

MANATEE COUNTY DISTRICT SCHOOL BOARD

Financial and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

	<u>District No.¹</u>
Barbara A. Harvey	1
Harry G. Kinnan to 11-19-12, Chair	2
David Miner from 11-20-12	2
Julie B Aranibar, Vice Chair from 11-20-12	3
Robert C. Gause	4
Karen Carpenter, Vice Chair to 11-19-12, Chair from 11-20-12	5

Dr. Tim McGonegal, Superintendent to September 10, 2012
Robert Gagnon, Interim Superintendent from September 11, 2012 to October 14, 2012
Dr. David E. Gayler, Interim Superintendent from October 15, 2012 to March 19, 2013
Rick W. Mills, Superintendent from March 20, 2013

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

The audit team leader was Elba M. Guzik, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

¹ Effective March 2013, Manatee school board member districts were redistricted. As such, board members initially in district numbers 1, 2, 3, 4, and 5, as shown above were redistricted to numbers 2, 3, 5, 1, and 4, respectively.

**MANATEE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –Major Special Revenue – ARRA Economic Stimulus Fund.....	30
Statement of Net Position – Proprietary Funds.....	32
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds.....	34
Statement of Fiduciary Net Position – Fiduciary Funds	35
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	36
Notes to Financial Statements	37
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Other Postemployment Benefits Schedule of Funding Progress	71
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	72
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 <i>GOVERNMENT AUDITING STANDARDS</i>	74
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	76
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	79
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	89
EXHIBIT A MANAGEMENT'S RESPONSE	90

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below.

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

MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Finding No. 1: Controls over the budgetary process were deficient, contributing to the fund balance deficit of the General Fund.

ADDITIONAL MATTER

Finding No. 2: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, Special Education Cluster, Improving Teacher Quality, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Special Education Cluster and the Improving Teacher Quality programs. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 1: The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in \$1,503,624 of questioned costs.

Federal Awards Finding No. 2: Improving Teacher Quality Program moneys were used for purposes contrary to Federal regulations, resulting in \$91,632 of questioned costs.

Federal Awards Finding No. 3: Required documentation to support personnel charges of the Child Nutrition Cluster programs was not maintained, resulting in \$42,141 of questioned costs.

Federal Awards Finding No. 4: District records did not adequately document the allowability of certain Title I program expenditures, resulting in \$207,923 of questioned costs.

Federal Awards Finding No. 5: The District applied rebates totaling \$32,141, generated by the Child Nutrition Cluster (CNC) and Title I programs, to the General Fund, although it appears that the rebates should have been used to offset or reduce CNC or Title I program expenditures.

Federal Awards Finding No. 6: The District did not document allocations from Special Education funds to charter schools.

Federal Awards Finding No. 7: District procedures did not ensure that all teachers hired to teach core academic subjects in Title I schoolwide schools were highly qualified, resulting in \$8,115 of questioned costs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements. The results of our operational audit of the District are included in our report No. 2014-079.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee County District School Board, as of and for the fiscal year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the District's agency funds, which represent 12 percent of the assets and 18 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the agency funds and aggregate discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Manatee County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general and major special revenue funds for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, The Manatee Education Foundation, Inc. (Foundation) was reported as a component unit of the District for the 2011-2012 fiscal year; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2012-13 fiscal year. This affects the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year.

As also discussed in Note 1 to the financial statements, beginning net position was restated to correct certain errors identified in previous fiscal year financial statements and to report a new charter school that became a component unit of the District for the 2012-13 fiscal year. These adjustments decrease beginning net position by a total of \$977,007.

As discussed in Note 2 to the financial statements, the District changed the funds in which it reports American Recovery and Reinvestment Act debt service and capital projects financial information for the 2012-13 fiscal year. This affects the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year.

Our opinion is not modified with respect to the above matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS**, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Manatee 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Manatee County, Florida (the "District") has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

FINANCIAL HIGHLIGHTS

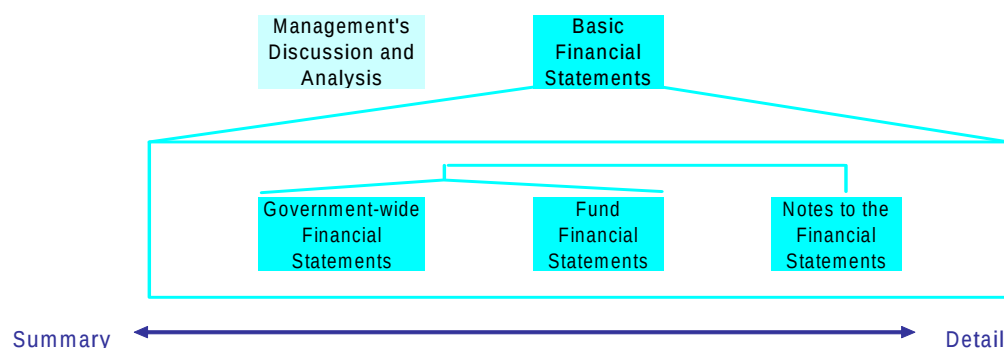
- The assets of the District exceeded its liabilities at the close of the current fiscal year by \$606,377,648.
- The District's total net position increased by \$11,545,529.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$12,879,545, a decrease of \$14,423,854, in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a negative \$8,634,431, or a negative 2.6 percent of total general fund expenditures, while total fund balance was a negative \$7,503,057 or a negative 2.3 percent of total general fund expenditures.
- The District's total debt decreased by \$28,332,556, during the current fiscal year. This decrease is primarily attributed to the redemption of principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The government-wide financial statements provide both long-term and short-term information about the District's overall financial status. The subsequent statements are fund financial statements that focus on individual parts of the District and provide greater detail of the District's operations than the government-wide statements. Additionally the basic financial statements include notes, which explain some of the information in the statements and provide more detailed data.

The illustration below shows how the various parts of the financial section are arranged and relate to one another.



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

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

The statement of activities provides information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the above government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the District include such functions as instruction, pupil personnel services, administration, pupil transportation, maintenance, and other items. The District does not report any business-type activities.

The government-wide financial statements include not only the District itself (known as the primary government), but also ten charter schools for which the District is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Manatee School Board Leasing Corporation (Leasing Corporation), although legally separate, was formed to facilitate financing for the acquisition of facilities and equipment. Due to substantive economic relationship between the District and Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12 through 15 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be put into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 District maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund. The General Fund, Special Revenue – ARRA Economic Stimulus Fund; two debt service funds (Other Debt Service Fund and ARRA Economic Stimulus Fund), and two capital projects funds (Other Capital Projects Fund and ARRA Economic Stimulus Fund); are considered to be major funds and are presented in the same manner. Data from the other nine governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget on pages 26 through 31 of this report.

The basic governmental fund financial statements can be found on pages 16 through 31 of this report.

Proprietary Funds. The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for its self-insurance programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. The proprietary fund financial statements provide separate information for the District's self-insurance programs. The two internal service funds are combined in a single, aggregated presentation in the proprietary fund financial statements on pages 32 through 34.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The basic fiduciary fund financial statements can be found on pages 35 and 36 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 through 70 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees. The required supplementary information can be found on page 71 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$606,377,648 at the close of the current fiscal year.

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

Net Position, End of Year		
	Governmental Activities	
	6/30/2013	6/30/2012
Current and other assets	\$ 60,540,077	\$ 72,562,804
Capital assets, net	926,239,876	933,270,916
Total assets	986,779,953	1,005,833,720
Current and other liabilities	31,238,349	35,448,154
Long-term liabilities, current	35,542,220	37,916,525
Long-term liabilities, noncurrent	313,621,736	337,636,922
Total liabilities	380,402,305	411,001,601
Net Position (Deficit)		
Net Investment in Capital Assets	637,582,482	608,851,265
Restricted	15,682,746	30,090,248
Unrestricted	(46,887,580)	(44,109,394)
Total net position	\$ 606,377,648	\$ 594,832,119

An additional portion of the District's net position, \$15,682,746, represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position except for a negative \$46,887,580, in unrestricted net position. The negative unrestricted net position was largely the result of accruing \$25,735,139, in compensated absences payable and \$16,885,616, in other postemployment benefits payable.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	June 30, 2013	June 30, 2012
Revenues:		
Program Revenues:		
Charge for Services	\$ 9,344,799	\$ 9,610,936
Operating Grants and Contributions	16,664,882	16,007,243
Capital Grants and Contributions	1,819,463	1,847,788
General Revenues:		
Property Taxes Levied for Operational Purposes	146,608,480	158,832,404
Property Taxes Levied for Capital Purposes	36,129,914	36,873,095
Sales Taxes	23,520,704	23,269,839
Florida Education Finance Program	87,122,510	63,116,735
Grants and Contributions not Restricted to Specific Programs	99,044,316	105,918,381
Unrestricted Interest Earnings	838,465	820,672
Miscellaneous	5,846,112	5,210,549
Total Revenues	426,939,645	421,507,642
Functions/Program Expenses:		
Instruction	226,022,460	226,021,959
Pupil Personnel Services	17,401,246	17,989,995
Instructional Media Services	3,239,160	3,701,822
Instruction and Curriculum Development	8,842,606	10,190,268
Instructional Staff Training Services	3,379,849	3,808,332
Instruction Related Technology	778,574	859,652
Board of Education	1,405,121	1,244,023
General Administration	1,858,188	2,082,634
School Administration	21,194,566	21,426,987
Facilities Services	30,060,205	38,884,100
Fiscal Services	1,837,224	1,715,338
Food Services	21,952,880	21,970,133
Central Services	6,482,263	5,716,118
Pupil Transportation Services	12,883,165	13,210,461
Operation of Plant	31,042,205	31,374,384
Maintenance of Plant	8,761,931	9,378,100
Administrative Technology Services	4,496,417	4,864,844
Community Services	89,943	135,928
Unallocated Interest on Long-Term Debt	13,218,507	15,022,534
Unallocated Depreciation/Amortization	447,606	454,266
Total Expenses	415,394,116	430,051,878
Increase (Decrease) in Net Position	11,545,529	(8,544,236)
Net Position, Beginning	594,832,119	603,376,355
Net Position, Ending	\$ 606,377,648	\$ 594,832,119

Governmental Activities. Governmental activities increased the District's net position by \$11,545,529. In the prior fiscal year, net position decreased by \$8,544,236. The key elements in the difference between the two fiscal years are property taxes decreases totaling \$12,697,105, or 6.6 percent, and Florida Education Finance Program revenue increase of \$24,005,775, or 38 percent.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was negative \$8,634,431, while total fund balance was negative \$7,503,057. As a measure of the General Fund's liquidity, it may useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents negative 2.6 percent of total General Fund expenditures, while total fund balance represents 2.3 percent of that same amount. The remainder of fund balance is not available for new spending because it is (1) restricted for specific State categorical programs, \$180,838 and (2) nonspendable in the form of inventory amounts, \$731,800, and State Board of Administration Fund B, \$218,736.

