$ 600,559	\$ 698,053
Restricted	30,245,201	42,320,157
Assigned	6,545	611,930
Unassigned	5,372,118	9,389,240
Total fund balance	<u>\$ 36,224,423</u>	<u>\$ 53,019,380</u>

As of the end of the 2011-12 fiscal year, the District's governmental funds reported combined ending fund balances of \$36.2 million, a decrease of \$16.8 million in comparison with the prior fiscal year.

Major Funds

The General, Federal Economic Stimulus, and Local Capital Improvement Tax Funds were reported as major funds.

The General Fund is the chief operating fund of the District. The General Fund has a decrease in fund balance of \$5.6 million, primarily due from the loss of Federal ARRA Stabilization and Education Jobs Fund grants. The total fund balance is \$7.1 million, of which \$5.4 million is unassigned. 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 revenues. Unassigned fund balance represents 4.2 percent of total General Fund operating revenue, while total fund balance represents 5.6 percent of that same amount.

The unassigned fund balance decreased due to the loss of Federal Education Jobs Fund and ARRA Stabilization programs.

The Special Revenue – Federal Economic Stimulus Fund have total revenues and expenditures of \$0.6 million each, and the funding was mainly used for Race-to-the-Top grant activities.

The Capital Projects - Local Capital Improvement Tax Fund has a decrease in fund balance of \$8.9 million to a total fund balance of \$24.7 million, which is restricted for acquisition, construction, and maintenance of capital assets. The decrease is primarily due to the continued construction of projects and a decrease in capital millage levy proceeds. It should be noted that several projects are currently under construction, and \$12.1 million has been encumbered for specific projects.

Nonmajor Funds

The fund balance decreased by \$2.3 million, or 34 percent, primarily caused by the use of State Capital Outlay and Debt Service funds for construction projects. Nonmajor governmental funds consist primarily of debt service funds, and nonmajor special revenue and capital projects funds. The total fund balance of \$4.4 million is to be expended on specific programs.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2011-12 fiscal year, the District amended its General Fund budget several times. Budget revisions were due primarily to workforce reductions due to attrition, termination payouts, and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance and compliance with State-mandated class-size reduction. Final budgeted revenues and expenditures were in line with original budgeted amounts.

A final budget amendment was approved at year-end to amend the budget to actual revenues and expenditures. The Board is authorized by State statute to make budget amendments up to the date that the District's Annual Financial Report is approved. The District typically elects to amend its budget to actual at that time to ensure that all expenditures adjustments are covered by the budget amendments. A General Fund budgetary comparison statement can be found in the Financial Section, pages 28-31.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2012, is \$376.2 million (net of accumulated depreciation). The investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; and audio visual materials and computer software. The District experienced an overall increase in investment in capital assets over the previous fiscal year of approximately 1.6 percent.

Major capital assets projects during the 2011-12 fiscal year include:

- Major construction in progress at June 30, 2012, includes the amount completed to date for architectural work and construction costs associated with:
 - South Fork High School – Bldg and Site Improvement
 - Martin County High School – Replace Classrooms
- Projects in final phase of completion, awaiting the completion of a punch list:
 - Martin County High School – Chiller Addition and Site Improvement
 - Pinewood Elementary – HVAC, Fire Sprinklers, Sitework
 - Crystal Lake Elementary – HVAC, Fire Sprinklers, Sitework

District School Board of Martin County, Florida
Capital Assets
(net of depreciation)

	2012	2011	Percent Change
Land	\$ 10,354,648	\$ 10,354,648	0.0%
Construction in progress	21,662,247	41,238,857	-47.5%
Improvements other than buildings	8,309,940	6,850,687	21.3%
Buildings and fixed equipment	325,409,714	300,374,794	8.3%
Furniture, fixtures, and equipment	5,712,642	6,009,010	-4.9%
Motor vehicles	3,222,918	3,295,717	-2.2%
Property under capital lease	704,255	787,711	-10.6%
Audio visual materials & computer software	826,176	1,193,177	-30.8%
Total Capital Assets (Net of Depreciation)	<u>\$ 376,202,540</u>	<u>\$ 370,104,601</u>	1.6%

As shown on the above table, construction in progress has decreased. This is due to the decrease in the number of construction projects of the District, as compared to the number of projects that have been completed by the District. Additional information on the District's capital assets can be found in Notes VI and X(C) of this report.

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$49.3 million, comprised of Certificates of Participation (COPS) Series 2005A, State Board of Education (SBE) Bonds, and a capital lease.

District School Board of Martin County, Florida
Outstanding Debt

	<u>2012</u>	<u>2011</u>
COPS	\$ 35,530,000	\$ 36,660,000
State School (SBE) Bonds Payable	13,165,000	13,895,000
Obligations under Capital Lease	646,100	822,282
	<u>\$ 49,341,100</u>	<u>\$ 51,377,282</u>

The District's outstanding debt decreased \$2.0 million during 2011-12 fiscal year. The decrease was primarily due to scheduled principal retirements. Additional information on the District's debt may be found in Note VII of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local property taxes are the District's primary source of revenue. The required local effort (RLE) for the 2012-13 fiscal year is projected to be 4.622 mills (an increase of .266 mills); the discretionary millage is projected to be .748 mills; and the capital outlay millage is projected to be 1.50 mills. General Fund revenues and other financing sources are projected to be at \$139.9 million and expenditures are expected to be \$141.6 million.

Approximately 94.8 percent of total General Fund revenues are from the State of Florida and local taxes; therefore, economic condition at the national, state, and local levels will affect the general operating funds and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which in turn, will affect District revenue streams.

- The unemployment rate for Martin County is currently 9.8 percent, which is a decrease from the rate of 10.9 percent a year ago.
- Student enrollment increased from 17,759 to 17,964 for the 2011-12 fiscal year.
- Population increased for the 2011-12 fiscal year from 146,587 to 147,203.

REQUESTS FOR INFORMATION

This financial report is designed to provide users with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Martin County School Board, Finance Department, 500 East Ocean Boulevard, Stuart, FL 34994. Additional financial information can be found on our web site http://www.martinschools.org/pages/Martin_County_School_District/General_Info/Department_Groups/Finance.

BASIC FINANCIAL STATEMENTS



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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Net Assets
June 30, 2012

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Unrestricted:		
Cash and cash equivalents	\$ 39,506,318	\$ 276,527
Investments	1,656,792	-
Accounts receivable	769,963	13
Deposits	-	1,488
Due from other governmental agencies	763,482	-
Inventories	551,874	-
Prepaid items	399,010	9,500
Deferred charges	1,505,000	-
Restricted:		
Equity in property and casualty group	1,909,156	-
Capital assets not being depreciated:		
Land	10,354,648	301,520
Construction in progress	21,662,247	-
Capital assets net of accumulated depreciation:		
Improvements other than buildings	8,309,940	2,952
Buildings and fixed equipment	325,409,714	-
Leasehold Improvements	-	50,318
Furniture, fixtures, and equipment	5,712,642	8,046
Motor vehicles	3,222,918	-
Property under capital lease	704,255	-
Audio visual materials and computer software	826,176	-
Total assets	\$ 423,264,135	\$ 650,364
Liabilities		
Salaries and benefits payable	\$ 4,830,063	\$ 8,199
Accounts payable	1,201,708	820
Construction contracts payable - retainage	827,918	-
Unearned revenue	213,002	-
Long-term liabilities:		
Portion due in one year:		
Notes payable	-	10,040
Obligations under capital lease	185,196	-
Bonds payable	2,585,000	-
Certificates of participation payable	1,170,000	-
Compensated absences payable	1,005,215	-
Portion due in more than one year:		
Notes payable	-	233,851
Obligations under capital lease	460,904	-
Bonds payable	10,580,000	-
Certificates of participation payable	34,360,000	-
Compensated absences payable	16,054,679	-
Other postemployment benefits obligation	48,785,046	-
Total liabilities	122,258,731	252,910
Net assets		
Invested in capital assets, net of related debt	\$ 328,366,440	\$ 118,945
Restricted net assets for:		
State required carryover programs	1,201,292	-
Capital projects	26,274,747	38,980
Debt service	296,036	-
Food service	2,466,821	-
Other	72,242	-
Unrestricted net assets (deficit)	(57,672,174)	239,529
Total net assets	\$ 301,005,404	\$ 397,454

The accompanying notes are an integral part of the basic financial statements.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction	\$ 96,030,312	\$ 429,597	\$ -	\$ -
Pupil personnel services	9,903,132	-	-	-
Instructional media services	2,213,015	-	-	-
Instruction and curriculum development services	3,711,583	-	-	-
Instructional staff training services	2,895,164	-	-	-
Instruction related technology	1,741,333	-	-	-
School board	729,644	-	-	-
General administration	729,721	-	-	-
School administration	10,316,230	-	-	-
Facilities services	26,041,389	-	-	552,067
Fiscal services	1,066,902	-	-	-
Food services	7,170,203	2,808,455	4,830,648	-
Central services	4,822,277	-	-	-
Pupil transportation services	6,468,443	-	-	-
Operation of plant	13,838,429	-	-	-
Maintenance of plant	4,373,070	-	-	-
Administrative technology services	563,865	-	-	-
Community services	2,740,540	2,765,234	-	-
Unallocated interest on long-term debt	2,203,833	-	-	1,442,165
Total primary government	<u>\$ 197,559,085</u>	<u>\$ 6,003,286</u>	<u>\$ 4,830,648</u>	<u>\$ 1,994,232</u>
Component unit:				
Hope Center for Autism, Inc.	<u>\$ 912,597</u>	<u>\$ 22,061</u>	<u>\$ 402</u>	<u>\$ 10,461</u>

General revenues:
Taxes:
 Property taxes, levied for operational purposes
 Property taxes, levied for capital purposes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
 Total general revenues
Change in net assets
Total net assets - beginning, as previously reported
Change in reporting entity
Total net assets - beginning, as adjusted
Total net assets - ending

The accompanying notes are an integral part of the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit
\$ (95,600,715)	\$ -
(9,903,132)	-
(2,213,015)	-
(3,711,583)	-
(2,895,164)	-
(1,741,333)	-
(729,644)	-
(729,721)	-
(10,316,230)	-
(25,489,322)	-
(1,066,902)	-
468,900	-
(4,822,277)	-
(6,468,443)	-
(13,838,429)	-
(4,373,070)	-
(563,865)	-
24,694	-
(761,668)	-
<u>\$ (184,730,919)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (879,673)</u>
89,175,396	-
26,224,667	-
45,362,980	926,361
180,234	180
2,719,167	-
<u>163,662,444</u>	<u>926,541</u>
(21,068,475)	46,868
322,073,879	562,894
-	(212,308)
-	350,586
<u>\$ 301,005,404</u>	<u>\$ 397,454</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue - Federal Economic Stimulus Fund
Assets		
Cash and cash equivalents	\$ 11,336,850	\$ -
Investments	96,340	-
Accounts receivable	245,668	-
Due from other governmental agencies	-	23,387
Inventories	485,937	-
Prepaid items	48,685	-
Total assets	\$ 12,213,480	\$ 23,387
Liabilities and fund balances		
Liabilities:		
Temporary negative cash	\$ -	\$ 22,574
Salaries and benefits payable	4,759,321	813
Accounts payable	215,812	-
Constructions contracts payable - retainage	-	-
Deferred revenue	123,770	-
Total liabilities	5,098,903	23,387
Fund balances:		
Nonspendable	534,622	-
Restricted	1,201,292	-
Assigned	6,545	-
Unassigned	5,372,118	-
Total fund balances	7,114,577	-
Total liabilities and fund balances	\$ 12,213,480	\$ 23,387

The accompanying notes are an integral part of the basic financial statements.

Capital Projects - Local Capital Improvement Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,668,322	\$ 3,641,100	\$ 39,646,272
1,091,235	469,217	1,656,792
76,725	447,570	769,963
417,979	322,116	763,482
-	65,937	551,874
-	-	48,685
<u>\$ 26,254,261</u>	<u>\$ 4,945,940</u>	<u>\$ 43,437,068</u>
\$ -	\$ 117,380	\$ 139,954
-	69,929	4,830,063
893,228	92,668	1,201,708
670,340	157,578	827,918
-	89,232	213,002
<u>1,563,568</u>	<u>526,787</u>	<u>7,212,645</u>
-	65,937	600,559
24,690,693	4,353,216	30,245,201
-	-	6,545
-	-	5,372,118
<u>24,690,693</u>	<u>4,419,153</u>	<u>36,224,423</u>
<u>\$ 26,254,261</u>	<u>\$ 4,945,940</u>	<u>\$ 43,437,068</u>



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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds	\$ 36,224,423
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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.

Capital assets not being depreciated	\$ 32,016,895	
Capital assets being depreciated	<u>344,185,645</u>	376,202,540

The District's portion of the equity held in the risk management consortium is not reported as an asset of the governmental funds.	1,909,156
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Deferred charges consist of the Series 2003A bonds refunded from the Series 2011A bonds that are not legally defeased until January 1, 2013.	1,505,000
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Contributions to the early retirement programs in excess of actuarial required contributions are recognized as a prepaid expense in the government-wide statements, but are not reported as assets in the governmental funds.	350,325
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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:

Obligations under capital lease	\$ (646,100)	
Bonds payable	(13,165,000)	
Certificates of participation Series 2005A	(35,530,000)	
Compensated absences payable	(17,059,894)	
Other postemployment benefits obligation	<u>(48,785,046)</u>	<u>(115,186,040)</u>

Total Net Assets - Governmental Activities	\$ <u>301,005,404</u>
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The accompanying notes are an integral part of the basic financial statements.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues		
Federal direct	\$ 396,896	\$ -
Federal through state and local	1,020,159	574,361
State	32,141,653	-
Local:		
Taxes	89,175,396	-
Charges for services - food services	-	-
Miscellaneous	5,194,208	-
Total revenues	<u>127,928,312</u>	<u>574,361</u>
Expenditures		
Current:		
Instruction	84,472,521	26,901
Pupil personnel services	6,273,862	89,419
Instructional media services	2,011,795	-
Instruction and curriculum development services	1,770,705	236,513
Instructional staff training services	269,993	84,000
Instruction related technology	1,544,248	61,354
School board	680,731	-
General administration	657,230	3,613
School administration	9,285,318	-
Facilities services	936,665	-
Fiscal services	974,087	-
Food services	-	-
Central services	4,304,803	-
Pupil transportation services	6,017,677	-
Operation of plant	13,185,726	2,117
Maintenance of plant	3,985,346	-
Administrative technology services	518,326	-
Community services	2,541,658	-
Capital outlay:		
Facilities acquisition and construction	-	-
Other capital outlay	154,321	70,444
Debt service:		
Principal	-	-
Interest and fees	-	-
Paying agent fees	-	-
Total expenditures	<u>139,585,012</u>	<u>574,361</u>
Deficiency of revenues under expenditures	<u>(11,656,700)</u>	<u>-</u>
Other financing sources (uses)		
Refunding bonds issued	-	-
Premium on refunding bonds	-	-
Payments to refunded bond escrow agent	-	-
Insurance loss recoveries	-	-
Transfers in	6,090,208	-
Transfers out	(35,863)	-
Total other financing sources (uses)	<u>6,054,345</u>	<u>-</u>
Net change in fund balances	<u>(5,602,355)</u>	<u>-</u>
Fund balances - beginning	<u>12,716,932</u>	<u>-</u>
Fund balances - ending	<u>\$ 7,114,577</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

Capital Projects - Local Capital Improvement Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,741,581	\$ 2,138,477
-	14,082,331	15,676,851
-	2,230,882	34,372,535
26,224,667	-	115,400,063
-	2,808,455	2,808,455
138,827	1,262,833	6,595,868
<u>26,363,494</u>	<u>22,126,082</u>	<u>176,992,249</u>
-	4,004,604	88,504,026
-	2,763,093	9,126,374
-	14,361	2,026,156
-	1,276,706	3,283,924
-	2,333,882	2,687,875
-	2,132	1,607,734
-	-	680,731
-	411,546	1,072,389
-	2,352	9,287,670
11,356,581	417,892	12,711,138
-	-	974,087
-	6,858,976	6,858,976
-	-	4,304,803
-	69,175	6,086,852
-	32,432	13,220,275
-	-	3,985,346
-	-	518,326
-	2,390	2,544,048
14,807,873	3,551,140	18,359,013
2,220,733	193,191	2,638,689
176,182	2,025,000	2,201,182
37,113	2,161,336	2,198,449
-	5,383	5,383
<u>28,598,482</u>	<u>26,125,591</u>	<u>194,883,446</u>
<u>(2,234,988)</u>	<u>(3,999,509)</u>	<u>(17,891,197)</u>
-	1,505,000	1,505,000
-	229,483	229,483
-	(1,730,010)	(1,730,010)
1,091,767	-	1,091,767
-	2,761,929	8,852,137
(7,766,274)	(1,050,000)	(8,852,137)
<u>(6,674,507)</u>	<u>1,716,402</u>	<u>1,096,240</u>
(8,909,495)	(2,283,107)	(16,794,957)
<u>33,600,188</u>	<u>6,702,260</u>	<u>53,019,380</u>
<u>\$ 24,690,693</u>	<u>\$ 4,419,153</u>	<u>\$ 36,224,423</u>



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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ (16,794,957)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlay	\$ 20,997,702	
Less, depreciation expense	<u>(14,882,958)</u>	6,114,744

The District's portion of equity held in the risk management consortium is recognized in the government-wide statement of activities, but not in the governmental funds. This is the decrease in the District's equity in the consortium.

(326,960)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave earned in excess of the amount used in the current period.

(1,273,819)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt 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 repayments exceeded proceeds in the current period.

Bonds issued	\$ (1,505,000)	
Bonds, refunding payments	1,205,000	
Bonds, scheduled debt service payments	1,330,000	
Certificates of participation repayments	1,130,000	
Capital lease repayments	<u>176,182</u>	2,336,182

Expenses for other postemployment benefits in the statement of activities that do not require the use of current financial resources, are not reported in the governmental funds.

Current year expense	\$ (13,771,116)	
Current year contribution	<u>2,821,490</u>	(10,949,626)

The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the undepreciated cost of assets sold

(16,805)

Annual required contributions to the Early Retirement Plan in the statement of activities does not require the use of current financial resources due to amounts prepaid in prior years. This is the current year reduction in the prepaid amount.

(157,234)

Change in net assets of governmental activities	<u>\$ (21,068,475)</u>
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The accompanying notes are an integral part of the basic financial statements

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Federal direct	\$ 482,831	\$ 396,896	\$ 396,896	\$ -
Federal through state and local	861,360	1,020,159	1,020,159	-
State	32,308,402	32,141,653	32,141,653	-
Local				-
Taxes	89,001,989	89,175,396	89,175,396	-
Miscellaneous	5,394,594	5,194,208	5,194,208	-
Total revenues	128,049,176	127,928,312	127,928,312	-
Expenditures				
Current:				
Instructional services				
Salaries	57,688,947	58,177,588	59,105,560	(927,972)
Employee benefits	16,823,601	16,666,742	16,666,742	-
Purchased services	4,885,303	4,609,042	4,609,042	-
Materials and supplies	3,226,392	2,362,562	2,362,562	-
Capital outlay	210,822	151,837	151,837	-
Other	917,069	1,576,778	1,576,778	-
Total instructional services	83,752,134	83,544,549	84,472,521	(927,972)
Pupil personnel services				
Salaries	4,001,536	4,249,699	4,345,133	(95,434)
Employee benefits	1,238,175	1,199,575	1,199,575	-
Purchased services	766,685	681,810	681,810	-
Materials and supplies	35,407	28,008	28,008	-
Capital outlay	10,000	149	149	-
Other	4,325	19,187	19,187	-
Total pupil personnel services	6,056,128	6,178,428	6,273,862	(95,434)
Instructional media services				
Salaries	1,472,277	1,473,191	1,473,191	-
Employee benefits	470,438	431,625	431,625	-
Purchased services	3,525	8,756	8,756	-
Materials and supplies	121,747	-	-	-
Capital outlay	108,598	89,925	89,925	-
Other	4,008	8,298	8,298	-
Total instructional media services	2,180,593	2,011,795	2,011,795	-
Instruction and curriculum development services				
Salaries	1,266,812	1,378,919	1,378,919	-
Employee benefits	358,137	361,678	361,678	-
Purchased services	12,676	13,893	13,893	-
Materials and supplies	13,161	13,596	13,596	-
Other	2,274	2,619	2,619	-
Total instruction and curriculum development services	1,653,060	1,770,705	1,770,705	-

The accompanying notes are an integral part of the basic financial statements.