The fund balance of the District's General Fund decreased by \$4,044,396 during the current fiscal year. The key factors in this decrease were increases in teachers in an attempt to meet class size requirements, budgeting for attrition, and numerous unbudgeted items.

The Special Revenue - ARRA Economic Stimulus Fund is used to account for the activities of the various American Reinvestment and Recovery Act (ARRA) Federal programs according to the specifications and requirements of each funding source. Because revenues are recognized to the extent of allowable expenditures, this fund generally does not accumulate fund balance.

The Debt Service - Other Debt Service Fund is used to account for the payment of principal, interest, and related costs on the sales tax bond issues, certificates of participation issues and other debt issues. This fund ended with a fund balance restricted for debt service of \$1,216,718, the fund balance decreased during the fiscal year by \$1,023,265, partially from a reclassifying of the Debt Service ARRA Economic Stimulus Fund as a separately-reported major fund as discussed in note 2 to the financial statements. The remaining \$146,064 increase in fund balance was a result of excess funds transferred from capital project funds for debt service payments.

The Debt Service - ARRA Economic Stimulus Fund is used to account for the accumulation of resources for the payment of sinking fund interest and related costs on a Qualified School Construction Bond issue. This fund ended with a fund balance restricted for debt service of \$2,370,018. This is an increase of \$1,200,689 from the prior fiscal year due to an accumulation of sinking fund resources in accordance with the debt agreement. In prior fiscal years, this fund was reported in the Debt Service – Other Debt Service Fund, as discussed in note 2 to the financial statements.

The Capital Projects - Other Capital Projects Fund is used to account for the financial resources generated by various sources. Included in this fund were sales tax revenues and other miscellaneous capital outlay funded projects. The fund balance for this fund at the fiscal year end, which was restricted for capital projects, was \$5,770,860, of which \$46,417 has been encumbered for specific projects. The fund balance decreased during the fiscal year by \$13,029,543, partially from a reclassifying of the Capital Projects – ARRA Stimulus Fund as a separately-reported major fund as discussed in note 2 to the financial statements. The remaining \$10,570,601 decrease in fund balances was a result of the use of resources accumulated in prior fiscal years to fund capital outlay projects that were completed or substantially completed in the 2012-2013 fiscal year.

The Capital Projects - ARRA Economic Stimulus Fund is used to account for the financial resources generated by Qualified School Construction Bond proceeds. The fund balance for this fund at fiscal year-end, which was restricted for capital projects, was \$1,674,081, a decrease of \$784,861 from the prior fiscal year. The key factor for this decrease in fund balance was the use of resources accumulated in prior fiscal years to fund capital outlay projects that were completed or substantially completed in the 2012-2013 fiscal year. In prior fiscal years, this fund was reported in the Capital Projects – Other Capital Projects Fund, as discussed in note 2 to the financial statements.

Proprietary Funds. The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements. Net position at the end of the current fiscal year for the District's Self-Insurance programs was a positive \$3,590,606. The total increase in the District's self-insurance program's net position was \$6,505,782. A key element of this increase was higher employee contributions for health insurance premiums.

General Fund Budgetary Highlights

The District's original budget is prepared in accordance with Florida Statutes and is based on the modified accrual basis of accounting, which is the same basis as is used to account for actual transactions. The most significant budgeted fund is the General Fund.

The District's original budget for fiscal year 2012-2013 projected a \$10,116,141 increase in fund balance and an ending fund balance of \$6,657,480; however, the District's final budget projected an increase of \$4,108,660 and ending fund balance of \$649,999. At fiscal year-end 2012-2013, the District's ending fund balance was negative \$7,503,057. The large variance between the budgeted beginning and ending fund balances was due in part to a lack of position control/hiring processes, unbudgeted items, and other errors made during the budget process.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for the governmental activities as of June 30, 2013, totals \$926,239,876, (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; audio-visual materials, and computer software;. The total decrease in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$7,031,040 or .8 percent.

Major capital asset events during the current fiscal year included completion of the construction on a replacement technical institute.

Capital Assets (net of depreciation)

	Governmental Activities	
	June 30, 2013	June 30, 2012
Land	\$ 50,270,884	\$ 50,342,563
Improvements Other Than Buildings	11,796,189	12,900,520
Buildings and Fixed Equipment	842,758,243	820,965,823
Furniture, Fixtures, and Equipment	13,019,213	12,693,515
Motor Vehicles	7,439,329	8,850,069
Construction in Progress	-	26,195,981
Audio-Visual Materials and Computer Software	956,018	1,322,445
Total	<u>\$926,239,876</u>	<u>\$933,270,916</u>

Additional information on the District's capital assets can be found in Note 5 of the Notes to Financial Statements.

Long-Term Debt. At the end of the current fiscal year, the District had total debt outstanding of \$296,087,095.

Long-term Debt

	Governmental Activities	
	June 30, 2013	June 30, 2012
Notes Payable	\$ 5,000,000	\$ 8,500,000
Bonds Payable	82,732,317	97,465,238
Certificates of Participation	208,354,778	218,454,413
Total	<u>\$296,087,095</u>	<u>\$324,419,651</u>

Additional information on the District's long-term debt can be found in Notes 7 through 11 and 23 of the Notes to Financial Statements.

ECONOMIC FACTORS FOR THE FUTURE

State educational funding is based upon student enrollment. For the fiscal year 2012-2013, the District has experienced slightly higher student enrollment over the 2011-2012 fiscal year. Based on known development and anticipated activities throughout the County, the District expects a similar annual growth rate in the foreseeable future.

At the time these financial statements were prepared, the District was not aware of material instances that could significantly affect its financial condition in the future that had not already been contemplated.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Manatee County Schools, 215 Manatee Avenue West, Bradenton, Florida 34205.

BASIC FINANCIAL STATEMENTS

MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 32,388,599	\$ 1,789,386
Investments	712,444	-
Accounts Receivable	1,581,630	89,833
Due from Related Parties	-	715,405
Due from Other Agencies	7,095,903	103,008
Deposits Receivable	-	43,155
Inventories	1,598,160	-
Prepaid Items	-	103,553
Deferred Charges	3,229,851	907,113
Other Assets	-	7,801
Restricted Assets:		
Restricted Cash	-	1,134,873
Restricted Investments	13,933,490	-
Capital Assets (net of accumulated depreciation):		
Land	50,270,884	2,373,333
Improvements Other Than Buildings	11,796,189	-
Buildings and Fixed Equipment	842,758,243	27,705,822
Furniture, Fixtures, and Equipment	13,019,213	1,281,203
Motor Vehicles	7,439,329	281,739
Computer Software	956,018	228,705
Other Capital Assets	-	103,710
Total Assets	\$ 986,779,953	\$ 36,868,639
LIABILITIES		
Salaries and Wages Payable	\$ 6,662,065	\$ 1,092,519
Payroll Deductions and Withholdings Payable	89,479	-
Accounts Payable	3,739,572	1,803,705
Claims Payable	5,476,083	-
Deposits Payable	2,000	-
Matured Debt Payable	9,865,000	-
Matured Interest Payable	4,535,276	-
Accrued Interest Payable	680,844	-
Unearned Revenue	188,030	-
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Notes Payable	5,000,000	441,567
Bonds Payable	14,980,000	360,382
Capital Leases Payable	-	229,004
Certificates of Participation Payable	10,245,000	-
Compensated Absences Payable	3,000,000	5,570
Estimated Insurance Claims Payable	2,294,000	-
Early Retirement Plan Payable	23,220	-
Portion Due or Payable After One Year:		
Notes Payable	-	1,144,914
Bonds Payable	67,752,317	14,222,541
Capital Leases Payable	-	13,612,666
Certificates of Participation Payable	198,109,778	-
Compensated Absences Payable	22,735,139	-
Other Postemployment Benefits Payable	16,885,616	-
Estimated Insurance Claims Payable	7,988,570	-
Early Retirement Plan Payable	150,316	-
Other Long Term Liabilities	-	196,637
Total Liabilities	380,402,305	33,109,505
NET POSITION (Deficit)		
Net Investment in Capital Assets	637,582,482	3,760,166
Restricted for:		
Capital Projects	7,533,061	-
Debt Service	3,166,958	-
Food Service	4,801,889	47
State Required Carryover Programs	180,838	-
Other Purposes	-	883,938
Unrestricted	(46,887,580)	(885,017)
Total Net Position	\$ 606,377,648	\$ 3,759,134

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

THIS PAGE INTENTIONALLY LEFT BLANK.

MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction	\$ 226,022,460	\$ 2,319,264	\$ -	\$ -
Pupil Personnel Services	17,401,246	-	-	-
Instructional Media Services	3,239,160	-	-	-
Instruction and Curriculum Development Services	8,842,606	-	-	-
Instructional Staff Training Services	3,379,849	-	-	-
Instruction Related Technology	778,574	-	-	-
School Board	1,405,121	-	-	-
General Administration	1,858,188	-	-	-
School Administration	21,194,566	-	-	-
Facilities Services	30,060,205	-	-	213,148
Fiscal Services	1,837,224	-	-	-
Food Services	21,952,880	6,016,084	16,664,882	-
Central Services	6,482,263	-	-	-
Pupil Transportation Services	12,883,165	1,009,451	-	-
Operation of Plant	31,042,205	-	-	-
Maintenance of Plant	8,761,931	-	-	-
Administrative Technology Services	4,496,417	-	-	-
Community Services	89,943	-	-	-
Unallocated Interest on Long-Term Debt	13,218,507	-	-	1,606,315
Unallocated Depreciation/Amortization*	447,606	-	-	-
Total Governmental Activities	415,394,116	9,344,799	16,664,882	1,819,463
Total Primary Government	\$ 415,394,116	\$ 9,344,799	\$ 16,664,882	\$ 1,819,463
Component Units:				
Charter Schools	\$ 31,087,733	\$ 1,051,356	\$ 2,339,167	\$ 334,714
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Sales Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Changes in Net Position				
Net Position - Beginning				
Adjustment to Beginning Net Position				
Restated Net Position - Beginning				
Net Position - Ending				

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

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Units
Governmental Activities	Component Units
\$ (223,703,196)	\$ -
(17,401,246)	-
(3,239,160)	-
(8,842,606)	-
(3,379,849)	-
(778,574)	-
(1,405,121)	-
(1,858,188)	-
(21,194,566)	-
(29,847,057)	-
(1,837,224)	-
728,086	-
(6,482,263)	-
(11,873,714)	-
(31,042,205)	-
(8,761,931)	-
(4,496,417)	-
(89,943)	-
(11,612,192)	-
(447,606)	-
(387,564,972)	-
(387,564,972)	-
-	(27,362,496)
146,608,480	-
36,129,914	-
23,520,704	-
186,166,826	26,617,205
838,465	677
5,846,112	55,793
399,110,501	26,673,675
11,545,529	(688,821)
594,832,119	5,424,962
	(977,007)
594,832,119	4,447,955
\$ 606,377,648	\$ 3,759,134

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2013**

	Special Revenue -		Debt Service -	
	ARRA		Other Debt	ARRA
	General	Economic	Service	Economic
	Fund	Stimulus Fund	Fund	Stimulus Fund
ASSETS				
Cash and Cash Equivalents	\$ 25,558,042	\$ -	\$ -	\$ -
Investments	218,736	-	-	-
Accounts Receivable	1,532,813	-	-	-
Due from Other Funds	-	-	9,264,404	32,944
Due from Other Agencies	1,084,095	351,001	-	-
Inventories	731,800	-	-	-
Restricted Investments			6,352,590	2,337,074
Total Assets	<u>\$ 29,125,486</u>	<u>\$ 351,001</u>	<u>\$ 15,616,994</u>	<u>\$ 2,370,018</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Wages Payable	\$ 6,662,065	\$ -	\$ -	\$ -
Payroll Deductions and Withholdings Payable	89,479	-	-	-
Accounts Payable	3,271,277	6,847	-	-
Deposits Payable	2,000	-	-	-
Due to Other Funds	26,571,904	344,154	-	-
Due to Fiduciary Funds	31,818	-	-	-
Matured Debt Payable	-	-	9,865,000	-
Matured Interest Payable	-	-	4,535,276	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u>36,628,543</u>	<u>351,001</u>	<u>14,400,276</u>	<u>-</u>
Fund Balances:				
Nonspendable				
SBA Fund B	218,736	-	-	-
Inventories	731,800	-	-	-
Restricted				
State Required Carryover Programs	180,838	-	-	-
Food Services	-	-	-	-
Debt Service	-	-	1,216,718	2,370,018
Capital Projects	-	-	-	-
Unassigned (Deficit)	<u>(8,634,431)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(7,503,057)</u>	<u>-</u>	<u>1,216,718</u>	<u>2,370,018</u>
Total Liabilities and Fund Balances	<u>\$ 29,125,486</u>	<u>\$ 351,001</u>	<u>\$ 15,616,994</u>	<u>\$ 2,370,018</u>

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

Capital Projects -		Other	
Other Capital Projects Fund	ARRA Economic Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,993,813	\$ -	\$ 4,836,744	\$ 32,388,599
92,891	-	400,817	712,444
-	-	23,249	1,556,062
-	616,505	3,838,904	13,752,757
2,381,996	-	3,278,811	7,095,903
-	-	866,360	1,598,160
4,186,250	1,057,576	-	13,933,490
<u>\$ 8,654,950</u>	<u>\$ 1,674,081</u>	<u>\$ 13,244,885</u>	<u>\$ 71,037,415</u>
\$ -	\$ -	\$ -	\$ 6,662,065
-	-	-	89,479
-	-	410,963	3,689,087
-	-	-	2,000
2,884,090	-	3,294,967	33,095,115
-	-	-	31,818
-	-	-	9,865,000
-	-	-	4,535,276
-	-	188,030	188,030
<u>2,884,090</u>	<u>-</u>	<u>3,893,960</u>	<u>58,157,870</u>
92,891	-	71,902	383,529
-	-	866,360	1,598,160
-	-	-	180,838
-	-	3,929,626	3,929,626
-	-	261,066	3,847,802
5,677,969	1,674,081	4,221,971	11,574,021
-	-	-	(8,634,431)
<u>5,770,860</u>	<u>1,674,081</u>	<u>9,350,925</u>	<u>12,879,545</u>
<u>\$ 8,654,950</u>	<u>\$ 1,674,081</u>	<u>\$ 13,244,885</u>	<u>\$ 71,037,415</u>

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balance - Governmental Funds	\$	12,879,545
--	-----------	-------------------

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		926,239,876
--	--	-------------

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(680,844)
--	--	-----------

Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt.		3,229,851
--	--	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		3,590,606
---	--	-----------

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:

Note Payable	\$ (5,000,000)	
Bonds Payable	(82,732,317)	
Certificates of Participation Payable	(208,354,778)	
Early Retirement Plan Payable	(173,536)	
Other Postemployment Benefits Payable	(16,885,616)	
Compensated Absences Payable	(25,735,139)	
		(338,881,386)

Total Net Position - Governmental Activities	\$	606,377,648
---	-----------	--------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK.

MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue ARRA Economic Stimulus Fund	Debt Service Other Debt Service Fund	ARRA Economic Stimulus Fund
REVENUES				
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 424,278	\$ -	\$ -	\$ -
Other Federal Direct Sources	3,175	-	-	-
Miscellaneous Federal Direct	-	-	-	1,090,800
Total Federal Direct Sources	427,453	-	-	1,090,800
Federal Through State and Local Sources:				
Vocational Education Acts	25,000	-	-	-
Medicaid	1,522,142	-	-	-
Race-to-the-Top	188,440	1,351,308	-	-
Food Service	-	-	-	-
Other Federal Through Local Sources	1,500	-	-	-
Other Federal Through State Sources	504	-	-	-
Total Federal Through State and Local Sources	1,737,586	1,351,308	-	-
State Sources:				
Florida Education Finance Program	87,122,510	-	-	-
Categorical/Earmarked Programs	63,461,441	-	-	-
Food Service	-	-	-	-
CO&DS Withheld for Bond Administrative Expenses	26,933	-	-	-
CO&DS Withheld for SBE/COBI Bond	-	-	-	-
CO&DS Distribution	-	-	-	-
Charter School Capital Outlay	-	-	-	-
Other State Sources	552,737	-	-	-
Total State Sources	151,163,621	-	-	-
Local Sources:				
Ad Valorem Taxes	146,608,480	-	-	-
Sales Taxes	-	-	-	-
Food Service	-	-	-	-
Interest Income	725,826	-	29,406	63,847
Other Local Sources	7,684,995	-	-	-
Total Local Sources	155,019,301	-	29,406	63,847
Total Revenues	\$ 308,347,961	\$ 1,351,308	\$ 29,406	\$ 1,154,647

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

Capital Projects		Other Nonmajor Governmental Funds		Total Governmental Funds
Other Capital Projects Fund	ARRA Economic Stimulus Fund			
\$ -	\$ -	\$ -	\$ 424,278	
-	-	903,431	906,606	
-	-	2,338,273	3,429,073	
-	-	3,241,704	4,759,957	
-	-	659,975	684,975	
-	-	-	1,522,142	
-	-	-	1,539,748	
-	-	16,369,314	16,369,314	
-	-	-	1,500	
-	-	25,078,172	25,078,676	
-	-	42,107,461	45,196,355	
-	-	-	87,122,510	
-	-	-	63,461,441	
-	-	295,568	295,568	
-	-	-	26,933	
-	-	1,606,315	1,606,315	
-	-	186,215	186,215	
1,358,013	-	-	1,358,013	
85,128	-	-	637,865	
1,443,141	-	2,088,098	154,694,860	
-	-	36,129,914	182,738,394	
23,520,704	-	-	23,520,704	
-	-	6,016,084	6,016,084	
13,780	1,264	4,341	838,464	
-	489	844,964	8,530,448	
23,534,484	1,753	42,995,303	221,644,094	
\$ 24,977,625	\$ 1,753	\$ 90,432,566	\$ 426,295,266	

(Continued)

MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund	ARRA Economic Stimulus Fund
EXPENDITURES				
Current:				
Instruction	\$ 209,094,026	\$ 233,141	\$ -	\$ -
Pupil Personnel Services	14,502,676	-	-	-
Instructional Media Services	3,295,487	-	-	-
Instruction and Curriculum Development Services	5,422,238	482,666	-	-
Instructional Staff Training Services	982,822	498,840	-	-
Instruction Related Technology	781,347	517	-	-
School Board	1,560,043	-	-	-
General Administration	1,087,905	42,653	-	-
School Administration	21,525,805	213	-	-
Facilities Services	1,437,398	-	-	-
Fiscal Services	1,764,202	49,264	-	-
Food Services	-	-	-	-
Central Services	6,282,863	44,014	-	-
Pupil Transportation Services	12,788,467	-	-	-
Operation of Plant	31,463,482	-	-	-
Maintenance of Plant	8,785,541	-	-	-
Administrative Technology Services	4,565,389	-	-	-
Community Services	116,793	-	-	-
Capital Outlay:				
Facilities Acquisition and Construction	-	-	-	-
Other Capital Outlay	1,370,445	-	-	-
Debt Service:				
Principal	-	-	22,695,000	-
Interest and Fiscal Charges	794,061	-	11,129,613	1,092,550
Total Expenditures	327,620,990	1,351,308	33,824,613	\$ 1,092,550
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,273,029)	-	(33,795,207)	62,097
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	550,000	-	-	-
Loss Recoveries	-	-	-	-
Transfers In	14,678,633	-	33,941,271	1,138,592
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	15,228,633	-	33,941,271	1,138,592
Net Change in Fund Balances	(4,044,396)	-	146,064	1,200,689
Fund Balances, Beginning	(3,458,661)	-	2,239,983	-
Adjustments to Beginning Fund Balance	-	-	(1,169,329)	1,169,329
Fund Balances, Beginning as Restated	(3,458,661)	-	1,070,654	1,169,329
Fund Balances, Ending	\$ (7,503,057)	\$ -	\$ 1,216,718	\$ 2,370,018

Capital Projects -		Other	Total
Other	ARRA	Nonmajor	
Capital Projects	Economic	Governmental	Governmental
Fund	Stimulus Fund	Funds	Funds
\$ -	\$ -	\$ 19,416,042	\$ 228,743,209
-	-	3,014,797	17,517,473
-	-	-	3,295,487
-	-	3,162,606	9,067,510
-	-	1,793,556	3,275,218
-	-	-	781,864
-	-	-	1,560,043
-	-	742,569	1,873,127
-	-	42,904	21,568,922
466,501	18,147	4,905,246	6,827,292
-	-	-	1,813,466
-	-	21,954,420	21,954,420
-	-	203,834	6,530,711
-	-	326,449	13,114,916
-	-	-	31,463,482
-	-	-	8,785,541
-	-	-	4,565,389
-	-	-	116,793
11,128,182	616,227	277,855	12,022,264
658,734	152,240	3,274,922	5,456,341
-	-	4,600,000	27,295,000
-	-	657,503	13,673,727
12,253,417	786,614	64,372,703	441,302,195
12,724,208	(784,861)	26,059,863	(15,006,929)
-	-	-	550,000
-	-	33,075	33,075
-	-	3,607,291	53,365,787
(23,294,809)	-	(30,070,978)	(53,365,787)
(23,294,809)	-	(26,430,612)	583,075
(10,570,601)	(784,861)	(370,749)	(14,423,854)
18,800,403	-	9,721,674	27,303,399
(2,458,942)	2,458,942	-	-
16,341,461	2,458,942	9,721,674	27,303,399
\$ 5,770,860	\$ 1,674,081	\$ 9,350,925	\$ 12,879,545

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Governmental Funds **\$ (14,423,854)**

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

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

Capital Outlay	\$ 18,658,045	
Less Depreciation Expense	<u>(25,508,672)</u>	(6,850,627)

In the government funds, the cost of capital assets was recognized as an expenditure in the year purchased. Thus the change in net position differs from the change in fund balances by the undepreciated cost of the disposed assets. (180,413)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current period.

Principal Payments on Note	\$ 3,500,000	
Principal Payments on Bonds	13,930,000	
Principal Payments on Certificates of Participation	<u>9,865,000</u>	27,295,000

Refunding bond payable transactions reported as bonds payable, because it was not perfected. Prior year refunding transactions completed and refunded bonds payable removed (\$735,842 payment to escrow agent and \$705,000 refunded bonds). (30,842)

Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are amortized over the term of the debt. (393,656)

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.

Amortization of Deferred Cost of Refunding	\$ (353,662)	
Amortization of Discount on Debt	(48,661)	
Amortization of Premium on Debt	734,879	
Decrease in Accrued Interest Payable	153,952	
Increase in Other Postemployment Benefits Payable	(587,705)	
Increase in Compensated Absences Payable	(233,383)	
Increase in Early Retirement Plan Payable	<u>(41,281)</u>	(375,861)

Internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The change in net position of internal service funds is reported with governmental activities.

Internal Service Funds - Change in Net Position	<u>6,505,782</u>
---	------------------

Change in Net Position - Governmental Activities **\$ 11,545,529**

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 525,000	\$ 525,000	\$ 424,278	\$ (100,722)
Other Federal Direct Sources	-	3,175	3,175	-
Total Federal Direct Sources	525,000	528,175	427,453	(100,722)
Federal Through State and Local Sources:				
Vocational Education Acts	-	25,000	25,000	-
Medicaid	1,834,639	1,834,639	1,522,142	(312,497)
Race-to-the-Top	-	188,440	188,440	-
Other Federal Through Local Sources	-	1,500	1,500	-
Other Federal Throught State Sources	9,389	604	504	(100)
Total Federal Through State and Local Sources	1,844,028	2,050,183	1,737,586	(312,597)
State Sources:				
Florida Education Finance Program	79,905,159	79,905,159	87,122,510	7,217,351
Categorical/Earmarked Programs	74,893,038	75,033,321	63,461,441	(11,571,880)
CO&DS Withheld for SBE/COBI Bond	22,452	22,453	26,933	4,480
Other State Sources	270,007	576,827	552,737	(24,090)
Total State Sources	155,090,656	155,537,760	151,163,621	(4,374,139)
Local Sources:				
Ad Valorem Taxes	146,638,553	146,638,553	146,608,480	(30,073)
Interest Income	750,000	750,000	725,826	(24,174)
Other Local Sources	5,836,001	8,307,111	7,684,995	(622,116)
Total Local Sources	153,224,554	155,695,664	155,019,301	(676,363)
Total Revenues	\$ 310,684,238	\$ 313,811,782	\$ 308,347,961	\$ (5,463,821)

(Continued)

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
EXPENDITURES				
Current:				
Instruction:				
Salaries	\$ 123,508,106	\$ 127,646,814	\$ 133,182,210	\$ (5,535,396)
Employee Benefits	33,343,611	33,735,617	34,289,620	(554,003)
Purchased Services	34,472,034	35,666,196	33,515,194	2,151,002
Energy Services	11,882	16,067	3,510	12,557
Materials and Supplies	7,123,820	4,820,195	4,826,998	(6,803)
Capital Outlay	491,129	1,030,802	533,372	497,430
Other Expenses	3,213,050	3,488,073	2,743,122	744,951
Total Instruction	202,163,632	206,403,764	209,094,026	(2,690,262)
Pupil Personnel Services:				
Salaries	11,382,776	11,540,951	11,333,710	207,241
Employee Benefits	3,097,976	3,073,457	2,952,058	121,399
Purchased Services	113,992	154,450	113,440	41,010
Materials and Supplies	108,334	93,338	73,901	19,437
Capital Outlay	321	6,068	5,747	321
Other Expenses	11,668	24,232	23,820	412
Total Pupil Personnel Services	14,715,067	14,892,496	14,502,676	389,820
Instructional Media Services:				
Salaries	2,859,380	2,768,112	2,585,378	182,734
Employee Benefits	779,035	742,416	550,383	192,033
Purchased Services	220,560	227,232	133,537	93,695
Materials and Supplies	56,906	51,537	11,596	39,941
Capital Outlay	55,975	57,817	14,318	43,499
Other Expenses	705	380	275	105
Total Instructional Media Services	3,972,561	3,847,494	3,295,487	552,007
Instruction and Curriculum Development Services:				
Salaries	3,783,789	3,749,330	4,190,435	(441,105)
Employee Benefits	1,035,061	999,276	1,001,382	(2,106)
Purchased Services	186,630	721,703	213,807	507,896
Materials and Supplies	122,150	108,497	2,495	106,002
Capital Outlay	4,142	4,744	3,223	1,521
Other Expenses	15,229	24,297	10,896	13,401
Total Instruction and Curriculum Development Services	5,147,001	5,607,847	5,422,238	185,609
Instructional Staff Training Services:				
Salaries	935,237	869,588	620,753	248,835
Employee Benefits	244,004	232,237	139,291	92,946
Purchased Services	244,598	198,274	111,692	86,582
Materials and Supplies	53,115	41,662	25,339	16,323
Capital Outlay	69	79	-	79
Other Expenses	143,392	105,858	85,747	20,111
Total Instructional Staff Training Services	1,620,415	1,447,698	982,822	464,876
Instruction Related Technology:				
Salaries	686,217	580,025	605,027	(25,002)
Employee Benefits	185,881	188,320	155,891	32,429
Purchased Services	-	5,919	6,251	(332)
Materials and Supplies	5,304	18,411	13,289	5,122
Capital Outlay	-	429	429	-
Other Expenses	-	460	460	-
Total Instruction Related Technology	\$ 877,402	\$ 793,564	\$ 781,347	\$ 12,217

(Continued)

THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
School Board:				
Salaries	\$ 667,847	\$ 667,847	\$ 777,863	\$ (110,016)
Employee Benefits	482,149	392,149	344,883	47,266
Purchased Services	390,744	406,392	407,145	(753)
Materials and Supplies	3,565	2,640	2,574	66
Other Expenses	29,280	29,280	27,578	1,702
Total School Board	1,573,585	1,498,308	1,560,043	(61,735)
General Administration:				
Salaries	496,979	529,674	557,975	(28,301)
Employee Benefits	135,546	114,709	115,886	(1,177)
Purchased Services	298,056	326,748	356,584	(29,836)
Materials and Supplies	8,377	7,680	6,031	1,649
Capital Outlay	1,500	108	837	(729)
Other Expenses	40,777	54,801	50,592	4,209
Total General Administration	981,235	1,033,720	1,087,905	(54,185)
School Administration:				
Salaries	16,101,670	16,129,806	16,697,205	(567,399)
Employee Benefits	4,396,527	4,347,009	4,270,552	76,457
Purchased Services	310,849	452,668	329,575	123,093
Materials and Supplies	118,621	94,993	57,011	37,982
Capital Outlay	52,218	56,114	26,986	29,128
Other Expenses	22,945	29,824	144,476	(114,652)
Total School Administration	21,002,830	21,110,414	21,525,805	(415,391)
Facilities Services:				
Salaries	656,470	541,353	33,046	508,307
Employee Benefits	179,046	163,786	-	163,786
Purchased Services	192,585	1,440,863	1,358,013	82,850
Materials and Supplies	2,000	2,000	-	2,000
Capital Outlay	5,528	5,528	46,339	(40,811)
Other Expenses	1,750	1,750	-	1,750
Total Facilities Services	1,037,379	2,155,280	1,437,398	717,882
Fiscal Services:				
Salaries	1,147,875	1,130,016	1,201,640	(71,624)
Employee Benefits	313,071	324,366	347,663	(23,297)
Purchased Services	269,426	219,496	199,483	20,013
Materials and Supplies	14,476	14,327	7,656	6,671
Capital Outlay	-	44	20	24
Other Expenses	4,879	4,830	7,740	(2,910)
Total Fiscal Services	1,749,727	1,693,079	1,764,202	(71,123)
Central Services:				
Salaries	2,807,461	3,147,818	3,730,799	(582,981)
Employee Benefits	764,552	788,386	944,315	(155,929)
Purchased Services	1,234,332	2,274,222	713,168	1,561,054
Materials and Supplies	313,051	217,940	882,287	(664,347)
Capital Outlay	5,275	1,657	265	1,392
Other Expenses	60,903	15,942	12,029	3,913
Total Central Services	5,185,574	6,445,965	6,282,863	163,102
Pupil Transportation Services:				
Salaries	6,233,646	6,106,697	5,994,660	112,037
Employee Benefits	1,700,164	1,703,134	2,543,262	(840,128)
Purchased Services	783,930	750,536	1,028,694	(278,158)
Energy Services	1,882,705	2,009,110	1,976,982	32,128
Materials and Supplies	696,815	615,158	592,446	22,712
Capital Outlay	39,400	62,222	22,939	39,283
Other Expenses	436,593	516,762	629,484	(112,722)
Total Pupil Transportation Services	\$ 11,773,253	\$ 11,763,619	\$ 12,788,467	\$ (1,024,848)
				(Continued)

(Continued)

THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Operation of Plant:				
Salaries	\$ 7,835,546	\$ 8,188,679	\$ 9,112,128	\$ (923,449)
Employee Benefits	2,137,276	2,218,591	4,308,395	(2,089,804)
Purchased Services	6,697,897	6,986,017	6,773,913	212,104
Energy Services	12,015,543	12,315,916	10,710,652	1,605,264
Materials and Supplies	616,157	578,218	550,165	28,053
Capital Outlay	33,061	27,470	4,004	23,466
Other Expenses	42,470	42,455	4,225	38,230
Total Operation of Plant	29,377,950	30,357,346	31,463,482	(1,106,136)
Maintenance of Plant:				
Salaries	4,801,315	4,876,724	4,830,517	46,207
Employee Benefits	1,309,511	1,334,676	1,740,733	(406,057)
Purchased Services	715,453	1,278,795	1,002,021	276,774
Energy Services	313,806	376,128	369,274	6,854
Materials and Supplies	869,363	1,139,525	855,586	283,939
Capital Outlay	476	(17,688)	(17,888)	200
Other Expenses	2,713	4,787	5,298	(511)
Total Maintenance of Plant	8,012,637	8,992,947	8,785,541	207,406
Administrative Technology Services:				
Salaries	2,862,185	2,875,492	2,877,372	(1,880)
Employee Benefits	779,603	787,531	771,458	16,073
Purchased Services	625,770	726,057	665,587	60,470
Materials and Supplies	342,500	273,624	240,571	33,053
Capital Outlay	25,000	2,150	2,150	-
Other Expenses	25,000	17,300	8,251	9,049
Total Administrative Technology Services	4,660,058	4,682,154	4,565,389	116,765
Community Services:				
Salaries	44,180	44,180	45,157	(977)
Employee Benefits	12,050	10,935	10,841	94
Purchased Services	63,321	64,151	60,594	3,557
Materials and Supplies	-	201	201	-
Total Community Services	119,551	119,467	116,793	2,674
Capital Outlay:				
Other Capital Outlay	813,216	1,417,656	1,370,445	47,211
Total Capital Outlay	813,216	1,417,656	1,370,445	47,211
Debt Service:				
Interest and Fiscal Charges	-	794,061	794,061	-
Total Debt Service	-	794,061	794,061	-
Total Expenditures	314,783,073	325,056,879	327,620,990	(2,564,111)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,098,835)	(11,245,197)	(19,273,029)	(8,027,832)
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	550,000	550,000
Transfers In	14,214,976	15,353,857	14,678,633	(675,224)
Total Other Financing Sources	14,214,976	15,353,857	15,228,633	(125,224)
Net Change in Fund Balance	10,116,141	4,108,660	(4,044,396)	(8,153,056)
Fund Balance, Beginning	(3,458,661)	(3,458,661)	(3,458,661)	-
Fund Balance, Ending	\$ 6,657,480	\$ 649,999	\$ (7,503,057)	\$ (8,153,056)

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUND - ARRA ECONOMIC STIMULUS FUND
For the Fiscal Year Ended June 30, 2013**

	ARRA Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Federal Through State and Local Sources:				
Race-to-the-Top	\$ 1,191,382	\$ 2,764,624	\$ 1,351,308	\$ (1,413,316)
Total Federal Through State and Local Sources	1,191,382	2,764,624	1,351,308	(1,413,316)
Total Revenues	1,191,382	2,764,624	1,351,308	(1,413,316)
EXPENDITURES				
Current:				
Instruction:				
Salaries	110,791	220,731	75,802	144,929
Employee Benefits	15,099	44,321	23,828	20,493
Purchased Services	12,514	16,914	6,090	10,824
Materials and Supplies	7,366	72,756	57,808	14,948
Capital Outlay	8	10,008	5,896	4,112
Other Expenses	58,678	122,212	63,717	58,495
Total Instruction	204,456	486,942	233,141	253,801
Instruction and Curriculum Development Services:				
Salaries	94,416	350,691	290,481	60,210
Employee Benefits	50,684	112,696	63,764	48,932
Purchased Services	115,193	224,338	109,797	114,541
Materials and Supplies	80	205	20	185
Capital Outlay	1,660	1,660	-	1,660
Other Expenses	31,068	37,044	18,604	18,440
Total Instruction and Curriculum Development Services	293,101	726,634	482,666	243,968
Instructional Staff Training Services:				
Salaries	259,309	606,061	236,729	369,332
Employee Benefits	34,725	98,501	26,661	71,840
Purchased Services	266,221	337,886	76,028	261,858
Other Expenses	57,550	273,799	159,422	114,377
Total Instructional Staff Training Services	\$ 617,805	\$ 1,316,247	\$ 498,840	\$ 817,407
				(Continued)

(Continued)

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

THE SCHOOL DISTRICT OF MANATEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUND - ARRA ECONOMIC STIMULUS FUND
For the Fiscal Year Ended JUNE 30, 2013

	ARRA Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Instruction Related Technology:				
Capital Outlay	\$ -	\$ 550	\$ 517	\$ 33
Total Instruction Related Technology	-	550	517	33
General Administration:				
Other Expenses	60,096	86,479	42,653	43,826
Total General Administration	60,096	86,479	42,653	43,826
School Administration:				
Materials and Supplies	12,602	12,602	213	12,389
Total School Administration	12,602	12,602	213	12,389
Fiscal Services:				
Salaries	1,603	39,229	39,229	-
Employee Benefits	1,718	12,402	10,035	2,367
Total Fiscal Services	3,322	51,631	49,264	2,367
Central Services:				
Salaries	-	53,736	33,482	20,254
Employee Benefits	-	20,353	10,532	9,821
Total Central Services	-	74,089	44,014	30,075
Capital Outlay:				
Other Capital Outlay	-	9,450	-	9,450
Total Capital Outlay	-	9,450	-	9,450
Total Expenditures	1,191,382	2,764,624	1,351,308	1,413,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
June 30, 2013**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Accounts Receivable	\$ 25,568
Due from Other Funds	19,342,358
Total Assets	19,367,926
LIABILITIES	
Current Liabilities:	
Accounts Payable	18,667
Claims Payable	5,476,083
Estimated Insurance Claims Payable	2,294,000
Total Current Liabilities	7,788,750
Long-Term Liabilities:	
Estimated Insurance Claims Payable	7,988,570
Total Liabilities	15,777,320
NET POSITION	
Unrestricted	3,590,606
Total Net Position	\$ 3,590,606

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 47,356,965
Other Operating Revenues	352,704
Total Operating Revenues	47,709,669
OPERATING EXPENSES	
Salaries	177,680
Employee Benefits	36,794
Purchased Services	2,579,180
Materials & Supplies	31,296
Insurance Claims	37,264,563
Insurance Premiums	603,170
Other Expenses	511,204
Total Operating Expenses	41,203,887
Operating Income	6,505,782
Change in Net Position	6,505,782
Total Net Position, Beginning	(2,915,176)
Total Net Position, Ending	\$ 3,590,606