(Continued)

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Instructional staff training services				
Salaries	\$ 34,169	\$ 90,944	\$ 90,944	\$ -
Employee benefits	8,041	12,385	12,385	-
Purchased services	21,257	24,909	24,909	-
Materials and supplies	333,033	73,831	73,831	-
Capital outlay	3,778	2,475	2,475	-
Other	46,370	65,449	65,449	-
Total instructional staff training services	446,648	269,993	269,993	-
Instruction related technology				
Salaries	1,142,741	1,149,594	1,149,594	-
Employee benefits	294,807	278,145	278,145	-
Purchased services	54,000	52,689	52,689	-
Materials and supplies	37,500	60,637	60,637	-
Other	2,050	3,183	3,183	-
Total instruction related technology	1,531,098	1,544,248	1,544,248	-
School board				
Salaries	415,394	433,457	433,457	-
Employee benefits	114,416	126,092	126,092	-
Purchased services	122,441	90,588	90,588	-
Materials and supplies	7,652	5,604	5,604	-
Capital outlay	378	374	374	-
Other	39,776	24,616	24,616	-
Total school board	700,057	680,731	680,731	-
General administration				
Salaries	469,714	473,360	473,360	-
Employee benefits	93,930	102,185	102,185	-
Purchased services	38,920	38,082	38,082	-
Materials and supplies	4,490	1,557	1,557	-
Capital outlay	470	250	250	-
Other	43,679	41,796	41,796	-
Total general administration	651,203	657,230	657,230	-
School administration				
Salaries	6,847,609	7,097,157	7,390,510	(293,353)
Employee benefits	2,024,549	1,857,539	1,857,539	-
Purchased services	17,000	13,451	13,451	-
Materials and supplies	27,267	12,746	12,746	-
Capital outlay	6,160	7,655	7,655	-
Other	3,244	3,417	3,417	-
Total school administration	8,925,829	8,991,965	9,285,318	(293,353)

The accompanying notes are an integral part of the basic financial statements.

(Continued)

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Facilities services				
Salaries	\$ 717,817	\$ 734,840	\$ 734,840	\$ -
Employee benefits	179,094	177,415	177,415	-
Purchased services	18,286	18,520	18,520	-
Materials and supplies	9,500	4,146	4,146	-
Other	1,000	1,744	1,744	-
Total facilities services	925,697	936,665	936,665	-
Fiscal services				
Salaries	711,963	705,392	705,392	-
Employee benefits	209,599	195,139	195,139	-
Purchased services	60,171	50,076	50,076	-
Materials and supplies	14,875	11,332	11,332	-
Capital outlay	2,429	755	755	-
Other	9,794	11,393	11,393	-
Total fiscal services	1,008,831	974,087	974,087	-
Central services				
Salaries	1,546,912	1,408,077	1,408,077	-
Employee benefits	2,068,203	2,534,082	2,534,082	-
Purchased services	549,093	262,344	262,344	-
Energy services	490	424	424	-
Materials and supplies	49,523	42,230	42,230	-
Capital outlay	1,607	9,749	9,749	-
Other	68,768	47,897	47,897	-
Total central services	4,284,596	4,304,803	4,304,803	-
Pupil transportation services				
Salaries	2,827,490	2,772,209	2,772,209	-
Employee benefits	1,523,381	1,351,788	1,351,788	-
Purchased services	602,715	203,491	203,491	-
Energy services	886,247	954,055	954,055	-
Materials and supplies	233,372	323,608	323,608	-
Capital outlay	1,000	11,037	11,037	-
Other	121,465	401,489	401,489	-
Total pupil transportation services	6,195,670	6,017,677	6,017,677	-

The accompanying notes are an integral part of the basic financial statements.

(Continued)

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operation of plant				
Salaries	\$ 4,202,835	\$ 4,152,190	\$ 4,152,190	\$ -
Employee benefits	2,274,845	2,113,990	2,113,990	-
Purchased services	1,886,782	1,868,852	1,868,852	-
Energy services	4,812,612	4,758,608	4,758,608	-
Materials and supplies	245,299	240,422	240,422	-
Capital outlay	2,500	31	31	-
Other	24,769	51,633	51,633	-
Total operation of plant	13,449,642	13,185,726	13,185,726	-
Maintenance of plant				
Salaries	2,936,371	2,823,631	2,823,631	-
Employee benefits	1,107,950	1,006,904	1,006,904	-
Purchased services	73,106	70,836	70,836	-
Materials and supplies	77,573	83,838	83,838	-
Other	150	137	137	-
Total maintenance of plant	4,195,150	3,985,346	3,985,346	-
Administrative technology services				
Salaries	421,860	415,388	415,388	-
Employee benefits	110,748	102,614	102,614	-
Purchased services	-	324	324	-
Total administrative technology services	532,608	518,326	518,326	-
Community services				
Salaries	1,692,713	1,592,684	1,592,684	-
Employee benefits	373,438	371,855	371,855	-
Purchased services	127,626	127,300	127,300	-
Materials and supplies	189,787	207,816	207,816	-
Capital outlay	41,849	33,589	33,589	-
Other	179,376	208,414	208,414	-
Total community services	2,604,789	2,541,658	2,541,658	-
Total current operating	139,093,733	138,113,932	139,430,691	(1,316,759)
Capital outlay:				
Other capital outlay	-	154,321	154,321	-
Total expenditures	139,093,733	138,268,253	139,585,012	(1,316,759)
Deficiency of revenues under expenditures	(11,044,557)	(10,339,941)	(11,656,700)	(1,316,759)
Other financing sources (uses)				
Transfers in	6,718,914	7,421,177	6,090,208	(1,330,969)
Transfers out	(32,607)	(35,863)	(35,863)	-
Total other financing sources (uses)	6,686,307	7,385,314	6,054,345	(1,330,969)
Net change in fund balances	(4,358,250)	(2,954,627)	(5,602,355)	(2,647,728)
Fund balances - beginning	12,716,932	12,716,932	12,716,932	-
Fund balances - ending	\$ 8,358,682	\$ 9,762,305	\$ 7,114,577	\$ (2,647,728)

The accompanying notes are an integral part of the basic financial statements.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Major Special Revenue Fund - Federal Economic Stimulus Fund
For the Fiscal Year Ended June 30, 2012

Federal Economic Stimulus Fund			
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
Revenues			
Federal through state and local	\$ 874,548	\$ 574,361	\$ 574,361
Total revenues	874,548	574,361	574,361
Expenditures			
Current:			
Instruction			
Salaries	-	12,710	12,710
Employee benefits	52	3,759	3,759
Purchased services	7,117	1,509	1,509
Materials and supplies	20,975	2,532	2,532
Capital outlay	6,170	3,890	3,890
Other	16,000	2,501	2,501
Total instruction	50,314	26,901	26,901
Pupil personnel services			
Salaries	20,989	14,125	14,125
Employee benefits	1,275	1,167	1,167
Purchased services	22,313	29,923	29,923
Materials and supplies	5,199	32,186	32,186
Capital outlay	16,020	12,018	12,018
Total pupil personnel services	65,796	89,419	89,419
Instructional media services			
Capital outlay	279,052	-	-
Total instructional media services	279,052	-	-
Instruction and curriculum development services			
Salaries	78,770	103,398	103,398
Employee benefits	22,911	22,346	22,346
Purchased services	129,754	68,621	68,621
Materials and supplies	54,100	4,454	4,454
Capital outlay	37,660	37,659	37,659
Other	-	35	35
Total instruction & curriculum development serv.	323,195	236,513	236,513
Instructional staff training services			
Salaries	19,294	20,036	20,036
Employee benefits	2,475	2,682	2,682
Purchased services	-	58,523	58,523
Materials and supplies	8,698	2,759	2,759
Capital outlay	1,100	-	-
Other	4,128	-	-
Total instructional staff training services	35,695	84,000	84,000

The accompanying notes are an integral part of the basic financial statements.

(Continued)

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Major Special Revenue Fund - Federal Economic Stimulus Fund
For the Fiscal Year Ended June 30, 2012

	Federal Economic Stimulus Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Instruction Related Technology				
Salaries	\$ 50,799	\$ 46,594	\$ 46,594	\$ -
Employee benefits	18,916	12,448	12,448	-
Capital outlay	42,000	2,312	2,312	-
Total instruction related technology	111,715	61,354	61,354	-
General administration				
Other	8,781	3,613	3,613	-
Total general administration	8,781	3,613	3,613	-
Operation of plant				
Purchased services		2,117	2,117	-
Total operation of plant	-	2,117	2,117	-
Capital outlay:				
Other capital outlay	-	70,444	70,444	-
Total expenditures	874,548	574,361	574,361	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the basic financial statements.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust Fund	Private - Purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ -	\$ 119,954	\$ 1,710,753
Investments			
Common stock	3,519,579	-	-
Money market fund	135,920	-	-
United States treasury notes	242,250	-	-
United States government obligations	525,238	-	-
Corporate debt obligations	836,978	-	-
Other	609,195	-	-
Accounts receivable	-	-	1,345
Inventory	-	-	64,253
Total assets	\$ 5,869,160	\$ 119,954	\$ 1,776,351
Liabilities			
Temporary negative cash	\$ 303,823	\$ -	\$ -
Due to student organizations	-	-	1,769,604
Accounts payable	-	-	6,747
Total liabilities	303,823	-	\$ 1,776,351
Net assets			
Assets held in trust for pension benefits	5,565,337	-	
Assets held in trust for scholarships	-	119,954	
Net assets	\$ 5,565,337	\$ 119,954	

The accompanying notes are an integral part of the basic financial statements.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Pension Trust Fund	Private - Purpose Trust Funds
ADDITIONS		
Contributions:		
Gifts, grants and bequests	\$ -	\$ -
Investment Earnings and Losses:		
Interest and dividends	169,767	2
Gain on sale of investments	3,954	-
Net decrease in the fair value of investments	(154,664)	-
Total additions	19,057	2
DEDUCTIONS		
Benefits and refunds paid to plan members and beneficiaries	603,266	-
Scholarships	-	6,500
Administrative expenses	43,678	-
Total deductions	646,944	6,500
Change In net assets	(627,887)	(6,498)
Net Assets - beginning	6,193,224	126,452
Net Assets - ending	<u>\$ 5,565,337</u>	<u>\$ 119,954</u>

The accompanying notes are an integral part of the basic financial statements.



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District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Martin County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Martin 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 Martin County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that the 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 Martin County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note VII B. Due to the substantive economic relationship between the Board 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 Component Units

The Hope Center for Autism, Inc., is a separate not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Hope Center for Autism, Inc., operates as a charter school and is considered to be a component unit since it is fiscally dependent on the District for its tax levy and a majority of its budget. A copy of the separate financial statements for the charter school is available at the District's administrative office.

The District also considered the Clark Advanced Learning Center Charter School operated by Indian River State College for inclusion in its reporting entity; however, because the Clark Advanced Learning Center is an operating component unit of the College and is not a separate legal entity, it does not meet the criteria for inclusion as a District component unit. The charter school's financial statements were audited by an independent certified public accountant and are filed in the District's administrative office.

The Martin County Education Foundation, Inc., prior to the 2011-12 fiscal year was considered as a discretely presented component unit on the Board's financials. On November 15, 2011, the Martin County Education Foundation amended and restated their Articles of Incorporation, which led to the dissolution of the Foundation from existing as a component unit of the Board. As a result of this accounting change, the component unit beginning net asset balance reflects a reduction of \$212,308.

B. Government-wide and Fund Financial Statements – Basis of Presentation

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

1. Government-wide Financial Statements

Government-wide financial statements (the Statement of Net Assets and the Statement of Activities) present information about the School District as a whole. These statements include the non-fiduciary financial activity of the primary government and its component units.

Government-wide financial statements include separate columns for the primary government and its component units. *Governmental activities* are supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. *Direct expenses* are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense that is not specifically associated with 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 governmental function is self-supporting 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.

2. Fund Financial Statements

The financial records of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental and fiduciary funds are presented after the government-wide financial statements. 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. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The fiduciary fund statements include financial information for the agency funds, the pension trust fund, and private purpose trust funds. The agency funds of the

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

District primarily represent assets held by the District in a custodial capacity for other individuals or governments.

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 certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- Capital Projects – Local Capital Improvement Tax 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, maintenance, repairs, and site improvement.

Additionally, the District reports the following fiduciary fund types:

- Pension Trust Fund – to account for resources used to finance the early retirement plan.
- Private-Purpose Trust Funds – to account for resources of the following scholarship trust funds: M.H. Correll Research Trust Fund; T.L. Showalter Scholarship Trust Fund; J.M. Phillips, Jr., Memorial Trust Fund; Clara Neuman Scholarship Trust Fund; Dr. Tom Goodman Scholarship Trust Fund; and Nonendowment Scholarship Trust Fund.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

Noncurrent Governmental Assets/Liabilities

GASB Statement No. 34 requires noncurrent governmental assets, such as land and buildings, noncurrent governmental liabilities such as bonds and capital leases, to be reported in the governmental activities column in the government-wide Statement of Net Assets.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Government-wide Financial Statements

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 and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an “other financing source”. Amounts paid to reduce the District’s long-term indebtedness are reported as a reduction of related liability, rather than as expenditures.

2. Governmental Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an "other financing source" rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

3. Fiduciary Fund Financial Statements

Fiduciary fund statements include trust funds and agency funds. All trust funds use the economic resources measurement focus and accrual basis of accounting. Agency funds are unlike all other types of funds and report only assets and liabilities. So, agency funds do not have a measurement focus, but do use an accrual basis of accounting to recognize receivables and payables.

4. Component Units

The Hope Center for Autism, Inc. (charter school), shown as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

D. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The District considers cash as those accounts used as demand deposit accounts and considers cash equivalents as those amounts on deposit in money market funds and amounts placed in the State Board of Administration's (SBA) Florida Local Government Surplus Funds Trust Fund ("Florida PRIME"), except that money market funds in the Pension Trust Fund are not classified as cash equivalents. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7 like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The Board has a formal investment policy. The purpose of this policy is to set forth the investment objectives and parameters for the management of the District's public funds. These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. The

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

District's investment policy limits investments to a maximum of 5 years or less. Obligations of United States Government agencies and instrumentalities include embedded options to call the entire security or portion thereof, at the option of the issuer; or, depending on market conditions, the District may decide to leave the security intact, at a stated interest rate, until final maturity. These securities have various call dates between September 2012 and April 2017.

In accordance with Section 218.415, Florida Statutes, this investment policy applies to all cash and investments held or controlled by the District and shall be identified as "Pooled Funds" of the District with the exception of pension funds and funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Funds held by state agencies (e.g., Department of Education) are not subject to the provisions of this policy.

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. The second highest priority is liquidity of funds, and the third highest priority is investment income.

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, and the Florida PRIME and Fund B Surplus Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within Florida PRIME.

Section 218.45, Florida Statutes, limits the types of investments that the District can invest in unless specifically authorized in the District's investment policy. The District has a formal investment policy that allows for the following investments: Florida PRIME, United States Government securities, United States Government agencies, Federal instrumentalities (United States Government sponsored agencies), interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, registered investment companies (money market mutual funds), intergovernmental investment pools, and corporate obligations in the FDIC's Temporary Liquidity Guarantee Program.

Investments made locally for the Early Retirement Plan and the Certificates of Participation, Series 2005A, are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

As of June 30, 2012, the special revenue funds and the Early Retirement Fund cash accounts reflect a negative cash balance which represents timing differences between expenditures and the receipt of the reimbursement from the cash drawdown request. The funds are part of our pooled funds, so no District bank account is overdrawn per bank records at June 30, 2012.

2. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Warehouse inventories are stated at weighted average unit cost. Food service inventories are stated at the last invoice cost, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus 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 consumed on government-wide financial statements and as expenditures when purchased on fund financial statements. However, inventory and prepaid balances are offset on the balance sheet by nonspendable fund balance accounts to indicate that they do not constitute available expendable resources, even though they are components of current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures when consumed.

3. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Buildings and fixed equipment totaling \$32,337,341 acquired or constructed prior to the 1979-80 fiscal year are stated at estimated historical cost using Florida Department of Education average square foot construction costs for the year of acquisition or construction.

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

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

Assets	Years
Improvements Other than Buildings	10 - 40
Buildings and Fixed Equipment	50
Furniture, Fixtures, and Equipment	3 - 15
Motor Vehicles	5 - 10
Property Under Capital Lease	6
Audio Visual Materials and Computer Software	3 - 5

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

4. Deferred Revenue

The deferred revenues will be recognized as revenue in the fiscal year that they are earned, in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent revenues that are measurable but not available.

5. Accrued Compensated Absences

The District accrues accumulated unpaid vacation and sick leave when earned by the employee. The District's employee vacation and sick leave policies provide for the granting of a specific number of days of vacation based on years of service and governed by applicable labor contracts and sick leave with pay per each month of employment. Employees will be paid in one lump sum for accrued annual (vacation) leave as of last day of employment not to exceed the 60 day maximum allowable balance. A maximum of 500 hours of annual leave may be accrued by employees, except those with balances exceeding 500 as of June 30, 1988, which will be the balance accrued as of June 30, 1988. Employees who work a complete contracted year and who have accrued thirty or more sick days as of the last duty day, and who have used no more than two of their ten days of accrued sick/personal leave during the year may receive pay for the unused days at 80 percent of the employees daily rate. Compensated absences are reported in the governmental funds only if they have matured. The amount estimated to be paid in the following year is the current amount. The amount estimated to be used or paid in subsequent fiscal years is the noncurrent amount. The current and noncurrent amounts for government funds are maintained separately and represent a reconciling item between the fund and government-wide presentations. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

E. Revenue Sources

1. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal 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 these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. A schedule of revenues from State sources for the current year is presented in a subsequent note.

2. District Property Taxes

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

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

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

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Martin County Tax Collector at fiscal year-end but not yet remitted to the District.

Millage and taxes levied for the current year are presented in Note III.

3. Federal Revenue Sources

The District receives Federal awards, including ARRA stabilization funds, which are a component of the FEFP, 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.

The District also receives Race-to-the-Top and ARRA stimulus funds for IDEA and Title I. Most ARRA stimulus and stabilization funds expired on September 20, 2011.

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. 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.
2. Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each function level (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
3. Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
4. Appropriations for the District lapse at the close of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.
5. Formal budgetary integration is used as a management control device for all funds of the District.

NOTE III - PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

<u>TAX ROLL</u>	<u>MILLAGES</u>	<u>TAXES LEVIED</u>
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.356	\$ 78,893,872
Basic Discretionary Local Effort	0.748	13,547,445
Capital Projects Funds		
Nonvoted Tax:		
Local Capital Improvements	1.500	27,167,422
Total	<u>6.604</u>	<u>\$ 119,608,739</u>

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

NOTE IV – INVESTMENTS

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

Investments	Maturities	Fair Value
State Board of Administration:		
Florida PRIME (1)	38 Day Average	\$ 143,160
Fund B Surplus Funds Trust Fund	5.73 Year Average	1,369,104
Debt Service Accounts	6 Months	293,877
PFM Asset Management LLC		
PFM Funds Prime Series Institutional Class Shares Fund (1)	54 Day Average	10,330,914
PFM Funds Government Series Fund (1)	55 Day Average	10,320,694
Wells Fargo Advantage Government Money Market Fund (1)	32 Day Average	10,209,453
Schwab Money Market Fund	41 Day Average	135,920
Wells Fargo Heritage Money Market Fund (1)(2)	28 Day Average	2,371,696
	September 2013 -	
Corporate Debt Obligations	January 2017	836,978
	September 2012 -	
Obligations of United States Government Agencies and Instrumentalities	April 2016	525,238
American Depository Receipts	N/A	416,224
	April 2013 - April	
United States Treasury Notes	2017	242,250
Limited Partnerships	N/A	84,687
Common Stock	N/A	3,519,579
Total Investments, Primary Government		\$ 40,799,774

Notes:

(1) These investments are classified as cash and cash equivalents on the basic financial statements.