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 47,340,964
Cash Received from Other Operating Revenues	352,704
Cash Payments to Suppliers for Goods and Services	(1,246,212)
Cash Payments to Employees for Services	(214,474)
Cash Payments for Insurance Claims	(36,183,867)
Cash Payment for Premiums and Other Fees	(994,559)
Net Cash Provided by Operating Activities	9,054,556
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loan Payments to Other Funds	(9,054,556)
Net Cash Used by Noncapital Financing Activities	(9,054,556)
Net Change in Cash	-
Cash and Cash Equivalents, Beginning	-
Cash and Cash Equivalents, Ending	\$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 6,505,782
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(16,001)
Decrease in Accounts Payable	(3,992,004)
Increase in Claims Payable	5,476,083
Increase in Estimated Insurance Claims Payable	1,080,696
Total Adjustments	2,548,774
Net Cash Provided by Operating Activities	\$ 9,054,556

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2013**

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 3,834,747
Investments	-	514,184
Due From Primary Government	31,818	-
Total Assets	31,818	\$ 4,348,931
LIABILITIES		
Internal Accounts Payable	\$ -	\$ 4,348,931
Total Liabilities	-	\$ 4,348,931
NET POSITION		
Net Position Held in Trust for Scholarships and Other Purposes	\$ 31,818	

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Private-Purpose Trust Fund
ADDITIONS	
Contributions:	
Gifts, Grants, and Bequests	\$ 1,734
Financial Aid Fees	192,360
Total Additions	<u>194,094</u>
DEDUCTIONS	
Materials and Supplies	3,428
Other Expenses	237,974
Total Deductions	<u>241,402</u>
Change in Net Position	(47,308)
Net Position, July 1, 2012	<u>79,126</u>
Net Position, June 30, 2013	<u><u>\$ 31,818</u></u>

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The School District of Manatee County, Florida (District) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. The governing body of the District is the Manatee County District School Board (School Board) which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Manatee County.

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

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

- **Blended Component Unit.** The Manatee County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 8. Due to the substantive economic relationship between the School 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 component units' columns in the basic financial statements include the financial data of the District's other component units. These component units include Manatee Schools of Arts and Sciences, Inc.; Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts; Manatee Charter School; The Developmental Center - Manatee, Inc., d/b/a Bradenton Charter School; Imagine – Manatee County, LLC, d/b/a Imagine Charter School at North Manatee; Imagine – East Manatee County, LLC, d/b/a Imagine Charter School at Lakewood Ranch; Oasis Middle School, Inc.; Palmetto Charter School, Inc.; Team Success A School of Excellence, Inc.; and Just for Girls Academy, Inc.

Manatee School of Arts and Sciences, Inc.; Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts; Manatee Charter School; The Developmental Center- Manatee, Inc., d/b/a Bradenton Charter School; Oasis Middle School, Inc.; Palmetto Charter School, Inc.; Team Success A School of Excellence, Inc., and Just for Girls Academy, Inc. are charter schools and separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. Imagine – Manatee County, LLC, d/b/a Imagine Charter School at North Manatee and Imagine – East Manatee County, LLC, d/b/a Imagine Charter School at Lakewood Ranch are organized as limited liability corporations pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Manatee County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District. The financial data reported on the accompanying financial statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2013. Audits of the charter schools' financial statements for the fiscal year ended June 30, 2013, are conducted by independent certified public accountants and are filed in the District's administrative offices.

- **Related Organizations.** One charter school, the State College of Florida Collegiate School, operates under another governmental agency and therefore, is not included as a discretely presented component unit of the District. The school operates under a charter approved by their sponsor, the Manatee County District School Board.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net position and the statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's capital assets are allocated to appropriate functions, while the remaining depreciation expense not readily 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-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

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

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Special Revenue Fund – ARRA Economic Stimulus Fund** – to account for the financial resources received through the American Recovery and Reinvestment Act. ARRA funds are included as major funds due to the public interest in these funds.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

- Debt Service – Other Debt Service Fund – to account for and report on the payment of principal, interest, and related costs on the sales tax revenue bond issues, certificate of participation issues, and other debt service issues.
- Debt Service – ARRA Economic Stimulus Fund – to account for the accumulation of resources for and the payment of sinking fund interest and related costs on the Certificates of Participation, Series 2010A Qualified School Construction Bonds.
- Capital Projects – Other Capital Projects Fund – to account for other capital financial resources such as Sales Tax Proceeds, Impact Fees, Sales Tax Revenue Bonds, etc.
- Capital Projects – ARRA Economic Stimulus Fund – to account for the proceeds and capital outlay related to the Certificates of Participation, Series 2010A Qualified School Construction Bonds.

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

- Internal Service Funds – to account for the District's individual self-insurance programs.
- Private-Purpose Trust Fund – to account for financial fees and other moneys for which principal and income benefit individuals or private organizations.
- 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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

➤ **New Pronouncements**

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus (An Amendment to GASB Statements No. 14 and 34)*, effective for the 2012-2013 fiscal year. This statement, in part, modifies certain requirements for inclusion of component units in the financial reporting entity. As the District is required to operate, control, supervise, and fund public schools in the District, including charter schools, the charter schools are presented as a discretely presented component unit of the District. This statement had no effect on the District's financial statements.

The Manatee Education Foundation, Inc. (Foundation) was included as a component unit of the District in the 2011-2012 fiscal year as a Direct-Support Organization. The bylaws of the Foundation were amended on February 27, 2012, to convert the Foundation into a Non-Direct Support, 501(c)3 Foundation. Consequently, the Foundation's transactions are no longer considered quantitatively significant to District operations. Therefore, the transactions including the ending net position at June 30, 2012, of \$633,612 are not included in the District's financial statements as the Foundation no longer meets the criteria of a component unit of the District. Just for Girls Academy, Inc. became a charter school during the 2012-2013 fiscal year, and the financial statements include an adjustment to beginning net position of \$(108,905) for the charter school's beginning net position as of July 1, 2012. In addition, adjustments to beginning net position

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

were made for Imagine School at Lakewood Ranch for \$(111,067) to properly report accrued rent as of July 1, 2012, and Team Success A School of Excellence, Inc., of \$(123,423) for prior fiscal year accrued payroll that was not properly recorded. Adjustments to beginning net position for the above total \$(977,007).

The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the 2012-2013 fiscal year. These statements incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and renamed that measure as net position, rather than net assets.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property taxes, sales taxes, state education funding, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when cash is received by the District.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums and workers' compensation premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less, except that short-term investments in the agency funds are not considered to be cash equivalents. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of money market mutual funds, commercial paper, United States Treasury notes, United States Treasury State and Local Government Services certificates of indebtedness, Obligations of United States Government Agencies and Instrumentalities, and certificates of deposit and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Receivables**

All receivables are deemed collectable by the District.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on either the moving average or the first-in, first-out-basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. 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. Land and buildings acquired or constructed prior to July 1,

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

1967, are stated at estimated historical cost. Land acquired prior to July 1, 1967, is valued at 1974 assessed values (Manatee County Property Appraiser's report of assessed values dated August 23, 1975). Buildings acquired prior to July 1, 1967, are valued at their "depreciated value" (estimated replacement costs, multiplied by the percent of remaining estimated life) at June 30, 1978. Improvements other than buildings (parking lots, sidewalks, fences, etc.) include assets acquired subsequent to July 1, 1979.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 - 35 years
Buildings and Fixed Equipment	10 - 60 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio-Visual Materials and Computer Software	3 - 5 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **Fund-Balance/Net Position**

Fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows, as applicable:

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Nonspendable: Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted: Fund balances are reported as restricted when there are limitations imposed their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed: Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board through the adoption of a resolution. Only the School Board may modify or rescind the commitment.

Assigned: Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned: Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The General Fund is the only fund that may report a positive unassigned fund. When expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it is necessary to report a negative unassigned fund balance.

Net position represents the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. All net position not reported as net investments in capital assets, net of related debt, and restricted net position, are reported as unrestricted net position.

When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For the unrestricted amount of fund balance, it is the District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2012 tax levy on September 10, 2012. 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 Manatee County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued, and no delinquent tax revenue is recorded.

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

➤ **Capital Outlay Surtax**

In May 2002, the voters of Manatee County approved a one-half cent discretionary sales surtax on sales in the County for 15 years, effective January 1, 2003, to pay construction, reconstruction or improvements of school facilities and related costs, land acquisitions, improvements and related costs, and costs for retrofitting and providing for technology implementation, including hardware and software for the various sites within the District in accordance with Section 212.055(6), Florida Statutes.

➤ **Educational Impact Fees**

The District receives educational impact fees based on an ordinance adopted by the Manatee County Board of County Commissioners on May 7, 2002. This ordinance was amended in May 2009, when Ordinance 09-36, Section 3, suspended the levy for a two-year period commencing July 27, 2009, and ending July 27, 2011. Most recently, the Ordinance was amended again, suspending impact fees through July 27, 2013. The fees collected by the County and each municipality within the County for most residential construction are based on an interlocal agreement. The fees shall be used solely for the purpose of paying the capital costs of educational facilities needed to increase the capacity of the school system in order to accommodate the increased demand on the District which is reasonably attributable to new residential construction, and shall not be used for any expenditure that would be classified as operational expenses, routine maintenance or

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

repairs. The authorized uses include, but are not limited to: land acquisition, site improvement, construction costs, furniture and equipment, and payment of principal and interest for indebtedness.