(2) Includes \$413,550, classified as cash and cash equivalents, held under a trust agreement with the Certificates of Participation, Series 2005A, financing arrangements. See Note VII B

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

A reconciliation of cash and investments as shown on the Statement of Net Assets for the primary government follows:

		Statement of Net Assets
Fair Value of Investments		\$ 40,799,774
Cash in Bank		7,759,380
Total		<u>\$ 48,559,154</u>
Cash and Cash Equivalents - Statement of Net Assets	\$ 39,506,318	
Cash and Cash Equivalents - Fiduciary Funds, Net of Temporary Negative Cash of \$303,823	<u>1,526,884</u>	
Total Cash and Cash Equivalents		41,033,202
Investments - Statements of Net Assets	1,656,792	
Investments - Pension Trust Fund	<u>5,869,160</u>	
Total Investments		7,525,952
Total		<u>\$ 48,559,154</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy provides that investments of current operating funds shall have maturities of no longer than twelve (12) months. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core fund") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years.

The District utilizes "weighted average maturity" as a measurement of interest rate risk and as of June 30, 2012, the investment portfolio had a weighted average maturity of .36 years. The maturity of SBA Local Government Fund B Surplus Funds Trust Fund (Fund B) is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2012. Fund B had a WAL of 5.73 years at June 30, 2012. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding WAL. Participation in Fund B is involuntary.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(16), Florida Statutes, provides the authority to invest in SBA LGIP and limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes, and direct obligations of the United States Treasury.

The District invested available certificate of participation funds in AA-Am-rated money market funds.

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 Local Government Surplus Funds Trust Fund ("Florida PRIME") shall be rated "AAAm" or "AAAm-G" or better by Standards & 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).
- 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 and "A-1" 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 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" by Standard & Poor's or the equivalent by another rating agency.
- Intergovernmental investment pools shall be rated "AAAm" by Standard & Poor's or the equivalent rating agency.

The District's Early Retirement Trust Fund investment policy authorizes the following investments: SBA Florida PRIME; direct obligations of United States Treasury; United States Federal Government agency securities; corporate debt securities with at least an "A" rating; commercial paper rated A1/P1; certificates of deposits; common and preferred stocks from domestic or foreign corporations; and passbook savings accounts maintained in State certified qualified public depositories as defined in Section 280.02, Florida Statutes. As of June 30, 2012, all state and local government bonds and all Treasury notes were rated AA+ by Standard & Poor's; and the District's investments in corporate debt were rated BBB+ through AA+ by Standard & Poor's and Baa1 through A1 by Moody's.

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

As of June 30, 2012, the District's money market funds were individually rated AAAm by Standard & Poor's. The District's investments in Fund B and American depository receipts are not rated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be

immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State as defined in 658.12 F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investments in obligations of the United States Government agencies and instrumentalities and corporate debt securities are held by the safekeeping agent, in the name of the District. As of June 30, 2012, the District's investment portfolios were held with a third-party custodian as required by the District's investment policy.

The District's Early Retirement Trust Fund investment policy and Certificate of Participation, Series 2005A, trust agreement, require securities in those funds to be held by a safekeeping agent in the name of the District.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. 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 Local Government Surplus Funds Trust Fund ("Florida PRIME"), 100 percent of available funds may be invested in United States Government Securities, 50percent of available funds may be invested in United States Government agencies with a 25 percent limit on individual issuers, 75 percent of available funds may be invested in Federal instrumentalities with a 30 percent limit on individual issuers, 25 percent of available funds may be invested in interest bearing time deposit or savings accounts with a 15 percent limit on individual issuers, 50 percent of available funds may be invested in repurchase agreements with a 25 percent limit on individual issuers, 25 percent of available funds may be invested in commercial paper with a 5percent 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 of individual issuers, 25 percent of available funds may be invested in intergovernmental investment pools, 50 percent of available funds may be invested in corporate obligations issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program with a 25 percent limit on individual issuers.

The District's Early Retirement Plan (Plan) is governed by a separate investment policy that limits investment in equities to 70 percent of the total portfolio and limits the investment in any single issuer to 5 percent of the total portfolio. No investment by any one issuer represents 5 percent or more of the Plan's assets.

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NOTE V – DUE FROM OTHER GOVERNMENTAL AGENCIES

At June 30, 2012, the District has a total of approximately \$0.8 million of Due from other Governmental Agencies consisting of \$0.4 million for FEMA, \$0.3 million for Federal grants, and \$0.1 for food service.

NOTE VI - CAPITAL ASSETS

Changes in capital assets are presented in the table below:

Government Activities	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
<u>Capital Assets Not being Depreciated:</u>				
Land	\$ 10,354,648	\$ -	\$ -	\$ 10,354,648
Construction in Progress	41,238,857	15,243,037	34,819,647	21,662,247
Sub total	51,593,505	15,243,037	34,819,647	32,016,895
<u>Capital Assets being Depreciated:</u>				
Improvements Other than Buildings	15,596,442	2,145,497	-	\$ 17,741,939
Buildings and Fixed Equipment	394,737,614	35,790,126	-	430,527,740
Furniture, Fixtures, and Equipment	20,919,056	1,825,231	599,590	22,144,697
Motor Vehicles	9,208,546	657,259	300,478	9,565,327
Property Under Capital Lease	1,239,801	-	-	1,239,801
Audio Visual Materials and Software	5,033,751	156,199	102,024	5,087,926
Sub total	446,735,210	40,574,312	1,002,092	486,307,430
<u>Less Accumulated Depreciation for:</u>				
Improvements Other than Buildings	8,745,755	686,244	-	9,431,999
Buildings and Fixed Equipment	94,362,820	10,755,206	-	105,118,026
Furniture, Fixtures, and Equipment	14,910,046	2,104,852	582,843	16,432,055
Motor Vehicles	5,912,829	730,058	300,478	6,342,409
Property Under Capital Lease	452,090	83,456	-	535,546
Audio Visual Materials and Software	3,840,574	523,142	101,966	4,261,750
Total Accumulated Depreciation	128,224,114	14,882,958	985,287	142,121,785
Depreciated Capital Assets - Net	318,511,096	25,691,354	16,805	344,185,645
Government Activities Funds Net	\$ 370,104,601	\$ 40,934,391	\$ 34,836,452	\$ 376,202,540

The class and amount of property under capital lease is presented on Note VIIA.

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Depreciation expense was charged to functions/programs of the District as follows:

Instruction	\$	192,200
Pupil Personnel		13,429
Instruction and Curriculum Development Services		35,713
Instructional Staff Training Services		20,637
School Administration		7,993
Facilities Services		14,566,381
Food Services		28,616
Community Services		17,989
Total Depreciation Expense	\$	<u>14,882,958</u>

NOTE VII – LONG-TERM OBLIGATIONS

A. OBLIGATIONS UNDER CAPITAL LEASE

The class and amount of property being acquired under capital lease are as follows:

	Asset Balance
Copy Machines	<u>\$1,239,801</u>

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

Capital Lease			
Fiscal Year	Total	Principal	Interest
2013	213,295	185,196	28,099
2014	213,295	194,671	18,624
2015	213,295	204,631	8,664
2016	62,338	61,602	736
Total	<u>\$ 702,223</u>	<u>\$ 646,100</u>	<u>\$ 56,123</u>

The stated interest rates are 5.0 percent.

B. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing in the total amount of \$40,790,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2005A, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$1 per year. The initial term of the lease commenced on December 1, 2005, and will end on July 1, 2031. The lease is automatically renewable annually thereafter through July 1, 2031, unless terminated sooner in accordance with the provisions of the Series 2005A financing arrangement. The property covered by the ground lease is, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the

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District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the site included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to 30 years from the date of inception of the arrangement.

The District property included in the ground lease under this arrangement is the Dr. David L. Anderson Middle School.

The lease payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3.9 to 4.5 percent. 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:

Certificates of Participation

Fiscal Year	Principal	Interest	Total
2013	1,170,000	1,552,891	2,722,891
2014	1,215,000	1,505,191	2,720,191
2015	1,265,000	1,456,224	2,721,224
2016	1,310,000	1,405,356	2,715,356
2017	1,365,000	1,351,856	2,716,856
2018-2022	7,720,000	5,839,925	13,559,925
2023-2027	9,550,000	3,952,500	13,502,500
2028-2032	11,935,000	1,506,078	13,441,078
Total	<u>\$ 35,530,000</u>	<u>\$ 18,570,021</u>	<u>\$ 54,100,021</u>

C. BONDS PAYABLE

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

Bond Type	Interest Rate	Annual Maturity to	Amount Outstanding
State School Bonds:			
Series 2003A	3.13%	2013	1,790,000
Series 2004A	4.00% - 4.625%	2024	2,280,000
Series 2005B	5.00%	2020	2,690,000
Series 2006A	4.404% - 4.628%	2026	2,625,000
Series 2008A	3.50% - 5.00%	2028	845,000
Series 2009A	4.00% - 5.00%	2019	225,000
Series 2010A	4.00% - 5.00%	2022	1,205,000
Series 2011A	3.00% - 5.00%	2023	1,505,000
Total Bonds Payable			<u><u>\$ 13,165,000</u></u>

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

State School Bonds

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

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

Fiscal Year	Bonds Payable		Total
	Principal	Interest	
2013	2,585,000	593,585	3,178,585
2014	935,000	488,540	1,423,540
2015	980,000	444,915	1,424,915
2016	1,030,000	398,630	1,428,630
2017	1,085,000	349,905	1,434,905
2018-2022	4,305,000	1,067,911	5,372,911
2023-2027	2,155,000	246,250	2,401,250
2028	90,000	4,050	94,050
Total	\$ 13,165,000	\$ 3,593,786	\$ 16,758,786

D. CHANGES IN LONG-TERM LIABILITIES

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

GOVERNMENTAL ACTIVITIES	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012	Due in One Year
Obligations Under Capital Lease	\$ 822,282	\$ -	\$ 176,182	\$ 646,100	\$ 185,196
Bonds Payable	13,895,000	1,505,000	2,235,000	13,165,000	2,585,000
Certificates of Participation	36,660,000	-	1,130,000	35,530,000	1,170,000
Compensated Absences Payable	15,786,075	2,279,034	1,005,215	17,059,894	1,005,215
Other Postemployment Benefits Obligation	37,835,420	13,771,116	2,821,490	48,785,046	-
Total Governmental Activities	\$ 104,998,777	\$ 17,555,150	\$ 7,367,887	\$ 115,186,040	\$ 4,945,411

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

E. DEFEASED DEBT

The District's pro rata share of the net proceeds for the Series 2011A bonds totaling \$1,505,000 (after deduction of \$4,473 by the Florida Department of Education for the District's pro rata share of underwriting fees and other issuance costs) was placed in a trust account to refund the Series 2003A bonds, that mature on or after January 1, 2014, and are scheduled to be called on January 1, 2013. The trust account is not considered to be risk-free in accordance with GASB Statement No. 7. As a result, the refunding of \$1,730,010 representing the District's portion of the Series 2003A bonds are considered to be an economic defeasance and not a legal defeasance and the liability for these bonds has not been removed from the government-wide financial statements. When the Series 2003A bonds are called on January 1, 2013, they will be removed.

In the 2011-12 fiscal year, the prior refunding of the callable portion of the Series 2002A bonds became in-substance defeased and was retired. As a result, the liability for the Series 2002A bonds were removed from the District's government-wide financial statements.

NOTE VIII - INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 6,090,208	\$ 35,863
Capital Projects:		
Local Capital Improvement Tax	-	7,766,274
Nonmajor Governmental Funds	2,761,929	1,050,000
Total	<u>\$ 8,852,137</u>	<u>\$ 8,852,137</u>

The purpose of the transfers from the Local Capital Improvement Tax Fund to the General Fund was for property insurance premium payments and annual maintenance costs. Transfers out from the Local Capital Improvement Tax Fund and the nonmajor Other Capital Projects Fund to the nonmajor Debt Service – Other Fund were made in order to make the required interest and principal payment for the Certificates of Participation, Series 2005A. The purpose of the transfer out from General Fund to the nonmajor Food Service Fund was to provide School Recognition bonuses to food service workers.

NOTE IX – EMPLOYEE BENEFITS

A. STATE RETIREMENT PROGRAM

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

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and a defined contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, 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 the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2011-12 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (a)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program – applicable to all members of the above classes	-	4.42
Florida Retirement System, Re-employed 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 the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal year ending June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$8,208,288, \$9,060,783, and \$6,070,822 respectively, which were equal to the required contributions for each fiscal year.

The State Board of Administration of Florida ("SBA") is responsible for establishing, implementing, and administering the Investment Plan in accordance with Section 121.4501(1), Florida Statutes. There were 445 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions to the Investment Plan totaled \$1,227,201, which was equal to the required contribution for the 2011-12 fiscal year.

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

B. EARLY RETIREMENT PLAN

Plan Description

As authorized by Section 1012.685, Florida Statutes, the District implemented an Early Retirement Plan (Plan) effective July 1, 1986. The Plan is a single-employer defined benefit pension plan. The purpose of the Plan is to provide District employees, who elected to retire under the early retirement provisions of the Florida Retirement System, described in Note IX A, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement proceeds the normal retirement. The District administers Plan assets in a Pension Trust Fund and is responsible for their investment. The District acts as the administrative agent for the Plan. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

As of June 30, 2012, the Plan had 79 active plan participants receiving benefits.

A summary of eligibility and benefits follows:

Eligibility

During the 2002-03 fiscal year, the Plan was amended by union contract to limit future eligibility to only those employees who elected to remain covered by the Plan and who become eligible within the next seven years. A total of 41 employees chose to enter the Plan. These employees have elected a specific retirement date and must retire on that date if they are still employed by the District. No additional employees are eligible to join the Plan.

Benefits

The amount of monthly benefits will be equal to the reduction imposed on the retirement benefit by the Florida Retirement System due to early retirement and will increase annually at the rate of 3 percent. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the plan.

Summary of Significant Accounting Policies

Significant accounting policies related to basis of accounting and method of asset valuation are disclosed in Note I. Investment disclosures related to the Pension Trust Fund are in Note IV.

Contributions and Reserves

The Plan was established by the Board on July 1, 1986, and may be amended by Board action. Pursuant to the Plan agreement, no contributions shall be required or permitted from any member. District contributions shall be sufficient to meet the annual pension cost of the Plan and to amortize the unfunded actuarial accrued liability within 20 years based on an actuarial study. Subsequent changes in the level of the liability due to plan amendments or changes in actuarial assumptions are to be amortized on a straight-line basis over a period of 20 years.

There was an annual required contribution for the 2011-12 plan year of \$157,234, which was taken from our credit balance. The annual required contribution was affected by the following factors (based on actuarial report dated 7/1/2011):

- Average annual compensation for covered employees decreased 100 percent, as all plan participants are receiving benefits.
- The actuarial investment return was (0.01) percent, compared to an assumed rate of 8 percent.
- The District was approved to carry a credit balance, and the annual contribution of \$157,234 was deducted from the credit balance, leaving a credit balance of \$350,325.

All of the assets in the District's Pension Trust Fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose.

Costs of administering the Plan are financed through the Plan's resources (employer contributions and investment earnings).

Schedule of employer contributions:

Year Ended June 30,	Annual Required Contribution	Annual Board Contribution	Percentage	Net Pension Obligation
2010	75,652 ⁽¹⁾	-	N/A	-
2011	35,305 ⁽¹⁾	-	N/A	-
2012	157,234 ⁽¹⁾	-	N/A	-

(1) Payment made from credit balance amount of \$507,559

Concentrations

No investment by any one issuer represents 5 percent or more of the Plan's assets.

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Trend Information

Schedule of funding progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability ⁽¹⁾ (b)	Unfunded Actuarial Accrued Liability ⁽²⁾ (b) - (a)	Funded Ratio ⁽³⁾ (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll (b-a)/c
7/1/2011	6,354,000	6,938,673	584,673	91.6%	-	N/A

Notes:

- (1) The actuarial method is the entry age normal cost method for July 1, 2010, forward.
- (2) The unfunded (funded) actuarial accrued liability is the actuarial accrued liability minus actuarial value of assets.
- (3) The percentage funded is derived by dividing the actuarial value of assets by the actuarial accrued liability.
- (4) Based on data from actuarial report as of July 1, 2011.

The required schedule of funding progress immediately following the notes to the basic 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 for benefits.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	7/1/2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Open Amortization, Level Dollar
Remaining Amortization Period	5 Years
Asset Valuation Method	Smoothed market value
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases	Not Applicable
Inflation Rate	3.0%
Postemployment Benefit Increases	3.0%

C. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to Section 112.0801, Florida Statutes, the District must offer similar health care benefits for retired employees as it does to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees for health, dental, vision, and life insurance benefits. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. All of the District's employees may become eligible for those benefits if they reach normal retirement age (as defined by the pension or investment option) and have at least six years of service with the District and are activating their pension upon separation from service. Also, in accordance with union contracts and District policy, the District pays 25 percent of this benefit for employees with 15 years of service, 50 percent with 20 years of service, 75 percent for employees with 25 years of service, and 100 percent for employees with 30 years of service. For employees hired as of July 1, 2011, or later, no insurance will be paid upon retirement. All service must be within the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report and is not included in the report of a public employee retirement system or another entity.

Funding Policy. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 544 retirees received postemployment benefits. The District provided required contributions of \$2,821,490 toward the annual OPEB cost, comprised of premium payments made on behalf of retirees net of retiree contributions totaling \$1,850,501, which represents 2.11 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed 30 years.

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The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for postemployment benefits:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 6,859,996
Amortization of Unfunded Actuarial Accrued Liability	<u>6,895,897</u>
Annual Required Contribution	13,755,893
Interest on Net OPEB Obligation	1,433,962
Adjustment to Annual Required Contribution	<u>(1,418,739)</u>
Annual OPEB Cost (Expense)	13,771,116
Contribution Toward the OPEB Cost	<u>(2,821,490)</u>
Increase in Net OPEB Obligation	10,949,626
Net OPEB Obligation, Beginning of Year	<u>37,835,420</u>
Net OPEB Obligation, End of Year	<u><u>\$48,785,046</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 13,273,486	23.41%	\$ 27,240,830
2010-11	14,026,570	24.47%	37,835,420
2011-12	13,771,116	20.49%	48,785,046

Funded Status and Funding Progress. As of January 1, 2012, the most recent valuation, the actuarial accrued liability for benefits was \$177,191,403, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$177,191,403 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$87,746,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 201.94 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the basic financial statements presents multiyear trend information about whether the

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of January 1, 2012, used the individual entry age normal cost actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.79 percent rate of return on invested assets, which is the District's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an annual healthcare cost trend rate of 12.9 percent initially for the 2011-12 fiscal year, reduced by an average of 1.13 percent per year, to an ultimate rate of 5.0 percent for the fiscal year ending June 30, 2019, and a general price inflation rate of 3 percent per year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 26 years.

NOTE X – OTHER INFORMATION

A. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2011-12 fiscal year:

Source	Amount
Categorical Program (Class Size Reduction)	\$ 20,058,523
Florida Education Finance Program	8,056,777
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,994,232
Workforce Development Program	1,951,308
School Recognition	841,946
Voluntary Prekindergarten	635,731
Miscellaneous	445,715
Adults with Disabilities	206,377
Gross Receipts Tax (Public Education Capital Outlay)	122,073
Discretionary Lottery	59,853
Total	<u><u>\$ 34,372,535</u></u>

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

B. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third party injuries and/or property damage and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which eight district school boards have established a public entity risk sharing-pool for Property, General Liability, Automobile Liability, Workers' Compensation, Government Crime and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchased insurance coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of superintendents/finance directors or an authorized representative of all participating districts. Employers' Mutual, Inc. serves as the third-party administrator, insurance broker, and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except wind/hail/flood), respectively. The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductibles for all other wind events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. SCERMP's purchased excess property loss limit during the 2011-12 fiscal year was \$100 million per tower (consisting of 4 members per tower), except for Flood/Earthquake of \$75 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2011-12 fiscal year was \$850,000. SCERMP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insured retention. Employers liability is included subject to \$2,000,000 per occurrence and \$2,000,000 in the aggregate.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature at future dates, which effectively limits the amount of liability of governmental entities for tort claims to \$200,000 per claim and \$300,000 per occurrence.

As a result of recording a liability for specific reserves for claims incurred, but not reported, the property and casualty group has ending retained earnings of \$13,378,809. The District's portion of the retained earnings is calculated at 14.27 percent of the total or approximately \$1,909,156.

During the 2011-12 fiscal year, the Board provided health and prescription insurance through purchased commercial insurance. Dental and vision coverage were also provided through purchased commercial insurance under a separate agreement.

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

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

C. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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, 2012:

Major Funds				
General	Federal Economic Simulus	Local Capital Improvement Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,545	\$ 4,767	\$ 12,125,512	\$ 66,192	\$ 12,203,016

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

Construction Contracts

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

Project		Contract Amount	Completed to Date	Balance Committed
Martin County High School	Architect	566,441	565,060	1,381
Chiller Addition and Site Improvement Project 3001	Contractor	10,601,779	9,694,036	907,743
Martin County High School	Architect	1,235,607	1,016,486	219,121
Replace Classrooms 3108	Contractor	8,074,636	-	8,074,636
South Fork High School	Architect	39,522	-	39,522
Bldg and Site Improvement Project 3204	Contractor	1,707,689	-	1,707,689
		<u>\$ 22,225,674</u>	<u>\$ 11,275,582</u>	<u>\$ 10,950,092</u>

D. FUND BALANCE REPORTING

The District reports its governmental fund balances in the following categories, as applicable:

Nonspendable

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories and prepaid amounts as nonspendable.

Restricted

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

Committed

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e. the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed balance as of June 30, 2012.

District School Board of Martin County, Florida
Notes to the Basic Financial Statements
June 30, 2012

Assigned

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and Executive Director of Finance and not included in other categories.

Unassigned

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

The following is a schedule of fund balances by category at June 30, 2012:

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Federal Economic Stimulus	Local Capital Improvement Tax		
Fund Balances					
Nonspendable:					
Inventories	\$ 485,937	\$ -	\$ -	\$ 65,937	\$ 551,874
Prepaid Items	48,685	-	-	-	48,685
Spendable:					
Restricted:					
State Req. Carryover	1,201,292	-	-	-	1,201,292
Food Service	-	-	-	2,400,884	2,400,884
Debt Service	-	-	-	296,036	296,036
Capital Projects	-	-	24,690,693	1,584,054	26,274,747
Tourism Awareness Trust	-	-	-	72,242	72,242
Assigned	6,545	-	-	-	6,545
Unassigned	5,372,118	-	-	-	5,372,118
Total Fund Balances	<u>\$ 7,114,577</u>	<u>\$ -</u>	<u>\$ 24,690,693</u>	<u>\$ 4,419,153</u>	<u>\$ 36,224,423</u>

Minimum Fund Balance Policy

The District has adopted Board Policy 6210, which provides that the Board shall strive to maintain an unassigned fund balance in its operating funds equal to five (5) percent of the annual resources. The District prepares its operating budget to maintain a five (5) percent unassigned fund balance to comply with the intent of Section 1011.051, Florida Statutes.

NOTE XI – RESTATEMENT OF NET ASSETS / FUND BALANCES

Subsequent to the issuance of the financial statement for the fiscal year ended June 30, 2012, it was determined that previously unreported termination benefits existed, and that excessive transfers were made from the Capital Projects – Local Capital Improvement Tax Fund (LCITF) to the General Fund. As a result, changes were made to the financial statements to increase General Fund expenditures and corresponding salaries and benefits payable by \$1,316,759 each; reduce General Fund cash and cash equivalents, General Fund transfers in, and LCITF transfers out, and increase LCITF cash and cash equivalents, by \$1,330,969 each. These changes also required revision of Note VIII to reduce General Fund transfers in and LCITF transfers out by \$1,330,969 each, and of Note X.D. to reduce the General Fund unassigned fund balance by \$2,647,728 and to increase the LCITF restricted fund balance by \$1,330,969. The financial statements have been restated to correctly report these account balances and transactions, and Management's Discussion and Analysis has been revised as appropriate to reflect changes to the financial statements.



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**OTHER REQUIRED SUPPLEMENTARY
INFORMATION
SCHEDULE OF FUNDING PROGRESS-
EARLY RETIREMENT PLAN**

**SCHEDULE OF EMPLOYER CONTRIBTIONS-
EARLY RETIREMENT PLAN**

**SCHEDULE OF FUNDING PROGRESS-
POSTEMPLOYMENT BENEFITS PLAN**

District School Board of Martin County, Florida
Required Supplementary Information – Schedule of Funding Progress
Early Retirement Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets ⁽¹⁰⁾ (a)	Actuarial Accrued Liability ⁽¹⁾ (b)	Unfunded Actuarial Accrued Liability ⁽²⁾ (b) - (a)	Funded Ratio ⁽³⁾ (a)/(b)	Covered Payroll ⁽⁹⁾ (c)	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll (b-a)/c
7/1/2003	\$ 6,327,916	\$6,333,190 ⁽⁴⁾	\$ 5,274	99.9%	\$ 1,347,779 ⁽⁴⁾	0.4%
7/1/2004	7,774,204	6,497,402 ⁽⁴⁾	(1,276,802)	119.7%	1,408,429 ⁽⁴⁾	-90.7%
7/1/2005	7,897,497	6,626,487 ⁽⁴⁾	(1,271,010)	119.2%	1,023,281 ⁽⁴⁾	-124.2%
7/1/2006	7,967,973	6,724,542 ⁽⁴⁾	(1,243,431)	118.5%	1,069,329 ⁽⁴⁾	-116.3%
7/1/2007	8,751,289	6,954,311 ⁽⁵⁾	(1,796,978)	125.8%	838,930 ⁽⁵⁾	-214.2%
7/1/2009	5,906,314	6,909,111 ⁽⁶⁾	1,002,797	85.5%	314,007 ⁽⁶⁾	319.4%
7/1/2010	6,880,004	6,975,955 ⁽⁷⁾	95,951	98.6%	57,637 ⁽⁷⁾	166.5%
7/1/2011	6,354,000	6,938,673 ⁽⁸⁾	584,673	91.6%	- ⁽⁸⁾	N/A

Notes:

- (1) The actuarial method is entry age normal cost method for July 1, 2010, forward. For years July 1, 2003 through July 1, 2006, the actuarial method used was entry age. For years July 1, 2007 through July 1, 2009, the actuarial method used was the aggregate cost method.
- (2) The unfunded (funded) actuarial accrued liability is the actuarial accrued liability minus the actuarial value of assets.
- (3) The percentage funded is derived by dividing the actuarial value of assets by the actuarial accrued liability.
- (4) Based on data from interim accounting valuation report as of July 1, 2006.
- (5) Based on data from actuarial report as of July 1, 2007.
- (6) Based on data from actuarial report as of July 1, 2009.
- (7) Based on data from actuarial report as of July 1, 2010.
- (8) Based on data from actuarial report as of July 1, 2011.
- (9) During the 2002-03 fiscal year, the Plan was amended by union contract to limit future eligibility to only those employees who elected to remain covered by the Plan and who become eligible within the next seven years. Thus, covered payroll was eliminated as a result.
- (10) The asset valuation method was changed from market value to a smoothed market value, which spreads recognition of the difference between actual and expected market value over five years. This method tempers the effect of large swings in the rate of return on the required contributions.

As the aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funding progress of the plan.

District School Board of Martin County, Florida
Required Supplementary Information – Schedule of Employer Contributions
Early Retirement Plan

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual Board Contribution</u>	<u>Percentage</u>
2005	\$ 75,003	\$ 75,003	100%
2006	-	-	N/A
2007	-	-	N/A
2008	-	-	N/A
2009	-	-	N/A
2010	75,652	-	N/A
2011	35,305 ⁽¹⁾	-	N/A
2012	157,234 ⁽²⁾	-	N/A

(1) Payment made from credit balance amount of \$507,559

(2) Payment made from remaining fair market value credit balance.



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District School Board of Martin County, Florida
Required Supplementary Information – Schedule of Funding Progress
Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2006	\$ -	\$ 130,668,397	\$ 130,668,397	0%	\$ 85,608,688	152.63%
January 1, 2009	-	170,035,245	170,035,245	0%	90,042,692	188.84%
January 1, 2012	-	177,191,403	177,191,403	0%	87,746,600	201.94%



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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue Funds account for certain revenues received from the State of Florida, the Federal Government and other local and private sources that are intended to finance designated activities. Activities included within the funds are as follows:

Food Service Fund - To account for and report on activities of the food service program when serving breakfast and lunch at the schools.

Other Federal Programs Fund - To account for and report on activities of various programs of different funding sources according to the grantor requirements and specifications of each government award.

Miscellaneous Special Revenue Fund - To account for and report on activities of the Travel and Tourism Funds.

Debt Service Funds

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

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

Debt Service-Other Fund - To account for and report on other long term debt payments of principal, interest, and related costs including the Certificates of Participation, Series 2005A, debt issue.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

Nonmajor Governmental Funds (continued)

Capital Projects Funds

The Capital Projects Funds are used to account for the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings, or for major renovation projects. Specific funding sources included are:

Public Education Capital Outlay - To account for capital project activity funded by the District's portion of the State Public Education Capital Outlay Program.

Capital Outlay and Debt Service Fund - To account for capital project activity funded by the District's portion of the State Capital Outlay and Debt Service Program.

Other Capital Projects Fund - To account for the financial resources generated by impact fees, fuel tax rebates, and other miscellaneous sources to be used for various capital outlay needs, including new construction, renovation and remodeling projects, environmental compliance, and maintenance of capital assets.

Fiduciary Funds

Fiduciary Funds are used to report resources held by the school district in a purely custodial capacity. Fiduciary funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds - To account for scholarships and other purposes.

Agency Fund - To account for the financial transactions of school organizations.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Special Revenue			
	Food Service Fund	Other Federal Programs Fund	Miscellaneous Special Revenue Fund	Total Nonmajor Special Revenue Funds
Assets				
Cash and cash equivalents	\$ 2,404,849	\$ -	\$ 72,242	\$ 2,477,091
Investments	-	-	-	-
Accounts receivable	43,038	90	-	43,128
Due from other governmental agencies	85,145	236,971	-	322,116
Inventories	65,937	-	-	65,937
Total assets	\$ 2,598,969	\$ 237,061	\$ 72,242	\$ 2,908,272
Liabilities and fund balances				
Liabilities:				
Temporary negative cash	\$ -	\$ 117,380	\$ -	\$ 117,380
Salaries and benefits payable	13,400	56,529	-	69,929
Accounts payable	30,483	62,185	-	92,668
Constructions contracts payable - retainage	-	-	-	-
Deferred Revenues	88,265	967	-	89,232
Total liabilities	132,148	237,061	-	369,209
Fund balances:				
Nonspendable	65,937	-	-	65,937
Restricted	2,400,884	-	72,242	2,473,126
Total fund balances	2,466,821	-	72,242	2,539,063
Total liabilities and fund balances	\$ 2,598,969	\$ 237,061	\$ 72,242	\$ 2,908,272

Debt Service			Capital Projects				Total Nonmajor Government Funds
State Board of Education Bonds Fund	Debt Service - Other Fund	Total Nonmajor Debt Service Funds	Capital Outlay Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Other Capital Projects Fund	Total Nonmajor Capital Projects Funds	
\$ -	\$ 2,159	\$ 2,159	\$ -	\$ 164,225	\$ 997,625	\$ 1,161,850	\$ 3,641,100
293,877	-	293,877	-	-	175,340	175,340	469,217
-	-	-	-	-	404,442	404,442	447,570
-	-	-	-	-	-	-	322,116
-	-	-	-	-	-	-	65,937
<u>\$ 293,877</u>	<u>\$ 2,159</u>	<u>\$ 296,036</u>	<u>\$ -</u>	<u>\$ 164,225</u>	<u>\$ 1,577,407</u>	<u>\$ 1,741,632</u>	<u>\$ 4,945,940</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,380
-	-	-	-	-	-	-	69,929
-	-	-	-	-	-	-	92,668
-	-	-	-	157,578	-	157,578	157,578
-	-	-	-	-	-	-	89,232
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,578</u>	<u>-</u>	<u>157,578</u>	<u>526,787</u>
-	-	-	-	-	-	-	65,937
293,877	2,159	296,036	-	6,647	1,577,407	1,584,054	4,353,216
<u>293,877</u>	<u>2,159</u>	<u>296,036</u>	<u>-</u>	<u>6,647</u>	<u>1,577,407</u>	<u>1,584,054</u>	<u>4,419,153</u>
<u>\$ 293,877</u>	<u>\$ 2,159</u>	<u>\$ 296,036</u>	<u>\$ -</u>	<u>\$ 164,225</u>	<u>\$ 1,577,407</u>	<u>\$ 1,741,632</u>	<u>\$ 4,945,940</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Special Revenue			
	Food Service Fund	Other Federal Programs Fund	Miscellaneous Special Revenue Fund	Total Nonmajor Special Revenue Funds
Revenues				
Federal direct	\$ -	\$ 1,741,581	\$ -	\$ 1,741,581
Federal through state and local	4,755,475	9,326,856	-	14,082,331
State	106,461	-	-	106,461
Local:				
Charges for food services	2,808,455	-	-	2,808,455
Miscellaneous	13,025	-	1	13,026
Total revenues	7,683,416	11,068,437	1	18,751,854
Expenditures				
Current:				
Instruction	-	4,004,469	135	4,004,604
Pupil personnel services	-	2,763,093	-	2,763,093
Instructional media services	-	14,361	-	14,361
Instruction and curriculum development services	-	1,276,706	-	1,276,706
Instructional staff training services	-	2,333,882	-	2,333,882
Instructional related technology	-	2,132	-	2,132
General administration	-	411,546	-	411,546
School administration	-	2,352	-	2,352
Facilities services	-	-	-	-
Food services	6,858,488	488	-	6,858,976
Pupil transportation services	-	69,175	-	69,175
Operation of plant	-	32,432	-	32,432
Community services	-	2,390	-	2,390
Capital outlay:				
Facilities acquisition and construction	-	-	-	-
Other capital outlay	37,780	155,411	-	193,191
Debt Service:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Paying agent fees	-	-	-	-
Total expenditures	6,896,268	11,068,437	135	17,964,840
Excess (deficiency) of revenues over (under) expenditures	787,148	-	(134)	787,014
Other financing sources (uses)				
Refunding Bonds Issued	-	-	-	-
Premium on Refunding Bonds	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-
Transfers in	35,863	-	-	35,863
Transfers out	-	-	-	-
Total other financing sources (uses)	35,863	-	-	35,863
Net change in fund balances	823,011	-	(134)	822,877
Fund balances - beginning	1,643,810	-	72,376	1,716,186
Fund balances - ending	\$ 2,466,821	\$ -	\$ 72,242	\$ 2,539,063

Debt Service			Capital Projects				Total Nonmajor Government Funds
State Board of Education Bonds Fund	Debt Service - Other Fund	Total Nonmajor Debt Service Funds	Capital Outlay Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Other Capital Projects Fund	Total Nonmajor Capital Projects Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,741,581
-	-	-	-	-	-	-	14,082,331
1,442,165	-	1,442,165	122,073	522,264	37,919	682,256	2,230,882
-	-	-	-	-	-	-	2,808,455
-	1,013	1,013	4	116	1,248,674	1,248,794	1,262,833
1,442,165	1,013	1,443,178	122,077	522,380	1,286,593	1,931,050	22,126,082
-	-	-	-	-	-	-	4,004,604
-	-	-	-	-	-	-	2,763,093
-	-	-	-	-	-	-	14,361
-	-	-	-	-	-	-	1,276,706
-	-	-	-	-	-	-	2,333,882
-	-	-	-	-	-	-	2,132
-	-	-	-	-	-	-	411,546
-	-	-	-	-	-	-	2,352
-	-	-	380,909	-	36,983	417,892	417,892
-	-	-	-	-	-	-	6,858,976
-	-	-	-	-	-	-	69,175
-	-	-	-	-	-	-	32,432
-	-	-	-	-	-	-	2,390
-	-	-	-	3,543,536	7,604	3,551,140	3,551,140
-	-	-	-	-	-	-	193,191
895,000	1,130,000	2,025,000	-	-	-	-	2,025,000
565,270	1,596,066	2,161,336	-	-	-	-	2,161,336
5,313	-	5,313	-	70	-	70	5,383
1,465,583	2,726,066	4,191,649	380,909	3,543,606	44,587	3,969,102	26,125,591
(23,418)	(2,725,053)	(2,748,471)	(258,832)	(3,021,226)	1,242,006	(2,038,052)	(3,999,509)
1,505,000	-	1,505,000	-	-	-	-	1,505,000
229,483	-	229,483	-	-	-	-	229,483
(1,730,010)	-	(1,730,010)	-	-	-	-	(1,730,010)
-	2,726,066	2,726,066	-	-	-	-	2,761,929
-	-	-	-	-	(1,050,000)	(1,050,000)	(1,050,000)
4,473	2,726,066	2,730,539	-	-	(1,050,000)	(1,050,000)	1,716,402
(18,945)	1,013	(17,932)	(258,832)	(3,021,226)	192,006	(3,088,052)	(2,283,107)
312,822	1,146	313,968	258,832	3,027,873	1,385,401	4,672,106	6,702,260
\$ 293,877	\$ 2,159	\$ 296,036	\$ -	\$ 6,647	\$ 1,577,407	\$ 1,584,054	\$ 4,419,153



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**BUDGET AND ACTUAL
OTHER MAJOR AND NONMAJOR FUNDS**



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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Food Service Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Federal through state and local	\$ 4,187,234	\$ 4,755,475	\$ 4,755,475	\$ -
State	83,768	106,461	106,461	-
Local				
Charges for services - food services	3,366,073	2,808,455	2,808,455	-
Miscellaneous	196	13,025	13,025	-
Total revenues	7,637,271	7,683,416	7,683,416	-
Expenditures				
Current:				
Food services				
Salaries	2,232,107	2,124,657	2,124,657	-
Employee benefits	1,100,053	729,782	729,782	-
Purchased services	413,885	393,244	393,244	-
Energy services	175,750	162,451	162,451	-
Materials and supplies	3,614,226	3,270,038	3,270,038	-
Capital outlay	99,625	22,434	22,434	-
Other	68,750	155,882	155,882	-
Total food services	7,704,396	6,858,488	6,858,488	-
Capital outlay		-	-	
Other capital outlay	-	37,780	37,780	-
Total capital outlay	-	37,780	37,780	-
Total expenditures	7,704,396	6,896,268	6,896,268	-
Excess (deficiency) of revenues over (under) expenditures	(67,125)	787,148	787,148	-
Other financing sources				
Transfers in	32,607	35,863	35,863	-
Total other financing sources	32,607	35,863	35,863	-
Net change in fund balance	(34,518)	823,011	823,011	-
Fund balance - beginning	1,643,810	1,643,810	1,643,810	-
Fund balance - ending	\$ 1,609,292	\$ 2,466,821	\$ 2,466,821	\$ -

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

Other Federal Programs Fund			
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
Revenues			
Federal direct	\$ 717,435	\$ 1,741,581	\$ 1,741,581
Federal through state and local	11,247,378	9,326,856	9,326,856
Total revenues	11,964,813	11,068,437	11,068,437
Expenditures			
Current:			
Instructional services			
Salaries	1,442,518	1,952,345	1,952,345
Employee benefits	640,944	686,561	686,561
Purchased services	630,606	739,392	739,392
Materials and supplies	238,085	307,228	307,228
Capital outlay	465,414	173,458	173,458
Other	35,267	145,485	145,485
Total instructional services	3,452,834	4,004,469	4,004,469
Pupil personnel services			
Salaries	1,867,697	1,929,780	1,929,780
Employee benefits	575,924	572,051	572,051
Purchased services	696,847	149,461	149,461
Materials and supplies	75,660	85,544	85,544
Capital outlay	53,707	26,257	26,257
Total pupil personnel services	3,269,835	2,763,093	2,763,093
Instructional media services			
Salaries	9,920	8,907	8,907
Employee benefits	5,158	4,532	4,532
Other	-	922	922
Total instructional media services	15,078	14,361	14,361
Instruction and curriculum development services			
Salaries	925,031	932,721	932,721
Employee benefits	259,566	244,582	244,582
Purchased services	126,441	60,742	60,742
Materials and supplies	24,859	19,259	19,259
Capital outlay	27,750	7,449	7,449
Other	2,250	11,953	11,953
Total instruction and curriculum development services	1,365,897	1,276,706	1,276,706
Instructional staff training			
Salaries	1,740,476	1,606,953	1,606,953
Employee benefits	450,178	412,174	412,174
Purchased services	232,384	140,962	140,962
Materials and supplies	222,866	115,254	115,254
Capital outlay	64,300	3,294	3,294
Other	342,695	55,245	55,245
Total instructional staff training	3,052,899	2,333,882	2,333,882
Instructional related technology			
Materials and supplies	-	2,132	2,132
Total instructional related technology	-	2,132	2,132