➤ **Federal Revenue Sources**

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

2. ACCOUNTING CHANGES

Pursuant to the Florida Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book), the Florida Department of Education requires that the District report the Debt Service – ARRA Economic Stimulus Fund and Capital Projects – ARRA Economic Stimulus Fund as major governmental funds for financial reporting transparency of ARRA debt service and capital projects transactions, respectively. In prior fiscal years, the District reported these transactions in the Debt Service - Other Debt Service Fund and Capital Projects – Other Capital Projects Fund, necessitating the following accounting changes to reported beginning fund balances:

	Debt Service - Other Debt Service Fund	Capital Projects - Other Capital Projects Fund	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - ARRA Economic Stimulus Fund
Beginning Fund Balances July 1, 2012	\$ 2,239,983	\$ 18,800,403	\$	\$
Accounting Changes	(1,169,329)	(2,458,942)	1,169,329	2,458,942
Restated: Beginning Fund Balances July 1, 2012	<u>\$ 1,070,654</u>	<u>\$ 16,341,461</u>	<u>\$ 1,169,329</u>	<u>\$ 2,458,942</u>

3. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

➤ **Budgetary Information**

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

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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

➤ **Expenditures Over Appropriations in Individual Funds**

For the fiscal year ended June 30, 2013, expenditures exceeded appropriations for the following individual funds:

Fund/Activity	Expenditures Budget	Actual	Variance Unfavorable
General:			
Instruction	\$ 206,403,764	\$ 209,094,026	\$ (2,690,262)
School Board	1,498,308	1,560,043	(61,735)
General Administration	1,033,720	1,087,905	(54,185)
School Administration	21,110,414	21,525,805	(415,391)
Fiscal Services	1,693,079	1,764,202	(71,123)
Pupil Transportation Services	11,763,619	12,788,467	(1,024,848)
Operation of Plant	30,357,346	31,463,482	(1,106,136)

➤ **Deficit Fund Balances(Net Position) in Major and Individual Nonmajor Funds**

The General Fund has a deficit balance at June 30, 2013:

	Fund Balance July 1, 2012	Change in Fund Balance Fiscal Year 2012-13	Fund Balance June 30, 2013
General Fund	<u>\$ (3,458,661)</u>	<u>\$ (4,044,396)</u>	<u>\$ (7,503,057)</u>

The 2013-2014 fiscal year budget projects an increase in the General Fund's fund balance to be \$9.35 million at June 30, 2014, to replenish the deficit.

The following Internal Service Funds have a deficit net position balance at June 30, 2013:

	Net Position July 1, 2012	Change in Net Position Fiscal Year 2012-2013	Net Position June 30, 2013
Casualty, Liability, Workers' Compensation	<u>\$ (2,409,399)</u>	<u>\$ 696,951</u>	<u>\$ (1,712,448)</u>

The Casualty, Liability and Workers' Compensation Self Insurance Fund is administered by the District and provides casualty, liability, and workers' compensation insurance. The District is in the process of developing and implementing a plan to resolve the deficit net position in this fund.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

4. INVESTMENTS

As of June 30, 2013, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1), (10)	40 Day Average	\$ 10,375,400
Fund B	3.98 Year Average	451,378
Debt Service Accounts	6 Months	261,066
Money Market Funds:		
Dreyfus Cash Management - Institutional Shares (1)	45 Days	5,007,630
Fidelity Institutional Treasury Portfolio Class I (2)	53 days	74
Fidelity Institutional Treasury Portfolio Class III (3)	53 days	5,122,266
Fidelity Institutional Government Portfolio (4)	49 days	120,685
Fidelity Institutional Prime Portfolio (5)	44 days	5,165,982
Goldman Sachs Institutional Financial Square Government (1)	52 Days	10,508
PFM Funds Prime Series - Institutional Class Shares (1)	58 Days	3,010,025
Florida Education Investment Trust Fund (FEITF) (1)	44 Days	5,019,245
United States Treasury Notes (6)	9/30/2013	1,865,419
Obligations of United States Government		
Agencies and Instrumentalities (7)	7/22/2013	696,941
United States Treasury State and Local Government Services -		
Certificates of Indebtedness (8)	10/1/2029	443,000
Commercial Paper (9)	12/20/2013	519,122
Certificates of Deposit	1 Year or less	363,142
Total Investments		<u>\$ 38,431,883</u>

(1) Investments are reported as cash equivalents.

(2) At June 30, 2013, investments are held under trust agreements in connection with the Series 2004A Qualified Zone Academy Bonds and the Certificates of Participation, Series 2007. (See Note 8).

(3) At June 30, 2013, investments are held under trust agreements in connection with the Certificates of Participation, Series 2008A, Refunding. (See Note 8).

(4) At June 30, 2013, investments are held under trust agreements in connection with the Series 2005 Qualified Zone Academy Bonds and the Certificates of Participation, Series 2009A. (See Note 8).

(5) At June 30, 2013, investments are held under trust agreements in connection with the Series 2010A Qualified School Construction Bonds and the Certificates of Participation, Series 2011A. (See Note 8).

(6) At June 30, 2013, investments are held under trust agreements in connection with the Series 2010A Qualified School Construction Bonds. (See Note 8).

(7) At June 30, 2013, investments are held under trust agreements in connection with the Series 2004A Qualified Zone Academy Bonds. (See Note 8).

(8) At June 30, 2013, investments are held under trust agreements in connection with the Series 2010A Qualified School Construction Bonds. (See Note 8).

(9) At June 30, 2013, investments are held under trust agreements in connection with the Series 2005 Qualified Zone Academy Bonds. (See Note 8).

(10) At June 30, 2013, investments held by the Agency Funds in Florida PRIME totaling \$151,043 are not considered cash equivalents.

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 limits investments to a maximum of five years. 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 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., State Board of Administration) are not subject to the provisions of this policy.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

- Florida PRIME had a weighted average days to maturity (WAM) of 40 days, and FEITF had a WAM of 44 days as of June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to United States government securities. Obligations of United States Government agencies and instrumentalities, mutual funds, qualified purchaser funds, commercial paper, banker's acceptances, State and local government taxable and tax-exempt debt, repurchase agreements, interest bearing time deposit or savings accounts, as well as the SBA Florida PRIME.
- The District's investments in the SBA Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.
- The District's investments in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investment in the following money market funds, Dreyfus Cash Management - Institutional Shares, Fidelity Institutional Treasury Portfolio Class I, Fidelity Institutional Treasury Portfolio Class III, Fidelity Institutional Government Portfolio, Fidelity Institutional Prime Portfolio, Goldman Sachs Institutional Financial Square Government Fund, and PFM Funds Prime Series – Institutional Class Shares are rated AAAM by Standard & Poor's.
- The Florida Education Investment Trust Fund was rated AAAM by Standard & Poor's.
- Commercial paper was rated P-1 short term by Moody's.
- The District's investment in obligations of United States Government agencies and instrumentalities was a Federal National Mortgage Association discount note and was not rated.
- Certificates of deposit were in a qualified public depository, as required by Chapter 280, Florida Statutes.

Custodial Credit Risk

- Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. 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

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

place of business in this State, 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 investment policy specifies that all securities, with the exception of certificates of deposit, are held with a third party custodian, and all securities purchased by and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

Concentration of Credit Risk

- The District investment policy limits the amount the District may invest in any one issuer. Available funds may be invested at a maximum of 100 percent of available funds in SBA PRIME, 100 percent of available funds in United States Government Securities, 50 percent of available funds in obligations of United States Government agencies and instrumentalities with a maximum of 25 percent per issuer, 25 percent of available funds in commercial paper with a maximum of 10 percent per issuer, as well as 50 percent of available funds in mutual funds and/or qualified purchaser funds with a maximum of 50 percent per fund.
- Investments of \$519,122 in commercial paper and \$696,941 in a Federal National Mortgage Association discount note are 3.4 and 4.6 percent of the District's total investments and 8.2 and 11 percent of the investments in the Debt Service - Other Debt Service Fund, respectively. These investments are made pursuant to agreements with Qualified Zone Academy bonds paying agents (see Note 8).

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 50,342,563	\$ -	\$ 71,679	\$ 50,270,884
Construction in Progress	26,195,981	12,458,870	38,654,851	-
Total Capital Assets Not Being Depreciated	76,538,544	12,458,870	38,726,530	50,270,884
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	23,227,959	91,604	-	23,319,563
Buildings and Fixed Equipment	1,017,582,835	39,338,462	270,656	1,056,650,641
Furniture, Fixtures, and Equipment	67,858,391	5,255,457	1,848,756	71,265,092
Motor Vehicles	24,332,872	105,503	908,744	23,529,631
Audio-Visual Materials	340,736	-	-	340,736
Computer Software	4,548,779	63,000	3,180	4,608,599
Total Capital Assets Being Depreciated	1,137,891,572	44,854,026	3,031,336	1,179,714,262
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	10,327,439	1,195,935	-	11,523,374
Buildings and Fixed Equipment	196,617,012	17,440,787	165,401	213,892,398
Furniture, Fixtures, and Equipment	55,164,876	4,926,280	1,845,277	58,245,879
Motor Vehicles	15,482,803	1,516,243	908,744	16,090,302
Audio-Visual Materials	340,736	-	-	340,736
Computer Software	3,226,334	429,427	3,180	3,652,581
Total Accumulated Depreciation	281,159,200	25,508,672	2,922,602	303,745,270
Total Capital Assets Being Depreciated, Net	856,732,372	19,345,354	108,734	875,968,992
Governmental Activities Capital Assets, Net	\$ 933,270,916	\$ 31,804,224	\$ 38,835,264	\$ 926,239,876

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Instruction	\$ 603,580
Pupil Personnel Services	20,162
Instructional Media Services	26,212
Instruction and Curriculum Development Services	22,639
Instructional Staff Training Services	150,430
School Board	250
General Administration	42
School Administration	9,760
Facilities Services	24,204,195
Food Services	248,015
Central Services	16,311
Pupil Transportation Services	2,002
Operation of Plant	1,062
Maintenance of Plant	138,346
Administrative Technology Services	10,309
Unallocated	55,357
	<u>55,357</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 25,508,672</u>

6. CHANGES IN SHORT-TERM DEBT

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

	Balance <u>July 1, 2012</u>	Additions	Deletions	Balance <u>June 30, 2013</u>
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note, Series 2012, issued August 7, 2012, with an interest rate of 2.00 percent, and a maturity date of May 1, 2013	\$ -	\$ 50,000,000	\$ 50,000,000	\$ -

Note proceeds were used to pay operating expenses of the District prior to receipt of budgeted revenues.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

7. NOTE PAYABLE

The note payable is comprised of the following:

Balance at
June 30,
2013

Revenue Anticipation Note, Series 2013A

\$5,000,000 borrowed May 18, 2011, under provisions of Section 1011.14, Florida Statutes, with a variable interest rate equal to the sum of 62.5 percent of the LIBOR rate plus 120 basis points. The note was renewed on May 16, 2013. The current interest rate is 1.20 percent. Final maturity is May 15, 2014, subject to two additional one-year extensions. The proceeds were used to provide cash flow and budget capacity for the District's capital program. This note is pledged by ad valorem taxes.