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Other Federal Programs Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
General Administration				
Other	352,099	411,546	411,546	-
Total general administration	352,099	411,546	411,546	-
School administration				
Salaries	1,724	1,725	1,725	-
Employee benefits	617	627	627	-
Total school administration	2,341	2,352	2,352	-
Facilities acquisition and construction				
Capital outlay	9,800	-	-	-
Total facilities acquisition and construction	9,800	-	-	-
Food services				
Other	-	488	488	-
Total food services	-	488	488	-
Pupil transportation services				
Purchased services	416,907	67,871	67,871	-
Energy services	3,045	1,304	1,304	-
Materials and supplies	600	-	-	-
Capital outlay	959	-	-	-
Total pupil transportation services	421,511	69,175	69,175	-
Operation of plant				
Purchased services	10,816	25,504	25,504	-
Energy services	2,142	354	354	-
Materials and supplies	3,864	6,574	6,574	-
Total operation of plant	16,822	32,432	32,432	-
Community services				
Salaries	545	545	545	-
Employee benefits	3,302	134	134	-
Materials and supplies	1,850	1,711	1,711	-
Total community services	5,697	2,390	2,390	-
Capital outlay				
Other capital outlay	-	155,411	155,411	-
Total capital outlay	-	155,411	155,411	-
Total expenditures	11,964,813	11,068,437	11,068,437	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

Miscellaneous Special Revenue Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local	\$ 40	\$ 1	\$ 1	\$ -
Total revenues	40	1	1	-
Expenditures				
Current:				
Instruction				
Purchased services	135	135	135	-
Materials and supplies	3,640	-	-	-
Capital outlay:				
Other capital outlay	6,225	-	-	-
Total expenditures	10,000	135	135	-
Excess (deficiency) of revenues over (under) expenditures	(9,960)	(134)	(134)	-
Net change in fund balances	(9,960)	(134)	(134)	-
Fund balance - beginning	72,376	72,376	72,376	-
Fund balance - ending	\$ 62,416	\$ 72,242	\$ 72,242	\$ -

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

State Board of Education Bonds Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State	\$ 1,468,580	\$ 1,442,165	\$ 1,442,165	\$ -
Total revenues	1,468,580	1,442,165	1,442,165	-
Expenditures				
Debt service:				
Principal	895,000	895,000	895,000	-
Interest and fees	561,580	565,270	565,270	-
Paying agent fees	12,000	5,313	5,313	-
Total expenditures	1,468,580	1,465,583	1,465,583	-
Excess (deficiency) of revenues over (under) expenditures	-	(23,418)	(23,418)	-
Other financing sources (uses)				
Refunding bonds issued	-	1,505,000	1,505,000	-
Premium on refunding bonds	-	229,483	229,483	-
Payments to refunded bond escrow agent	-	(1,730,010)	(1,730,010)	-
Total other financing sources (uses)	-	4,473	4,473	-
Net change in fund balance	-	(18,945)	(18,945)	-
Fund balance - beginning	312,822	312,822	312,822	-
Fund balance - ending	<u>\$ 312,822</u>	<u>\$ 293,877</u>	<u>\$ 293,877</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

Debt Service - Other Fund			
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
Revenues			
Local	\$ 1,100	\$ 1,013	\$ -
Total revenues	1,100	1,013	-
Expenditures			
Debt service:			
Principal	1,130,000	1,130,000	-
Interest and fees	1,596,066	1,596,066	-
Total expenditures	2,726,066	2,726,066	-
Excess (deficiency) of revenues over (under) expenditures	(2,724,966)	(2,725,053)	-
Other financing sources			
Transfers in	2,726,066	2,726,066	-
Total other financing sources	2,726,066	2,726,066	-
Net change in fund balance	1,100	1,013	-
Fund balance - beginning	1,146	1,146	-
Fund balance - ending	\$ 2,246	\$ 2,159	\$ -

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

Public Education Capital Outlay Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State	\$ -	\$ 122,073	\$ 122,073	\$ -
Local	-	4	4	-
Total revenues	-	122,077	122,077	-
Expenditures				
Current:				
Facilities services	258,832	380,909	380,909	-
Capital outlay:				
Facilities acquisition and construction	-	-	-	-
Other Capital Outlay	-	-	-	-
Total expenditures	258,832	380,909	380,909	-
Excess (deficiency) of revenues over (under) expenditures	(258,832)	(258,832)	(258,832)	-
Net change in fund balance	(258,832)	(258,832)	(258,832)	-
Fund balance - beginning	258,832	258,832	258,832	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Capital Outlay and Debt Service Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
State	\$ 524,983	\$ 522,264	\$ 522,264	\$ -
Local	7,638	116	116	-
Total revenues	532,621	522,380	522,380	-
Expenditures				
Debt service:				
Dues and fees	-	70	70	-
Capital outlay:				
Facilities acquisition and construction	3,543,536	3,543,536	3,543,536	-
Total expenditures	3,543,536	3,543,606	3,543,606	-
Excess (deficiency) of revenues over (under) expenditures	<u>(3,010,915)</u>	<u>(3,021,226)</u>	<u>(3,021,226)</u>	<u>-</u>
Net change in fund balance	(3,010,915)	(3,021,226)	(3,021,226)	-
Fund balance - beginning	<u>3,027,873</u>	<u>3,027,873</u>	<u>3,027,873</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,958</u>	<u>\$ 6,647</u>	<u>\$ 6,647</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

Local Capital Improvement Tax Fund (Major Fund)			
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	
Revenues			
Local			
Taxes	\$ 26,156,541	\$ 26,224,667	\$ 26,224,667
Miscellaneous	495,160	138,827	138,827
Total revenues	26,651,701	26,363,494	26,363,494
Expenditures			
Current:			
Facilities services	-	11,356,581	11,356,581
Capital outlay:			
Facilities acquisition and construction	50,622,024	14,807,873	14,807,873
Other capital outlay	-	2,220,733	2,220,733
Debt service:			
Principal	-	176,182	176,182
Interest and fees	-	37,113	37,113
Total expenditures	50,622,024	28,598,482	28,598,482
Excess (deficiency) of revenues over (under) expenditures	(23,970,323)	(2,234,988)	(2,234,988)
Other financing sources (uses)			
Insurance loss recoveries	28,895	1,091,767	1,091,767
Transfers out	(8,394,980)	(9,097,243)	(7,766,274)
Total other financing sources (uses)	(8,366,085)	(8,005,476)	(6,674,507)
Net change in fund balance	(32,336,408)	(10,240,464)	(8,909,495)
Fund balance - beginning	33,600,188	33,600,188	33,600,188
Fund balance - ending	\$ 1,263,780	\$ 23,359,724	\$ 24,690,693

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Major and Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Other Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
State	\$ 28,000	\$ 37,919	\$ 37,919	-
Local	906,984	1,248,674	1,248,674	
Total revenues	934,984	1,286,593	1,286,593	-
Expenditures				
Current:				
Facilities services	-	36,983	36,983	-
Capital outlay:				
Facilities acquisition and construction	222,144	7,604	7,604	-
Total expenditures	222,144	44,587	44,587	-
Excess (deficiency) of revenues over (under) expenditures	712,840	1,242,006	1,242,006	-
Other financing sources (uses)				
Transfers out	(1,050,000)	(1,050,000)	(1,050,000)	-
Total other financing sources (uses)	(1,050,000)	(1,050,000)	(1,050,000)	-
Net change in fund balance	(337,160)	192,006	192,006	-
Fund balance - beginning	1,385,401	1,385,401	1,385,401	-
Fund balance - ending	\$ 1,048,241	\$ 1,577,407	\$ 1,577,407	-

FIDUCIARY FUNDS

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2012

	M.H. Correll Research Trust Fund	T.L. Showalter Scholarship Fund	Non-Endowment Scholarships Fund	Tom Goodman Scholarship Fund	Clara Newman Estate Scholarship Fund	J.M. Phillips, Jr. Memorial Fund	Total Private-Purpose Trust Funds
ASSETS							
Cash and Cash Equivalents	\$ 2,249	\$ 1,906	\$ 425	\$ 6,294	\$ 99,622	\$ 9,458	\$ 119,954
NET ASSETS							
Net Assets Held in Trust for Scholarships and Other Purposes	\$ 2,249	\$ 1,906	\$ 425	\$ 6,294	\$ 99,622	\$ 9,458	\$ 119,954

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Combining Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2012

	M.H. Correll Research Trust Fund	T.L. Showalter Scholarship Fund	Non-Endowment Scholarships Fund	Tom Goodman Scholarship Fund	Clara Newman Estate Scholarship Fund	J.M. Phillips, Jr. Memorial Fund	Total Private-Purpose Trust Funds
ADDITIONS							
Contributions:							
Gifts, Grants and Bequests	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings:							
Interest and Dividends	-	-	1	-	1	-	2
Total Additions	-	-	1	-	1	-	2
DEDUCTIONS							
Scholarships	-	-	-	1,500	5,000	-	6,500
Change in Net Assets	-	-	1	(1,500)	(4,999)	-	(6,498)
Net Assets - Beginning	2,249	1,906	424	7,794	104,621	9,458	126,452
Net Assets - Ending	<u>\$ 2,249</u>	<u>\$ 1,906</u>	<u>\$ 425</u>	<u>\$ 6,294</u>	<u>\$ 99,622</u>	<u>\$ 9,458</u>	<u>\$ 119,954</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
<u>Internal School Funds</u>				
Assets				
Cash and cash equivalents	\$ 1,731,244	\$ 4,350,649	\$ 4,371,140	\$ 1,710,753
Accounts receivable	2,016	1,345	2,016	1,345
Inventory	58,853	67,878	62,478	64,253
Total assets	<u>\$ 1,792,113</u>	<u>\$ 4,419,872</u>	<u>\$ 4,435,634</u>	<u>\$ 1,776,351</u>
Liabilities				
Due to student organizations	\$ 1,758,910	\$ 4,413,125	\$ 4,402,431	\$ 1,769,604
Accounts payable	33,203	6,747	33,203	6,747
Total liabilities	<u>\$ 1,792,113</u>	<u>\$ 4,419,872</u>	<u>\$ 4,435,634</u>	<u>\$ 1,776,351</u>

STATISTICAL SECTION



The information contained in this statistical section has been obtained from public documents, records and other sources considered to be reliable and, while not guaranteed as to completeness or accuracy, management believes it to be correct.



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STATISTICAL SECTION

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

Contents

Financial Trends..... 106-115

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

Revenue Capacity 116-118

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

Debt Capacity..... 119

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

Demographic and Economic Information..... 120-121

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

Operating Information 122-139

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

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Net Assets by Component
Last 10 Fiscal Years
(Unaudited)

Fiscal Year Ending	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
Primary Government:					
Invested in capital assets, net of related debt	\$ 140,365,258	\$ 177,867,748	\$ 215,680,230	\$ 210,538,436	\$ 224,729,723
Restricted	65,711,168	50,671,472	45,499,278	74,856,275	94,150,769
Unrestricted	(7,313,730)	(3,053,300)	(836,363)	(432,723)	(2,022,548)
Total primary government net assets	<u>\$ 198,762,696</u>	<u>\$ 225,485,920</u>	<u>\$ 260,343,145</u>	<u>\$ 284,961,988</u>	<u>\$ 316,857,944</u>

Note:

(a) Net Assets increased significantly between 2003 and 2008 due primarily to an increase in property tax used to acquire and construct capital assets that depreciate in future years. Net assets began to decrease in 2009 due to the decrease in millage levy from 2.00 in 2008 to 1.50 in 2010 and decrease in property values

Source: District Records

Table 1

<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
\$ 269,985,466	\$ 281,062,894	\$ 300,336,151	\$ 319,932,319	\$ 328,366,440
79,028,507	75,730,138	63,951,404	42,529,840	30,311,138
<u>(12,173,357)</u>	<u>(21,623,079)</u>	<u>(32,814,040)</u>	<u>(40,388,280)</u>	<u>(57,672,174)</u>
<u>\$ 336,840,616</u>	<u>\$ 335,169,953</u>	<u>\$ 331,473,515</u>	<u>\$ 322,073,879</u>	<u>\$ 301,005,404</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

Changes in Net Assets - Government-wide (1)

Last 10 Fiscal Years

(Unaudited)

Primary Government	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
Expenses					
Governmental activities:					
Instruction	\$ 67,258,231	\$ 71,228,030	\$ 78,763,307	\$ 84,298,588	\$ 92,186,209
Pupil personnel services	6,767,608	6,750,749	7,229,200	7,823,268	8,588,915
Instructional media services	1,990,137	2,095,148	2,103,233	2,321,712	2,512,530
Instruction and curriculum development services	2,861,076	2,800,593	3,093,555	3,248,984	3,417,083
Instructional staff training services	747,061	809,771	809,517	1,003,658	1,302,224
Instructional technology (3)	-	-	-	1,174,206	1,182,214
School board	662,081	767,953	599,271	699,356	951,845
General administration	787,774	1,054,049	1,076,826	1,105,237	896,706
School administration	6,562,100	6,977,310	7,669,796	8,134,751	8,940,370
Facilities services	5,306,546	8,097,769	20,395,079	13,718,422	23,766,287
Fiscal services	838,719	787,316	764,175	815,701	818,099
Food services	4,826,120	5,275,135	5,988,710	6,464,961	7,090,471
Central services (3)	3,827,657	3,787,386	4,313,133	2,795,938	3,075,766
Pupil transportation services	4,294,184	4,954,285	5,035,298	5,532,049	6,688,004
Operation of plant	8,621,276	9,179,127	10,677,630	12,578,662	14,182,308
Maintenance of plant	2,598,858	2,611,260	2,753,158	2,733,502	3,122,998
Administrative technology (3)	-	-	-	558,610	540,097
Community services	2,290,000	2,677,590	2,194,116	2,410,540	2,682,319
Unallocated Interest on long-term debt	407,166	503,636	578,419	1,468,301	2,463,642
Unallocated depreciation expense	17,134,931	8,468,762	9,718,426	5,230,503	-
Loss on disposal of assets	5,100,408	-	104,193	-	-
Total expenses	<u>142,881,933</u>	<u>138,825,869</u>	<u>163,867,042</u>	<u>164,116,949</u>	<u>184,408,087</u>
Governmental activities:					
Charges for services					
Instruction	2,236,785	2,457,453	2,280,820	2,640,392	2,845,113
Food	2,439,031	2,800,871	3,007,232	3,286,653	3,452,163
Pupil transportation	-	8,072	28,149	-	-
Community service	-	-	-	-	-
Operating grants and contributions	6,751,884	7,000,846	6,938,764	6,874,323	7,228,223
Capital grants and contributions	4,777,645	10,612,219	3,861,768	3,596,577	11,643,707
Total program revenues	<u>16,205,345</u>	<u>22,879,461</u>	<u>16,116,733</u>	<u>16,397,945</u>	<u>25,169,206</u>
Primary government net expense	<u>\$ (126,676,588)</u>	<u>\$ (115,946,408)</u>	<u>\$ (147,750,309)</u>	<u>\$ (147,719,004)</u>	<u>\$ (159,238,881)</u>
Governmental activities:					
Property taxes:					
Levied for general purposes	\$ 72,672,158	\$ 80,405,574	\$ 83,352,650	\$ 89,995,924	\$ 97,894,199
Levied for capital projects	23,136,514	25,673,154	29,795,761	33,929,970	41,261,608
Grants and contributions not restricted					
to specific programs	31,466,397	31,354,334	36,786,734	38,482,136	42,392,038
Insurance loss recoveries	-	-	25,927,356	4,121,131	233,152
Miscellaneous	4,547,427	4,237,299	5,232,594	5,692,955	3,883,932
Unrestricted investment earnings	1,204,754	999,270	1,512,437	3,716,156	5,469,908
Total primary government	<u>\$ 133,027,250</u>	<u>\$ 142,669,631</u>	<u>\$ 182,607,532</u>	<u>\$ 175,938,272</u>	<u>\$ 191,134,837</u>
Change in Net Assets					
Total primary government (2)	<u>\$ 6,350,662</u>	<u>\$ 26,723,223</u>	<u>\$ 34,857,223</u>	<u>\$ 28,219,268</u>	<u>\$ 31,895,956</u>

Notes: (1) Includes all governmental fund types

(2) The District has no business type activities.

(3) Functions to report technology expenses were added in the 2005-06 fiscal year.

Source: District Records

Table 2

June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
\$ 100,088,071	\$ 96,028,710	\$ 99,394,082	\$ 101,154,165	\$ 96,030,312
9,416,081	8,990,622	10,769,701	9,928,751	9,903,132
2,718,646	2,755,296	2,393,206	2,263,085	2,213,015
3,654,795	3,454,527	3,333,307	3,418,956	3,711,583
2,094,178	1,982,599	3,001,115	3,155,887	2,895,164
1,301,506	832,089	1,641,862	1,699,938	1,741,333
743,919	826,006	866,172	731,165	729,644
961,588	753,206	739,511	750,550	729,721
10,127,670	9,990,153	10,209,565	9,925,657	10,316,230
25,904,672	25,881,704	19,629,027	26,211,680	26,041,389
857,860	829,305	1,162,258	1,159,594	1,066,902
7,400,658	7,332,469	6,854,384	6,591,543	7,170,203
3,623,885	3,630,236	3,669,788	4,216,113	4,822,277
7,213,168	6,595,659	6,451,503	6,143,955	6,468,443
15,511,085	15,083,575	14,207,089	15,184,217	13,838,429
3,344,687	3,241,597	4,392,925	4,595,135	4,373,070
600,242	408,321	656,490	563,005	563,865
3,190,881	3,164,681	2,880,821	2,729,930	2,740,540
2,414,359	2,366,566	2,291,704	2,239,480	2,203,833
-	-	-	-	-
-	-	-	-	-
201,167,951	194,147,321	194,544,510	202,662,806	197,559,085
2,836,003	2,865,145	2,731,917	371,096	429,597
3,324,172	3,156,448	2,923,061	2,954,156	2,808,455
-	-	-	-	-
-	-	-	2,559,255	2,765,234
7,457,767	7,590,006	4,046,600	4,520,960	4,830,648
12,047,688	3,496,132	3,503,253	3,075,398	1,994,232
25,665,630	17,107,731	13,204,831	13,480,865	12,828,166
<u>\$ (175,502,321)</u>	<u>\$ (177,039,590)</u>	<u>\$ (181,339,679)</u>	<u>\$ (189,181,941)</u>	<u>\$ (184,730,919)</u>
\$ 101,005,604	\$ 93,508,345	\$ 99,281,016	\$ 97,202,185	\$ 89,175,396
43,886,882	36,356,391	28,656,156	26,738,877	26,224,667
43,765,216	43,493,062	46,726,435	52,672,114	45,362,980
56,190	116,796	-	-	-
2,914,896	1,896,946	2,072,294	2,701,383	2,719,167
3,856,205	(2,613)	907,340	467,746	180,234
<u>\$ 195,484,993</u>	<u>\$ 175,368,927</u>	<u>\$ 177,643,241</u>	<u>\$ 179,782,305</u>	<u>\$ 163,662,444</u>
<u>\$ 19,982,672</u>	<u>\$ (1,670,663)</u>	<u>\$ (3,696,438)</u>	<u>\$ (9,399,636)</u>	<u>\$ (21,068,475)</u>

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Fund Balances - Governmental Funds (1)
Last 10 Fiscal Years
(unaudited)

Post-GASB 54		
	Fiscal Year	
	2011	2012
General Fund		
Nondisposable	\$ 488,370	\$ 534,622
Restricted	2,227,392	1,201,292
Assigned	611,930	6,545
Unassigned	9,389,240	5,372,118
Total General Fund	<u>\$ 12,716,932</u>	<u>\$ 7,114,577</u>
All Other Governmental Funds		
Nondisposable	\$ 209,683	\$ 65,937
Restricted	40,092,765	29,043,909
Total All Other Governmental Funds	<u>\$ 40,302,448</u>	<u>\$ 29,109,846</u>

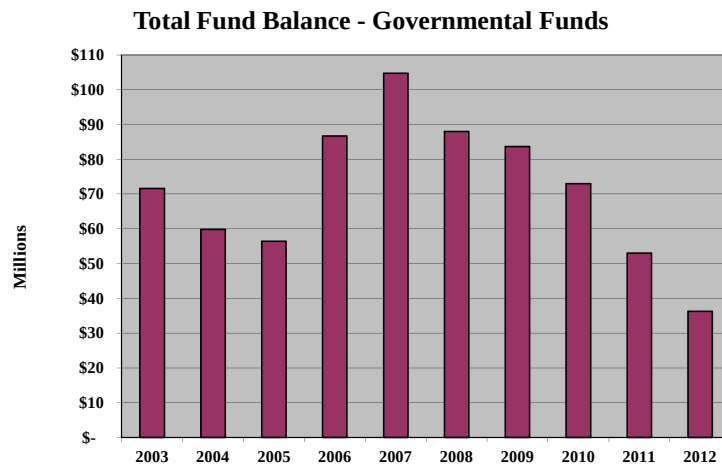
Pre-GASB 54			
	Fiscal Year		
	2003	2004	2005
General Fund			
Reserved	\$ 1,791,511	\$ 2,375,967	\$ 1,880,160
Unreserved	3,424,716	5,903,895	8,139,110
Total General Fund	<u>\$ 5,216,227</u>	<u>\$ 8,279,862</u>	<u>\$ 10,019,270</u>
All Other Governmental Funds			
Reserved	\$ 26,086,846	\$ 15,165,509	\$ 16,857,750
Unreserved, reported in:			
Capital projects funds	38,823,016	34,433,691	27,864,767
Special revenue funds	1,468,333	1,921,205	1,687,739
Total All Other Governmental Funds	<u>\$ 66,378,195</u>	<u>\$ 51,520,405</u>	<u>\$ 46,410,256</u>

Note: (1) Includes all governmental fund types

Source: District records

Table 3

Fiscal Year				
2006	2007	2008	2009	2010
\$ 2,125,669	\$ 2,463,228	\$ 2,044,033	\$ 956,033	\$ 2,744,719
9,226,624	8,076,751	7,533,302	7,006,402	8,156,558
<u>\$ 11,352,293</u>	<u>\$ 10,539,979</u>	<u>\$ 9,577,335</u>	<u>\$ 7,962,435</u>	<u>\$ 10,901,277</u>
\$ 17,532,385	\$ 26,117,711	\$ 19,585,661	\$ 18,539,720	\$ 23,840,637
56,291,724	67,413,737	58,508,274	56,861,866	37,558,622
1,469,550	650,426	324,357	254,141	671,564
<u>\$ 75,293,659</u>	<u>\$ 94,181,874</u>	<u>\$ 78,418,292</u>	<u>\$ 75,655,727</u>	<u>\$ 62,070,823</u>



DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA**Changes in Fund Balances - Governmental Funds (1)****Last 10 Years****(Modified Accrual Basis of Accounting)****(Unaudited)**

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Federal sources:				
Federal grants	\$ 11,190,340	\$ 11,238,974	\$ 11,956,044	\$ 12,159,646
Food services	2,613,778	2,916,692	2,750,335	3,002,897
Total federal sources	13,804,118	14,155,666	14,706,379	15,162,543
State sources:				
Florida education finance program	11,396,782	8,324,716	8,759,498	6,459,587
Public education capital outlay	3,116,994	2,185,956	1,472,984	1,594,564
Food services	96,632	95,795	96,160	88,518
State grants and other	13,641,532	23,561,968	22,203,732	25,438,866
Total state sources	28,251,940	34,168,435	32,532,374	33,581,535
Local sources:				
Ad valorem taxes	95,788,903	106,078,728	113,129,401	123,861,840
Food service sales	2,442,284	2,807,500	3,025,680	3,286,653
Interest and other income	1,204,754	999,221	1,512,438	3,716,156
Other revenues	7,716,156	7,191,611	7,890,639	8,461,358
Total local sources	107,152,097	117,077,060	125,558,158	139,326,007
Total revenues	149,208,155	165,401,161	172,796,911	188,070,085
Expenditures				
Instruction	67,328,432	71,059,991	78,919,442	84,058,619
Pupil personnel services	6,775,968	6,731,577	7,259,741	7,801,929
Instructional media services	1,992,646	2,088,917	2,111,265	2,313,271
Instruction and curriculum development services	2,871,469	2,792,893	3,104,161	3,188,203
Instructional staff training services	747,061	809,771	814,022	1,005,353
Instructional related technology(2)	-	-	-	1,164,873
Board of education	662,726	767,951	601,737	689,525
General administration	788,036	1,054,049	1,082,796	1,107,102
School administration	6,589,880	6,915,603	7,694,958	8,096,343
Facilities services	5,552,647	5,127,475	20,396,158	11,678,947
Fiscal services	838,683	775,640	766,774	808,644
Food services	4,827,757	5,268,691	6,024,723	6,439,565
Central services(2)	4,087,362	5,120,628	4,476,188	2,778,151
Pupil transportation services	4,571,122	4,944,019	5,061,765	5,536,631
Operation of plant	8,623,309	9,166,997	10,744,197	12,573,720
Maintenance of plant	2,600,179	2,597,579	2,763,874	2,719,203
Administrative technology(2)	-	-	-	547,887
Community services	2,290,382	2,677,590	2,203,440	2,414,611
Capital Outlay:				
Facilities acquisition and construction	18,899,070	47,328,450	43,775,415	45,856,668
Other capital outlay	4,100,463	3,823,515	7,103,040	3,107,210
Debt Service:				
Principal	351,761	478,274	622,659	715,034
Interest and fiscal charges	407,166	470,809	548,922	1,175,315
Total expenditures	\$ 144,906,119	\$ 180,000,419	\$ 206,075,277	\$ 205,776,804

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 11,660,006	\$ 10,007,447	\$ 10,598,248	\$ 20,657,783	\$ 24,325,420	\$ 13,059,853
2,874,851	3,115,573	3,592,138	3,878,793	4,404,315	4,755,475
14,534,857	13,123,020	14,190,386	24,536,576	28,729,735	17,815,328
7,958,571	5,964,391	6,996,147	2,403,077	3,740,327	8,056,777
2,921,933	4,442,279	1,491,672	493,045	1,080,309	122,073
86,732	84,008	83,029	83,508	76,029	106,461
35,761,875	39,656,973	31,817,966	25,740,509	26,642,072	26,087,224
46,729,111	50,147,651	40,388,814	28,720,139	31,538,737	34,372,535
139,155,807	144,892,486	129,864,736	127,937,172	123,941,062	115,400,063
3,549,624	3,403,489	3,156,448	2,923,061	2,954,156	2,808,455
5,469,908	3,856,205	(2,613)	907,340	467,786	180,234
6,962,523	5,902,759	5,149,261	6,030,595	6,131,098	6,415,634
155,137,862	158,054,939	138,167,832	137,798,168	133,494,102	124,804,386
216,401,830	221,325,610	192,747,032	191,054,883	193,762,574	176,992,249
91,820,583	94,605,958	90,758,627	91,793,659	95,516,711	88,504,026
8,600,273	8,960,642	8,515,685	9,985,276	9,519,092	9,126,374
2,512,236	2,571,184	2,599,008	2,141,954	2,220,756	2,026,156
3,383,843	3,425,227	3,290,025	3,031,846	3,469,525	3,283,924
1,295,385	1,998,475	1,885,811	2,830,290	3,086,300	2,687,875
1,179,755	1,230,586	753,182	1,532,256	1,590,478	1,607,734
908,266	705,570	781,836	825,496	681,689	680,731
1,095,254	1,180,544	1,100,042	1,214,885	1,294,507	1,072,389
9,003,542	9,509,932	9,477,912	9,265,796	9,403,915	9,287,670
12,836,647	9,874,902	10,778,771	8,106,544	12,545,299	12,711,138
805,616	818,681	774,884	1,047,597	1,077,272	974,087
7,033,624	7,170,356	7,102,339	6,527,545	6,635,390	6,858,976
3,079,037	3,444,513	3,435,115	3,322,138	3,916,853	4,304,803
6,682,415	6,972,314	6,317,510	6,103,839	5,758,515	6,086,852
14,260,919	15,136,879	14,630,408	13,755,521	14,121,493	13,220,275
3,100,833	3,164,044	3,040,362	4,083,006	4,350,845	3,985,346
541,725	566,930	370,795	601,882	524,156	518,326
2,697,668	3,050,637	3,009,962	2,646,810	2,543,416	2,544,048
20,626,860	56,881,422	20,826,632	26,332,897	28,348,362	18,359,013
3,920,957	3,663,269	3,620,821	2,675,971	4,276,078	2,638,689
710,000	1,720,000	1,805,000	1,870,000	1,935,000	2,201,182
2,463,643	2,414,358	2,366,566	2,316,365	2,234,938	2,203,832
\$ 198,559,081	\$ 239,066,423	\$ 197,241,293	\$ 202,011,573	\$ 215,050,590	\$ 194,883,446

(continued)

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA**Changes in Fund Balances - Governmental Funds (1)****Last 10 Years****(Modified Accrual Basis of Accounting)****(Unaudited)**

	Fiscal Year			
	2003	2004	2005	2006
Excess of revenues over (under) expenditures	\$ 4,302,036	\$ (14,599,258)	\$ (33,278,366)	\$ (17,706,719)
Other Financing Sources (Uses)				
Long-term debt issued	-	2,657,173	3,195,503	44,095,000
Refunding bond issue	-	-	-	4,040,000
Payment to escrow agent for refunded bonds	-	-	-	(4,418,053)
Premium of sale/refunding of bonds/COP	-	-	-	608,202
Discount on sale of bonds/COP	-	-	-	(523,135)
Capital leases	-	-	784,767	-
Sale of capital assets	-	-	-	-
FEMA and insurance loss recoveries	24,440	65,889	25,927,356	4,121,131
Transfers in	708,969	810,000	542,357	2,992,935
Transfers out	(1,094,758)	(810,000)	(542,357)	(2,992,935)
Total other financing sources (uses)	(361,349)	2,723,062	29,907,626	47,923,145
Prior period adjustments & other	-	82,042	-	-
Net change in fund balances	<u>\$ 3,940,687</u>	<u>\$ (11,794,154)</u>	<u>\$ (3,370,740)</u>	<u>\$ 30,216,426</u>
Debt service as a percentage of noncapital expenditures	0.55%	0.68%	0.71%	1.15%

Notes: (1) Includes all governmental fund types

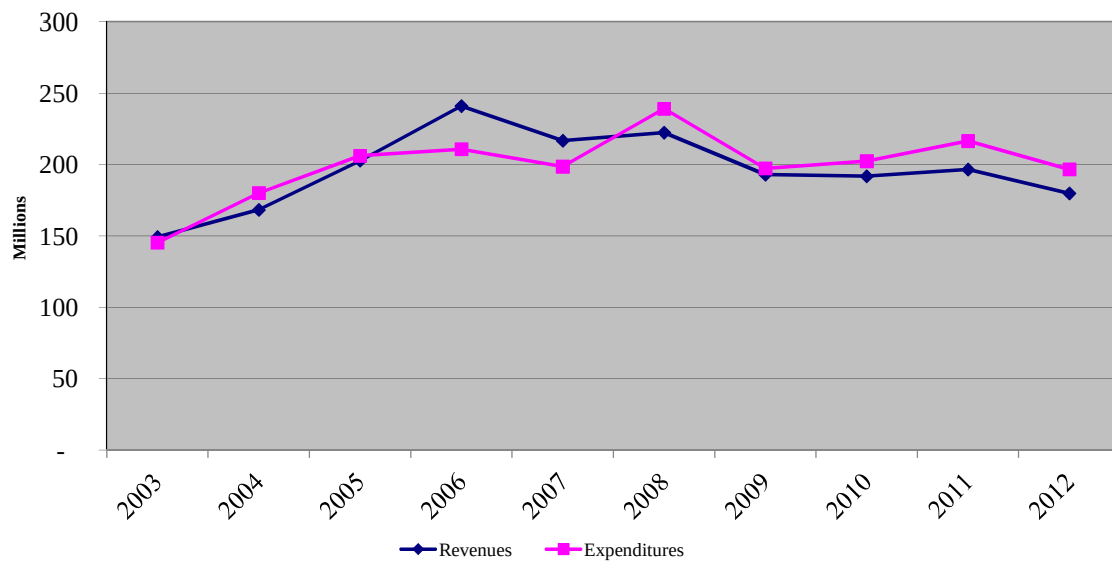
(2) Technology expenses were included in central services until the 2005-06 fiscal year.

Source: District records

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 17,842,749	\$ (17,740,813)	\$ (4,494,261)	\$ (10,956,690)	\$ (21,288,016)	\$ (17,891,197)
-	925,000	-	-	-	-
-	-	-	350,000	1,205,000	1,505,000
-	-	-	(377,799)	(1,404,877)	(1,730,010)
-	33,397	-	30,978	195,334	229,483
-	-	-	-	-	-
-	-	-	-	1,239,801	-
-	-	-	-	-	-
233,152	56,190	116,796	307,449	100,038	1,091,767
2,250,387	5,446,766	8,178,799	8,804,532	8,426,038	8,852,137
(2,250,387)	(5,446,766)	(8,178,799)	(8,804,532)	(8,426,038)	(8,852,137)
233,152	1,014,587	116,796	310,628	1,335,296	1,096,240
-	-	-	-	-	-
\$ 18,075,901	\$ (16,726,226)	\$ (4,377,465)	\$ (10,646,062)	\$ (19,952,720)	\$ (16,794,957)
1.71%	2.13%	2.38%	2.41%	2.26%	2.53%

Revenues vs. Expenditures



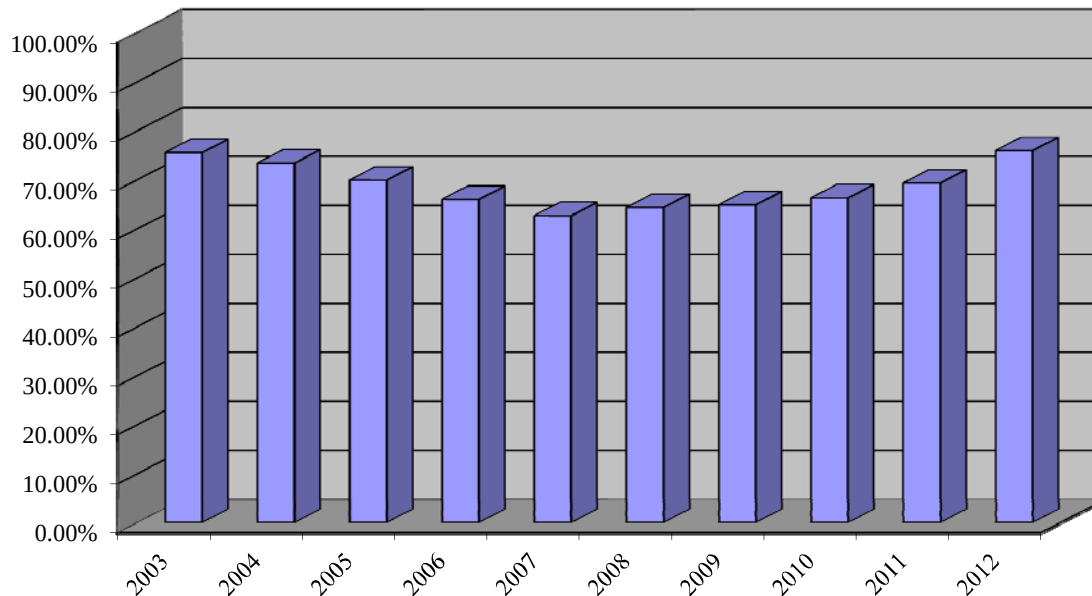
DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Assessed and Estimated Actual Value of Taxable Property
Last 10 Fiscal Years
(Amounts expressed in thousands)
(Unaudited)

Fiscal Year	Real Property	Personal Property	Centrally Assessed Value	Estimated Actual Value ⁽¹⁾	Homestead and Other Exemptions	Total Taxable Valuation	Ratio of Taxable Value to Assessed Value	Total Direct Rate
2003	14,302,057	1,533,608	28,833	15,864,498	3,884,313	11,980,185	75.52%	8.279
2004	16,491,340	1,579,700	33,991	18,105,031	4,821,533	13,283,498	73.37%	8.263
2005	20,430,688	1,644,385	36,316	22,111,388	6,659,157	15,452,232	69.88%	7.592
2006	25,063,423	1,711,694	36,530	26,811,647	9,126,414	17,685,233	65.96%	7.300
2007	31,967,821	2,121,882	40,120	34,129,823	12,757,499	21,372,324	62.62%	6.744
2008	33,089,406	2,159,406	45,924	35,294,736	12,594,110	22,700,626	64.32%	6.602
2009	29,582,296	2,166,888	60,595	31,809,779	11,183,140	20,626,639	64.84%	6.252
2010	26,216,447	2,094,540	47,272	28,358,258	9,567,827	18,790,433	66.26%	6.703
2011	23,131,078	2,069,709	45,744	25,246,531	7,753,621	17,492,910	69.29%	6.956
2012	21,379,718	2,378,906	47,993	23,806,617	5,735,774	18,070,843	75.91%	6.604

Source: Martin County Property Appraiser

Note: (1) Estimated actual values are the total "just" values of property subject to taxation, as defined by Section 193.011, Florida Statutes.

Ratio of Actual Taxable Value to Assessed Value

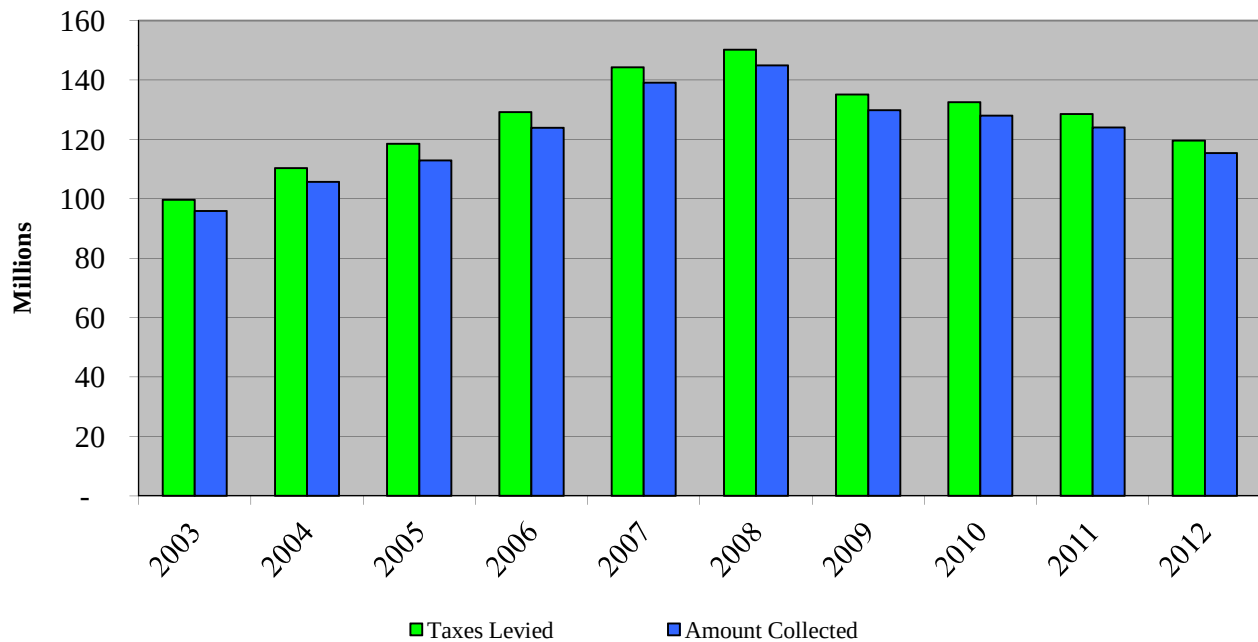


DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Property Tax Levies and Collections
Last 10 Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	99,702,224	95,788,904	96.07%	113,645	95,902,549	96.19%
2004	110,298,245	105,680,992	95.81%	131	105,681,123	95.81%
2005	118,563,359	112,871,144	95.20%	-	112,871,144	95.20%
2006	129,202,101	123,925,894	95.92%	-	123,925,894	95.92%
2007	144,252,079	139,110,202	96.44%	-	139,110,202	96.44%
2008	150,151,251	144,892,486	96.50%	-	144,892,486	96.50%
2009	135,139,841	129,864,736	96.10%	-	129,864,736	96.10%
2010	132,510,715	127,937,173	96.55%	23,148	127,960,321	96.57%
2011	128,512,929	123,917,914	96.42%	58,945	123,976,859	96.47%
2012	119,608,739	115,341,118	96.43%	-	115,341,118	96.43%

Source: Martin County Tax Collector and District records.

Property Tax Levies and Collections



DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA**Direct and Overlapping Property Tax Rates****Last 10 Years****(Unaudited)****(per \$1,000 assessed valuation)**

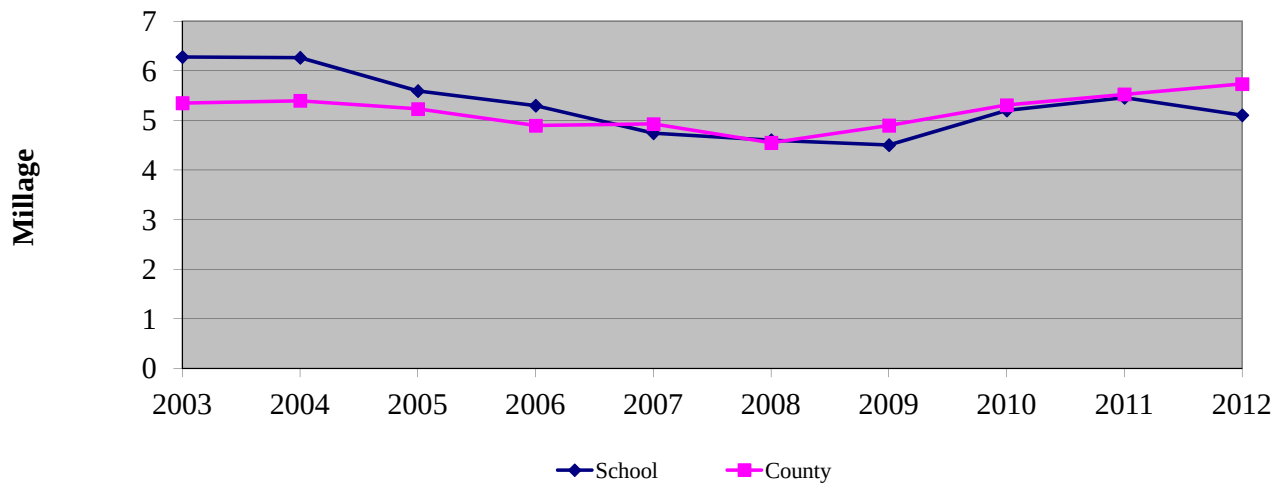
Fiscal Year	Direct Rates ⁽¹⁾			Overlapping Rates ⁽²⁾						
	District School Board of Martin County		Martin County			MSTU	City of Stuart	Jupiter Island	Sewall's Point	Ocean Breeze Park
	Operating	Capital	Operating	Debt Service	Other					
2003	6.279	2.000	5.348	0.4760	1.0498	1.0943	4.1539	3.8190	1.8990	-
2004	6.263	2.000	5.395	0.4120	1.0510	1.0893	4.1539	3.6170	1.8990	-
2005	5.592	2.000	5.230	0.3720	1.0692	1.0760	4.1539	3.2540	1.8990	2.8820
2006	5.300	2.000	4.895	0.3250	1.0690	0.8287	5.4615	3.0904	1.9410	5.1949
2007	4.744	2.000	4.928	0.1140	1.0557	0.7722	5.3442	2.9994	2.4000	3.4815
2008	4.602	2.000	4.548	0.1220	0.9557	0.6796	4.5573	2.9994	2.1690	2.2911
2009	4.502	1.750	4.897	0.1270	1.0108	0.7027	4.5788	3.1400	2.2300	2.4241
2010	5.203	1.500	5.309	0.1382	1.0108	0.8754	4.6081	3.2350	2.2300	2.2459
2011	5.456	1.500	5.525	0.0826	1.0100	0.9610	4.6436	3.3841	2.1800	2.6295
2012	5.104	1.500	5.734	0.0368	0.8401	0.9636	4.6674	4.9528	2.2896	4.6799

(1) Direct rates are the District's rate for capital outlay, discretionary, and required local effort.

(2) Overlapping rates are those of local and county governments that apply to property owners within the incorporated areas.

Source: Martin County Tax Collector's Office
Martin County Property Appraiser
Martin County Clerk of Court

County and School District Operating Millages



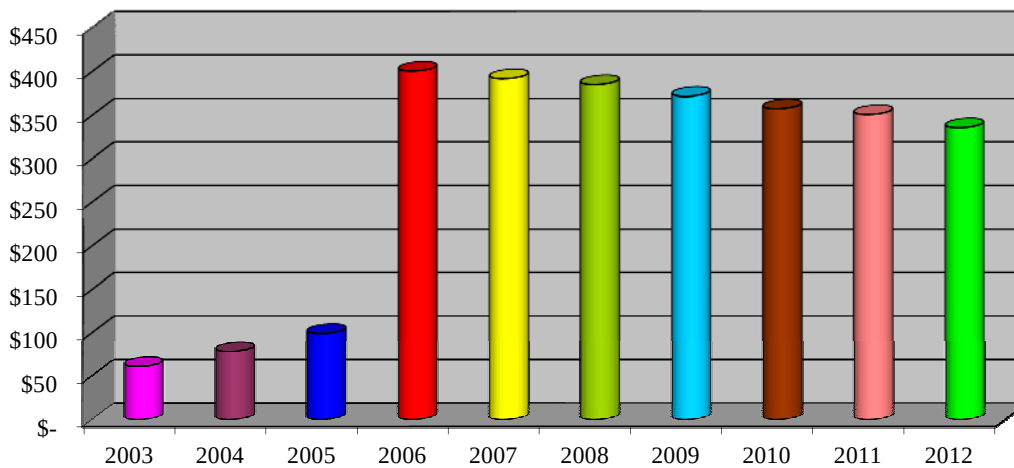
DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA**Ratios of Outstanding Debt by Type****Last 10 Fiscal Years****(Amounts expressed in thousands, except per capita amount)****(Unaudited)**

Fiscal Year	State Board of Education Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income	Debt Per Capita
2003	8,205	-	-	8,205	0.14%	61.01
2004	10,465	-	297	10,762	0.16%	78.19
2005	13,135	-	785	13,920	0.19%	98.68
2006	15,700	40,790	597	57,087	0.71%	400.20
2007	14,990	40,790	472	56,252	0.66%	391.35
2008	15,175	39,810	341	55,326	0.66%	384.56
2009	14,385	38,795	204	53,384	0.65%	371.09
2010	13,540	37,745	61	51,346	0.68%	357.12
2011	13,895	36,660	822	51,377	N/A	350.49
2012	13,165	35,530	646	49,341	N/A	335.19

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements. Total personal income is not available for 2011 and 2012.

* See Table 9 Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the calendar year.

Source: District records

Debt per Capita

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Demographic and Economical Statistics
Last Ten Years
(Unaudited)

Fiscal Year	Estimated Population⁽¹⁾	Personal Income⁽²⁾ (thousands of dollars)	Per Capita Personal Income⁽²⁾	Student Membership⁽³⁾	Unemployment Rate⁽⁴⁾
2003	134,491	5,868,733	43,661	16,978	5.2
2004	137,637	6,677,228	48,801	17,447	4.8
2005	141,059	7,197,354	52,068	17,657	3.6
2006	142,645	8,046,739	58,295	17,760	3.9
2007	143,737	8,586,709	61,868	17,826	4.1
2008	143,868	8,364,241	60,140	17,703	6.3
2009	143,856	8,207,593	58,712	17,631	11.2
2010	143,777	7,576,859	51,723	17,612	11.7
2011	146,587	N/A	N/A	17,759	10.9
2012	147,203	N/A	N/A	17,964	9.8

N/A = Data not currently available

Source: (1) Office of Economic and Business Research
(2) US Department of Commerce, Bureau of Economic Analysis
(3) The Florida Department of Education's statistical brief entitled "Membership in Florida's Public Schools Fall" for each respective year
(4) Florida Agency for Workforce Innovation, Labor Market Statistics Center, Local Area Unemployment Statistics Program

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA**Principal Property Taxpayers****January 1, 2011 and 9 years ago****(Amounts expressed in thousands)****(Unaudited)**

Taxpayer	2012			2003		
	Rank	Taxable Assessed Valuation	Percentage of Total Assessed Value	Rank	Taxable Assessed Valuation	Percentage of Total Assessed Value
Florida Power & Light Co.	1	\$ 1,541,269	6.47%	1	\$ 729,780	4.60%
Indiantown Cogeneration LP	2	267,098	1.12%	2	308,996	1.95%
Treasure Coast - JCP Associates Ltd.	3	75,843	0.32%	3	57,719	0.36%
Gulfstream Natural Gas	4	45,893	0.19%	-	-----	-----
Hubman, Christopher J	5	42,887	0.18%	-	-----	-----
Sands, Jeffrey H	6	36,350	0.15%	-	-----	-----
Bellsouth Telecom	7	31,484	0.13%	4	56,410	0.36%
Louis Drefus Citrus Inc.	8	30,665	0.13%	-	-----	-----
Hamm, Edward H	9	24,976	0.10%	-	-----	-----
Sandhill Cove Properties, Inc.	10	27,883	0.12%	5	23,215	0.15%
Medalist Golf Company	-	-----	-----	6	22,891	0.14%
IHC Reality Partnership LP	-	-----	-----	7	21,848	0.14%
Tesoro Groves LTD Partner	-	-----	-----	8	21,355	0.13%
Lowe's Home Centers, Inc.	-	-----	-----	9	20,226	0.13%
Ted Glasrud Associates	-	-----	-----	10	19,176	0.12%
Total		<u>\$ 2,124,348</u>	<u>8.92%</u>		<u>\$ 1,281,616</u>	<u>8.08%</u>

Source: Martin County Tax Collector's Office

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA**District Employees****Last 10 Fiscal Years****(Unaudited)**

	2003	2004	2005	2006
Instructional administrators	11	10	7	14
Non-instructional administrators	7	7	7	6
Consultants/supervisors of instruction	2	2	1	2
Principals	19	19	20	20
Assistant principals	25	26	28	30
Elementary classroom teachers	351	380	390	395
Secondary classroom teachers	403	414	435	455
ESE teachers	173	183	201	212
Other teachers (adult)	41	39	41	42
Guidance counselors	40	39	36	38
Visiting teachers/Social workers	1	1	1	1
Psychologists	5	5	6	6
Librarians	18	17	22	24
Other professionals (instructional)	78	80	78	76
Other professionals (non-instructional)	78	82	74	75
Aides	259	249	256	265
Technicians	15	15	15	14
Clerical/secretarial	138	133	143	163
Service workers	307	265	228	255
Skilled crafts	32	33	29	32
Unskilled laborers	16	16	16	15
Total employees	2,019	2,015	2,034	2,140

Source: Florida Department of Education Statistical Brief entitled "Staff in Florida's Public Schools"

Notes: (a) Employee data includes only full-time staff.
 (b) Information presented above excludes Charter Schools and Second Chance Schools.
 (c) The number of personnel is total employees.

Table 11

2007	2008	2009	2010	2011	2012
9	9	8	8	9	11
6	6	4	6	8	7
2	2	3	3	4	3
20	21	23	23	23	23
30	30	32	31	32	32
407	414	414	415	461	455
449	468	460	461	464	453
213	214	218	230	238	231
39	38	100	99	72	58
41	43	39	37	37	35
1	1	1	1	0	0
7	7	7	7	7	7
24	24	24	20	20	20
86	74	85	99	94	101
87	89	89	93	89	85
277	270	268	282	279	290
13	14	15	14	10	11
170	171	164	169	163	168
289	295	297	290	292	297
30	33	34	34	36	32
17	18	18	18	11	12
2,217	2,241	2,303	2,340	2,349	2,331



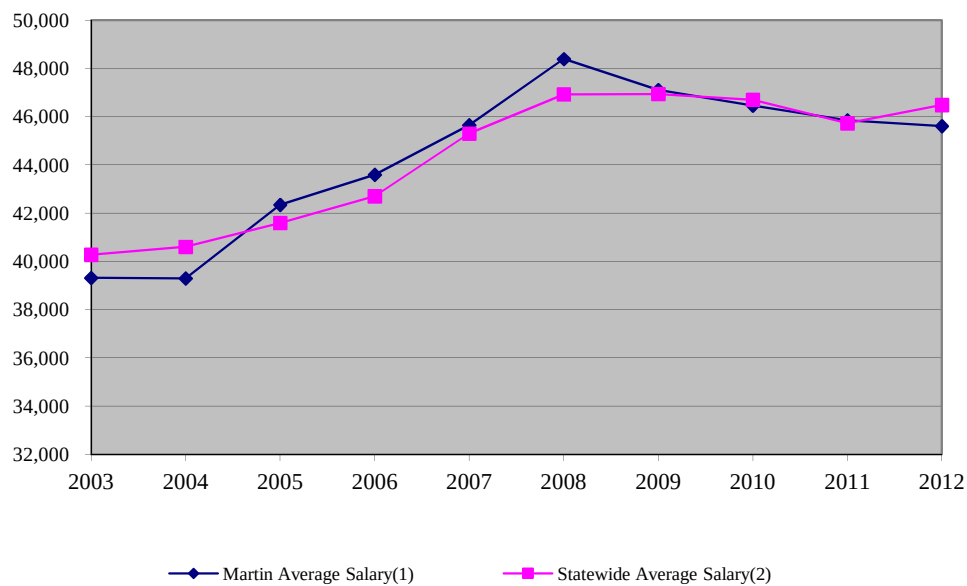
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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Teacher Salaries
Last 10 Years
(Unaudited)

Fiscal Year	Minimum Salary⁽¹⁾	Maximum Salary⁽¹⁾	Martin Average Salary⁽²⁾	Statewide Average Salary⁽²⁾
2003	30,000	57,641	39,311	40,275
2004	30,725	59,255	39,294	40,598
2005	31,675	60,855	42,337	41,590
2006	32,800	63,289	43,585	42,702
2007	35,000	65,339	45,646	45,296
2008	37,000	67,952	48,384	46,922
2009	37,000	67,952	47,102	46,938
2010	37,000	67,952	46,455	46,696
2011	37,000	68,427	45,841	45,723
2012	37,000	68,901	45,604	46,479

Source: (1) District records
(2) Florida Department of Education

Teacher Average Salary



DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
School Building Information (1)
Last 10 Fiscal Years
(Unaudited)

School	Fiscal Year			
	2003 ⁽³⁾	2004	2005	2006
<u>Elementary</u>				
Seawind Elementary (1993)				
Square feet	119,804	119,804	119,804	119,804
Capacity	788	788	589	589
Enrollment	683	670	630	651
JD Parker Elementary (2004/re-built) ⁽²⁾				
Square feet	-	-	125,940	125,940
Capacity	-	-	804	804
Enrollment	502	562	604	585
Palm City Elementary (1958)				
Square feet	106,954	106,954	106,954	106,954
Capacity	930	930	713	713
Enrollment	994	951	925	899
Port Salerno Elementary (2002/re-built) ⁽²⁾				
Square feet	108,962	108,962	108,962	108,962
Capacity	-	923	757	757
Enrollment	591	682	688	659
Hobe Sound Elementary (2004/re-built) ⁽²⁾				
Square feet	-	-	112,190	112,190
Capacity	-	-	816	816
Enrollment	530	457	577	588
Warfield Elementary (1959)				
Square feet	123,584	123,584	123,584	123,584
Capacity	1,156	1,156	875	875
Enrollment	634	608	617	617
Jensen Beach Elementary (1970)				
Square feet	95,159	95,159	95,159	95,159
Capacity	939	939	721	721
Enrollment	634	608	617	622
Pinewood Elementary (1988)				
Square feet	103,756	103,756	103,756	103,756
Capacity	838	838	622	622
Enrollment	800	784	747	879
Crystal Lake Elementary (1989)				
Square feet	101,628	101,628	101,628	101,628
Capacity	841	841	620	620
Enrollment	804	747	712	700

(continued)

Table 13

Fiscal Year					
2007	2008	2009	2010	2011 ⁽⁴⁾	2012 ⁽⁵⁾
119,804	137,803	136,075	127,350	127,350	127,350
589	837	797	783	783	764
667	673	689	735	738	721
125,940	125,940	125,940	125,691	125,691	125,691
804	757	757	754	754	695
598	607	610	612	626	614
106,954	118,524	114,074	107,872	102,532	102,532
713	929	953	808	698	670
875	881	794	740	700	649
108,962	108,962	108,962	109,944	109,944	115,120
757	757	757	757	757	805
660	660	646	653	722	761
112,190	110,804	110,804	115,632	115,632	115,632
816	797	797	793	793	776
703	711	712	689	696	665
139,520	142,024	114,653	147,410	145,941	145,941
875	911	845	1,084	1,048	1,048
614	618	638	643	671	704
95,159	97,829	96,760	100,201	100,201	100,468
721	775	721	721	721	668
625	626	603	571	555	576
104,570	132,001	129,603	128,796	120,994	122,256
644	982	996	888	718	756
764	761	730	710	710	754
101,628	106,147	106,027	104,574	100,176	103,681
620	720	720	720	630	621
736	733	505	504	492	528

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
School Building Information (1)
Last 10 Fiscal Years
(Unaudited)

School	Fiscal Year			
	2003 ⁽³⁾	2004	2005	2006
Bessey Creek Elementary (1995)				
Square feet	111,296	111,296	111,296	111,296
Capacity	779	779	589	589
Enrollment	667	705	753	800
Felix A. Williams Elementary (1993)				
Square feet	137,605	137,605	137,605	137,605
Capacity	910	910	705	705
Enrollment	817	720	704	718
Citrus Grove Elementary (2009)				
Square feet				
Capacity				
Enrollment				

Sources:

District records - Five-year facilities work plan

Florida Inventory of School Houses

⁽¹⁾ The District caps its enrollment at 750 for elementary schools, 1,200 for middle schools, and 1,800 for high schools.

⁽²⁾ Rebuilt schools include only information after rebuilding.

⁽³⁾ Capacity information reported for fiscal year ended 2003 reflects adjustments due to the Class Size Reduction Amendment.

⁽⁴⁾ Square footage and capacity have changed for some schools due to the re-measurement and change of use by BRPH for the Five-Year Plant Survey.

⁽⁵⁾ Square footage and capacity have changed for some schools due to remodeling work completed in 2011-12, building demolitions, ESE cluster sites per DOE, and vacant buildings pending demolition.

Table 13

Fiscal Year					
2007	2008	2009	2010	2011 ⁽⁴⁾	2012 ⁽⁵⁾
111,296	118,312	111,296	122,445	122,445	122,445
589	745	589	599	599	599
747	752	572	556	534	525
137,605	140,197	138,469	111,844	111,059	111,059
705	759	723	653	635	635
650	653	633	684	647	631
			124,838	124,838	124,838
		767	767	767	767
		457	521	565	603

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
School Building Information (1)
Last 10 Fiscal Years
(Unaudited)

School	Fiscal Year			
	2003 ⁽³⁾	2004	2005	2006
<u>Middle</u>				
Dr. David L. Anderson Middle School (2005)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Hidden Oaks Middle School (1991)				
Square feet	166,779	166,779	166,779	166,779
Capacity	1,446	1,446	1,241	1,241
Enrollment	1,460	1,437	1,452	1,075
Indiantown Middle School (1969)				
Square feet	99,053	99,053	99,053	99,053
Capacity	1,096	1,096	804	770
Enrollment	476	481	482	441
Murray Middle School(1961)				
Square feet	131,551	131,551	131,551	131,551
Capacity	1,244	1,244	1,033	1,033
Enrollment	1,096	1,095	1,032	805
Stuart Middle School(1971)				
Square feet	164,307	164,307	164,307	164,307
Capacity	1,507	1,507	1,318	1,318
Enrollment	1,285	1,298	1,250	980
<u>High</u>				
Martin County High School (1963)				
Square feet	365,764	365,764	365,764	365,764
Capacity	2,480	2,480	2,432	2,432
Enrollment	2,701	1,946	1,809	1,937
South Fork High School(1982)				
Square feet	295,394	295,394	295,394	295,394
Capacity	2,060	2,060	1,906	1,906
Enrollment	2,247	2,072	2,057	2,059
Jensen Beach High School (2002)				
Square feet	-	323,747	323,747	323,747
Capacity	-	1,676	1,676	1,676
Enrollment	-	1,037	1,357	1,510

Table 13

Fiscal Year					
2007	2008	2009	2010	2011 ⁽⁴⁾	2012 ⁽⁵⁾
210,194	210,194	210,194	219,253	219,253	219,253
1,255	1,255	1,395	1,316	1,184	1,184
897	901	904	889	984	956
166,779	177,323	172,041	178,828	173,566	173,566
1,241	1,458	1,445	1,455	1,210	1,210
1,125	1,119	1,113	1,147	1,090	1,086
99,053	102,183	98,053	155,404	155,404	155,404
693	706	770	1,348	1,213	1,213
403	408	400	399	401	421
142,157	188,198	185,670	213,597	211,889	211,889
828	1,509	1,641	1,643	1,439	1,177
748	750	767	757	760	747
164,307	166,760	148,006	198,350	174,517	174,517
1,278	11,337	1,130	1,852	1,156	1,156
912	919	877	854	881	927
365,764	371,536	426,584	431,008	431,008	396,341
2,432	2,489	2,589	2,517	2,391	1,651
1,958	1,951	1,993	1,966	1,945	1,998
295,394	337,462	311,353	298,302	313,984	313,984
1,906	2,603	2,369	2,114	1,672	1,634
1,979	1,964	1,917	1,863	1,829	1,840
323,747	323,747	323,747	323,999	323,857	323,857
1,676	1,590	1,674	1,636	1,554	1,554
1,520	1,523	1,527	1,542	1,573	1,634

(continued)

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
School Building Information (1)
Last 10 Fiscal Years
(Unaudited)

School	Fiscal Year			
	2003 ⁽³⁾	2004	2005	2006
<u>Other</u>				
Spectrum JR/SR High School (1932)				
Square feet	26,480	26,480	16,794	16,794
Capacity	304	304	142	179
Enrollment	166	94	81	92
Challenger School (1988)				
Square feet	46,458	46,458	46,458	46,458
Capacity	156	156	156	156
Enrollment	66	66	64	70

Sources:

District records - Five-year facilities work plan

Florida Inventory of School Houses

⁽¹⁾ The District caps its enrollment at 750 for elementary schools, 1,200 for middle schools, and 1,800 for high schools.

⁽²⁾ Rebuilt schools include only information after rebuilding.

⁽³⁾ Capacity information reported for fiscal year ended 2003 reflects adjustments due to the Class Size Reduction Amendment.

⁽⁴⁾ Square footage and capacity have changed for some schools due to the re-measurement and change of use by BRPH for the Five Year Plant Survey.

⁽⁵⁾ Square footage and capacity have changed for some schools due to remodeling work completed in 2011-12, building demolitions, ESE cluster sites per DOE, and vacant buildings pending demolition.

Table 13

Fiscal Year					
2007	2008	2009	2010	2011 ⁽⁴⁾	2012 ⁽⁵⁾
16,794	23,234	20,298	20,024	15,655	15,655
142	317	218	231	130	130
104	111	155	77	90	85
46,458	46,573	51,577	44,205	44,105	44,105
171	171	171	171	171	171
79	80	75	71	58	38

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Principal Employers
Current Year and Nine Years Ago¹
(Unaudited)

Current year (2011):			Percentage	
Employer	Rank	Employees	of Total	Product/Service
			County	
			Employment	
Martin Memorial Health systems	1	2,825	4.45%	Health Care
Martin County School District	2	2,566	4.04%	Government
Martin County	3	1,566	2.47%	Government
Publix Supermarkets	4	1,276	2.01%	Grocery Chain
State of Florida	5	637	1.00%	Government
IVOX Solutions	6	532	0.84%	Telephone Co.
TurboCombustor Technologies Inc.	7	420	0.66%	Aerospace Products
Winn-Dixie	8	329	0.52%	Grocery Chain
Liberator Medical Holdings Inc.	9	319	0.50%	Medical Supply Co.
Florida Power & Light	10	303	0.48%	Utility Company
Total		<u>10,773</u>	<u>16.98%</u>	
Nine years ago (2002):				
Martin County School District	1	2,500	4.56%	Government
Martin Memorial Health Systems	2	2,481	4.52%	Health Care
Martin County Government	3	1,646	3.00%	Government
Publix Super Markets, Inc.	4	1,196	2.18%	Grocery Chain
Armellini Express Lines	5	755	1.38%	Trucking
State of Florida	6	743	1.35%	Government
Vought Aircraft	7	475	0.87%	Aerospace Products
Winn-Dixie	8	450	0.82%	Grocery Chain
The Home Depot	9	363	0.66%	Retail Department Store
Hutchison Island Marriot Beach Resort	10	300	0.55%	Hospitality
Total		<u>10,909</u>	<u>19.89%</u>	

Note: The labor force figures for 2011 and 2002 are 63,454 and 54,858, respectively. These numbers were used to calculate the percentage of total county employment.

Source: Martin County Clerk's Office provided the 2002 and 2011 data.

FL Labor Market Statistics, Quarterly Census of Employment and Wages Program

¹ Information for 2012 is not available, so this schedule was prepared with the data of 2011 and 2002.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	State Board of Education Bonds			
	Motor Vehicle	Debt Service		Coverage
	License Tax	Principal	Interest	
2003	729,551	325,000	388,966	1.02
2004	939,999	430,000	456,250	1.06
2005	1,149,767	555,000	542,712	1.05
2006	1,132,703	595,000	561,994	0.98
2007	1,804,165	710,000	615,286	1.36
2008	1,376,648	740,000	662,121	0.98
2009	1,445,257	790,000	654,411	1.00
2010	1,440,952	820,000	637,264	0.99
2011	1,432,302	850,000	585,956	1.00
2012	1,442,165	895,000	565,270	0.99

Source: District records



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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Operating Expenditures	(1) Student Memberships	Cost per Pupil	Percentage Change	(2) Teaching Staff	Pupil/Teacher Ratio
2003	115,921,096	16,978	6,828	2.35%	1,079	15.7
2004	121,462,073	17,447	6,962	1.96%	1,121	15.6
2005	132,962,947	17,657	7,530	8.17%	1,142	15.5
2006	144,888,287	17,760	8,158	8.34%	1,210	14.7
2007	156,144,085	17,826	8,759	7.37%	1,224	14.6
2008	161,461,835	17,703	9,121	4.12%	1,253	14.1
2009	155,166,255	17,631	8,801	-3.51%	1,289	13.7
2010	158,062,988	17,612	8,975	1.98%	1,309	13.5
2011	163,167,496	17,759	9,188	2.38%	1,355	13.1
2012	155,162,209	17,964	8,637	-6.00%	1,265	14.2

Source: ⁽¹⁾ District records

⁽²⁾ Florida Department of Education - includes all instructional personnel. (classroom teachers, guidance counselors, other, etc.)

Notes: Expenditures include General and Special Revenue Funds.
Community service, facility acquisition and construction, and other capital outlay expenditures are excluded from amounts shown above.

DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA
Food Service Operating Data
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Days meals were served	180	180	177	177
Average number of free and reduced lunches served daily	4,578	4,708	4,887	4,574
Total number of free and reduced lunches served	824,095	847,366	864,934	809,664
Average daily subsidy received	\$ 15,058	\$ 16,736	\$ 16,082	\$ 17,268
Total subsidy received	\$ 2,710,410	\$ 3,012,488	\$ 2,846,495	\$ 3,056,415
Average number of lunches served daily	7,896	8,260	8,587	8,479
Total number of lunches served	1,421,241	1,486,737	1,519,851	1,500,753
Percentage of free and reduced lunches served to total meals	57.98%	57.00%	56.91%	53.95%
Average daily revenues	\$ 28,779	\$ 32,480	\$ 33,657	\$ 36,755
Total revenues	\$ 5,180,223	\$ 5,846,321	\$ 5,957,317	\$ 6,505,702
Average daily costs	\$ 27,091	\$ 30,593	\$ 35,293	\$ 36,816
Total costs	\$ 4,876,349	\$ 5,506,669	\$ 6,246,919	\$ 6,516,430

Source: District Records

Table 17

Fiscal Year Ended June 30,					
2007	2008	2009	2010	2011	2012
180	180	180	180	180	180
4,421	4,536	4,930	5,336	5,916	6,201
795,803	816,466	887,337	960,559	1,064,941	1,116,133
\$ 16,453	\$ 17,775	\$ 20,418	\$ 22,013	\$ 24,891	\$ 27,011
\$ 2,961,584	\$ 3,199,581	\$ 3,675,167	\$ 3,962,301	\$ 4,480,344	\$ 4,861,936
8,618	8,998	8,806	8,712	9,425	9,630
1,551,266	1,619,721	1,585,167	1,568,250	1,696,459	1,733,429
51.30%	50.41%	55.98%	61.25%	62.77%	64.39%
\$ 36,173	\$ 36,684	\$ 38,050	\$ 38,257	\$ 41,333	\$ 42,686
\$ 6,511,207	\$ 6,603,070	\$ 6,849,010	\$ 6,886,294	\$ 7,439,956	\$ 7,683,416
\$ 39,867	\$ 40,252	\$ 39,502	\$ 36,279	\$ 36,890	\$ 38,313
\$ 7,176,124	\$ 7,245,316	\$ 7,110,363	\$ 6,530,245	\$ 6,640,240	\$ 6,896,268



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SINGLE AUDIT SECTION





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DISTRICT SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

Federal Reports and Schedules

Schedule of Expenditures of Federal Awards

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*

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

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings—Federal Awards

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 410,675.05	
National School Lunch Program	10.555	300,350	1,573,112.08	
Summer Food Service Program for Children	10.559	323	43,453.38	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	468,911.91	
National School Lunch Program	10.555 (2) (A)	300, 350	2,145,426.22	
Total Child Nutrition Cluster			4,641,578.64	-
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	29,124.80	
Fresh Fruit and Vegetable Program	10.582	330	42,000.15	
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	330	42,771.51	
Total United States Department of Agriculture			4,755,475.10	-
United States Environmental Protection Agency:				
Indirect:				
St. Johns River Water Management District:				
National Estuary Program	66.456	None	23,056.00	
United States Department of Energy:				
Indirect:				
University of Central Florida				
ARRA - State Energy Program	81.041(2)(B)	None	42,376.00	
United States Department of Education:				
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education				
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	3,978,905.10	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	71,337.93	
Total Title 1, Part A Cluster			4,050,243.03	-
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	3,689,142.43	15,342.44
Special Education - Preschool Grants	84.173	267	70,678.49	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	15,296.39	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	36,264.81	
St. Lucie County District School Board:				
Special Education - Grants to States	84.027	None	41,854.77	
Total Special Education Cluster			3,853,236.89	15,342.44
Educational Technology State Grants Cluster:				
Florida Department of Education				
Education Technology State Grants	84.318	122	102,788.56	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	12,763.80	
Total Educational State Grants Cluster			115,552.36	-
State Fiscal Stabilization Cluster:				
Florida Department of Education				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	17,283.34	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	29.06	
Total State Fiscal Stabilization Fund Cluster			17,312.40	-
Florida Department of Education				
Adult Education - Basic Grants to States	84.002	191, 193	165,156.12	
Migrant Education - State Grant Program	84.011	217	112,846.55	
Career and Technical Education - Basic Grants to States	84.048	161	176,169.85	
Even Start - State Educational Agencies	84.213	219	2,458.74	
English Language Acquisition Grants	84.365	102	288,229.30	
Improving Teacher Quality State Grants	84.367	224	738,348.87	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	404,110.13	
Education Jobs Fund	84.410	541	17,275.12	1,072.88
Total Indirect			9,940,939.36	16,415.32
Total United States Department of Education			9,940,939.36	16,415.32

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (3)	N/A	\$ 1,741,580.69	\$ -
Indirect:				
Florida Developmental Disabilities Council, Inc.:				
Developmental Disabilities Basic Support and Advocacy Grants	93.630	820CD11E	97,094.14	
Total United States Department of Health and Human Services			<u>1,838,674.83</u>	<u>-</u>
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	68,958.34	
Air Force Junior Reserve Officers Training Corps	None	N/A	136,746.42	
Total United States Department of Defense			<u>205,704.76</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 16,806,226.05</u>	<u>\$ 16,415.32</u>

- Notes:**
- (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
 - (2) Noncash Assistance:
 - (A) National School Lunch Program - Includes \$342,894.42 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
 - (B) State Energy Program - Includes \$42,376 representing the Federally-paid portion of solar panels and related site preparation and installation costs.
 - (3) Head Start. Expenditures include \$717,432.43 for grant number/program year 4CH0466/19 and \$1,024,148.26 for grant number/program year 04CH0466/20.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Martin County District School Board as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the Martin County District School Board's financial statements. For the discretely presented component unit, 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. However, we identified certain deficiencies in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1 and 2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to District management in our operational audit report No. 2013-040, dated November 2012.

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

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

Respectfully submitted,



David W. Martin, CPA

November 19, 2012, except for Note XI, as to which the date is February 13, 2013
Audit Report No. 2013-046



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Compliance

We have audited the Martin County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2012. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

Restricted Purpose Relating to Testing of Internal Control Over Compliance

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

Respectfully submitted,



David W. Martin, CPA
November 19, 2012
Audit Report No. 2013-046

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? None reported

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173); Improving Teacher Quality State Grants (CFDA No. 84.367); and Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: \$504,186

Auditee qualified as low-risk auditee? Yes

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

Finding No. 1: Financial Reporting and Budgetary Controls

State Board of Education Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR). One of the principal methods that a school district uses to provide accountability for its public resources is the preparation of its AFR. In addition, Section 1011.06, Florida Statutes, provides that expenditures shall be limited to the amount budgeted under the classification of accounts provided for each fund and to the total amount of the budget after the same have been amended as prescribed by law and rules of the State Board of Education.

Subsequent to issuance of the financial statements for the fiscal year ended June 30, 2012, the District discovered termination benefits earned by retirees before, and paid after, fiscal year end, resulting in General Fund unreported expenditures and the corresponding salaries and benefits payable of \$1,316,759 each. In addition, cash and transfers in were overstated in the General Fund by \$1,330,969 each because of a transfer of ad valorem tax levy moneys to the General Fund as discussed in Finding No. 2. We extended our audit procedures to determine the adjustments necessary to properly report account balances and transactions on the District's financial statements, and District personnel accepted these adjustments. Further, after audit adjustments were made, the General Fund instructional services, school administration, and pupil personnel services functional expenditure categories were overexpended by \$927,972, \$293,353, and \$95,434, respectively.

Untimely identification and reporting of expenditure transactions and payable accounts, and improper reporting of cash and transfers in, may cause financial statement users to incorrectly assess the District's financial position and, without sufficient budgetary monitoring controls, the risk increases for expenditures to exceed available resources.

Recommendation: The District should improve its financial reporting and budgetary control procedures to ensure that expenditures for termination benefits and related payables are timely and properly reported and are limited to amounts budgeted as required.

Finding No. 2: Ad Valorem Tax Levy Proceeds

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; and the purchase of operating system or enterprise resource software applications used to support Districtwide administration subject to certain conditions and limitations. The District separately accounts for each ad valorem tax levy in the Capital Projects – Local Capital Improvement Tax (LCIT) Fund.

For the 2011-12 fiscal year, the District had General Fund and LCIT Fund expenditures totaling \$138 million and \$29 million, respectively, and transfers out of the LCIT Fund and in to the General Fund totaling \$7 million each. Subsequent to issuance of the financial statements for the fiscal year ended June 30, 2012, the District surveyed employees whose salaries and benefits were charged to the General Fund maintenance of plant functional expenditure category and determined that \$1,330,969 of those salaries and benefits were improperly reimbursed by LCIT Fund

transfers to the General Fund. As discussed in Finding No. 1, we extended our audit procedures to determine the adjustments necessary to properly report account balances and transactions on the District's financial statements, and District personnel accepted these adjustments.

In addition, the transfer out of the LCIT Fund in to the General Fund included reimbursements totaling \$240,491 for indirect costs of finance, payroll, purchasing, and operations department personnel salaries and benefits. As Section 1011.71, Florida Statutes, does not specify that such indirect costs are allowable uses of ad valorem tax levy proceeds, this amount represents questioned costs. Without adequate controls to ensure that ad valorem tax levy proceeds are used only for authorized capital outlay purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are used only for authorized purposes. Such controls should include maintaining records, such as personnel activity reports or equivalent documentation, to evidence the allowable activities being funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the \$240,491 of questioned costs to the Florida Department of Education or restore this amount to the LCIT Fund.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in previous reports on audits of the District's financial statements and Federal awards.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program / Area	Brief Description	Status	Comments
2011-122 (3)	Head Start (CFDA No. 93.600) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Certain salary and benefit costs were inappropriately charged to the program, resulting in questioned costs of \$6,369.03.	Partially Corrected	The District revised its cost allocation plan in the 2010-11 school year. The District noted that the 2010 non-Federal share exceeded the required amount by \$25,842.06 and will consult the grantor as to applying the overage to the questioned costs.
2012-056 (1)	Head Start (CFDA No. 93.600) - Allowable Costs/Cost Principles - Compensation of Personnel Services	Controls to ensure salary and benefit costs are appropriately charged to Federal programs could be enhanced.	Corrected	The District revised its Head Start cost allocation plan to include a statement that any employee not otherwise covered in the plan will sign a statement semi-annually stating that they work 100 percent on Head Start. In addition, two backups will cover for responsible staff in the case of absences.
2012-056 (2)	Special Education - Grants to States (CFDA No. 84.027) and Special Education - Grants to States, Recovery Act (CFDA No. 84.391) - Allowable Costs/Cost Principles - Contracted Services	Contracted services expenditures were not always adequately supported, resulting in questioned costs of \$12,200.06, and certain payments exceeded contract amounts, resulting in questioned costs of \$9,711.90.	Corrected	The District conducted in-service training with Special Education vendors to ensure they would not provide services in excess of their agreement. The District held a special Board meeting to approve the excess contract amounts. Grantor sustained finding but did not require restoration of questioned costs.

**EXHIBIT A
MANAGEMENT'S RESPONSE**



THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

500 East Ocean Blvd • Stuart, Florida 34994 • Telephone (772) 219-1200 Ext: 30200 • Facsimile: (772) 219-1231

February 13, 2013

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399

Dear Mr. Martin:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the Martin County District School Board as a result of the audit for the fiscal year ended June 30, 2012. The following are the responses as submitted by the appropriate staff.

FINDING NO. 1: FINANCIAL REPORTING AND BUDGETARY CONTROLS

The Martin County District School Board acknowledges that the liabilities for termination benefits, transfers in, and accounts payables were not recorded properly for fiscal year end June 30, 2012. The Finance department will develop internal procedures to ensure that all current or subsequent events, that have a financial and budgetary impact, are recorded properly to provide the financial statement user with reliable financial information and ascertain transparency of the financial condition of the District.

FINDING NO. 2: AD VALOREM TAX LEVY PROCEEDS

We appreciate the assistance of your audit team in presenting the proper uses of the ad valorem tax levy proceeds. With the assistance of the Operations department, the Finance department will institute and maintain proper records to document and make evident the allowable transfer to the General Fund for uses allowable under Section 1011.71, Florida Statutes. The Martin County District School Board will contact the Florida Department of Education in regards to and clarify the questionable costs of \$240,491 and will share with the Auditor General these findings.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office if you have any questions concerning this matter

Sincerely,

A handwritten signature in blue ink that reads "Laurie J. Gaylord".

Laurie J. Gaylord
Superintendent

Laurie J. Gaylord, Superintendent

School Board Members: Maura Barry-Sorenson • Michael J. Busha • Michael DiTerlizzi • Rebecca Negron • Marsha Powers

"An Equal Opportunity Agency"