\$5,000,000

8. CERTIFICATES OF PARTICIPATION

The District entered into a master financing arrangement on July 9, 1996. The financing arrangement is characterized as a lease-purchase agreement, with the Manatee School Board Leasing Corporation (Leasing Corporation) whereby the District has secured financing of various educational facilities in the total amount of \$383,470,000. Except for the Qualified Zone Academy Bond (QZAB) and Qualified School Bond (QSCB) Certificates which are discussed below, the financing was accomplished through the issuance of Certificates of Participation, Series 1996 for \$82,000,000; Series 1998 for \$65,960,000; Series 2005A for \$29,175,000; Series 2007 for \$60,040,000; Series 2008A for \$59,380,000; Series 2009A for \$47,065,000 and Series 2011A for \$39,850,000, to be repaid from the proceeds of rents paid by the District.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Certificates of Participation payable at June 30, 2013 are as follows:

	Amount Issued	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Certificates of Participation				
Series 2004, QZAB	\$ 1,306,000	\$ 1,306,000	(1)	2018
Series 2005A	29,175,000	11,360,000	4.000 - 5.000	2017
Series 2005, QZAB	1,327,455	1,327,455	(1)	2021
Series 2007	60,040,000	47,005,000	3.750 - 5.000	2027
Series 2008A, Refunding	59,380,000	39,640,000	3.500 - 4.250	2021
Series 2009A	47,065,000	44,465,000	3.000 - 5.125	2029
Series 2010A, QSCB	21,600,000	21,600,000	(1)	2029
Series 2011A	39,850,000	39,850,000	4.500 - 5.625	2031
Total Certificates of Participation	<u>\$ 259,743,455</u>	<u>\$ 206,553,455</u>		

Note (1): Interest on QZAB and QSCB certificates is paid by the Federal government to the purchasers of the certificates in the form of tax credits.

As a condition of the financing arrangement, the District has given a ground leases on District property to the Leasing Corporation, with a rental fee of \$10 per year for each of the Series 2005A, 2007, 2008A, 2009A, and 2011A Series Certificates. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District through a master-lease purchase agreement. The master lease-purchase agreement is automatically renewable each fiscal year-end through July 1, 2031. If the District fails to renew the lease and to provide for the rent payments, the District may be required to surrender the sites included under the ground lease agreements, together with the improvements thereon, to the Trustee for the benefit of the securers of the Certificates.

The District has the following ground leases at June 30, 2013:

Certificates of Participation	Ground Lease	
	Commencement Date	Term Date
Series 2004, Q Z A B	July 22, 2004	July 21, 2018
Series 2005A	March 1, 2005	July 1, 2017
Series 2005, Q Z A B	December 20, 2005	December 20, 2021
Series 2007	May 1, 2007	July 1, 2027
Series 2008A, Refunding	February 1, 2008	July 1, 2021
Series 2009A	May 1, 2009	June 30, 2029
Series 2010A, Q S C B	October 1, 2010	October 1, 2029
Series 2011A	May 1, 2011	July 1, 2031

On July 22, 2004, and December 20, 2005, the District entered into financing arrangements (School Board of Manatee County, Florida Master Lease Program, Series 2004-QZAB and Series 2005-QZAB, respectively) characterized as lease-purchase agreements with the Leasing Corporation. These agreements were structured to qualify as "Qualified Zone Academy Bonds" pursuant to Section 1397E of the Internal Revenue Code, as amended. There is no interest cost to the District for borrowing moneys under this program. Interest on the Series 2004-QZAB and Series 2005-QZAB is paid by the Federal government in the form of annual tax credits to the banks or other eligible financial institutions that hold the certificates. Mandatory annual deposits, for the

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Series 2004-QZAB, of \$78,455 are made to a sinking fund account with a paying agent beginning July 21, 2005, and ending July 21, 2018. Mandatory annual deposits, for the Series 2005-QZAB, of \$67,616 are made to a sinking fund account with a paying agent beginning December 20, 2006, and ending December 20, 2021. Such deposits are held and accumulated by the paying agent to be applied solely to the payments due under the leases on the final rental payment date.

The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created a new category of direct subsidy debt for school districts known as QSCBs. The QSCB does not represent incremental Federal funding; it must be repaid 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 for the Series 2010A-QSCB is 19 years commencing October 29, 2010. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates.

For the Series 2010A-QSCB, the principal portion of the basic lease payment, \$21,600,000, is due on October 1, 2029. The interest portion of the basic lease payments is due each April 1 and October 1, commencing April 1, 2011. The sinking fund payments are made by the District with respect to the Series 2010A-QSCB and are deposited by the Trustee into the Series 2010 Sinking Fund Account pursuant to the Trust Agreement. Such funds are invested in investment securities in accordance with the Trust Agreement. The District may offset sinking fund payments with the interest earnings on amounts in the Series 2010 Sinking Fund Account, provided that the sinking fund payments will be funded at a rate not more rapid than equal, annual installments in an aggregate amount not in excess of the principal component due at maturity. Sinking fund payments on deposit in the Series 2010 Sinking Fund Account will be retained therein until transferred to the Series 2010 Lease Payment Account and applied to the payment of the \$21,600,000 principal component due on the Series 2010 Certificates at maturity (October 1, 2029) or upon earlier prepayment.

The District properties included in the various ground leases are as follows:

Series 2005A Certificates of Participation

Anna Maria Elementary School

King Middle School

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Series 2007 Certificates of Participation

Annie Lucy Williams Elementary School
Daughtrey Elementary School
King Middle School
Palmetto Elementary School
Manatee Technical Institute – Public Safety Academy
Manatee Technical Institute – Fire Academy
Sea Breeze Elementary School
Myakka Elementary School

Series 2008A Certificates of Participation – Refunds 1998 Series

Bayshore High School
Carlos Haile Middle School
Lakewood Ranch High School

Series 2009A Certificates of Participation

G. D. Rogers Garden Elementary
Transportation and Maintenance Facility
Palmetto High School Auditorium

Series 2004-QZAB Certificates of Participation

Daughtery Elementary School
Manatee Elementary School

Series 2005-QZAB Certificates of Participation

Manatee Elementary School
Orange Ridge/Bullock Elementary School
Oneco Elementary School
Palm View Elementary School

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Series 2010A-QSCB Certificates of Participation

Manatee High School (Davis Building project)

Series 2011A-Certificates of Participation

Manatee Technical Institute

The lease payments are payable by the District, semiannually, on July 1 and January 1. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 18,930,364	\$ 10,245,000	\$ 8,685,364
2015	18,928,666	10,690,000	8,238,666
2016	18,932,456	11,165,000	7,767,456
2017	18,931,806	11,640,000	7,291,806
2018	17,792,906	10,985,000	6,807,906
2019-2023	82,518,455	55,778,455	26,740,000
2024-2028	68,427,550	54,235,000	14,192,550
2029-2031	43,555,513	41,815,000	1,740,513
Total Minimum Lease Payments	<u>\$ 288,017,716</u>	206,553,455	<u>\$ 81,464,261</u>
Add: Unamortized Premium		2,478,915	
Less: Unamortized Discount		<u>(677,592)</u>	
Total Certificates of Participation		<u>\$ 208,354,778</u>	

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

9. BONDS PAYABLE

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Issued Amount
State School Bonds:				
Series 2005B, Refunding	\$ 4,675,000	5.0	2020	\$ 8,205,000
Series 2006A	1,225,000	4.0 - 4.625	2026	1,605,000
Series 2009A	1,425,000	4.0 - 5.0	2029	1,815,000
Series 2010A-Refunding	560,000	4.0 - 5.0	2022	600,000
Series 2010A	1,595,000	3.5 - 5.0	2030	1,725,000
Series 2011A-Refunding	640,000	3.0 - 5.0	2023	640,000
District Revenue Bonds:				
Series 2003, Sales Tax	10,240,000	3.50 - 5.00	2013	112,340,000
Series 2005, Sales Tax	14,250,000	5.00	2018	30,000,000
Series 2012, Sales Tax	48,985,000	1.28	2018	49,490,000
Subtotal	83,595,000			
Add: Unamortized Premium on Debt	1,177,466			
Less: Unamortized Discount on Debt	(5,201)			
Less: Deferred Cost of Refunding	(2,034,948)			
Total Bonds Payable	<u>\$ 82,732,317</u>			

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 SBA.

➤ **District Revenue Bonds**

The Sales Tax Revenue Bonds, Series 2003, are authorized by the Constitution and Laws of Florida, including particularly Chapter 1001, Florida Statutes, Chapter 212, Florida Statutes, and other applicable provisions of law, and the Sales Tax Revenue Bond Resolution authorizing the issuance of the bonds duly adopted by the Board on February 18, 2003. The issuance of the bonds was approved by referendum of the voters of Manatee County duly held on May 21, 2002. The bonds were validated and confirmed by a final judgment of the Twelfth Judicial Circuit in and for Manatee County, Florida, entered on June 5, 2003. The bonds are secured by a prior lien upon and pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes.

The Sales Tax Revenue Bonds, Series 2005, are authorized by the Constitution and Laws of Florida, including particularly Chapter 1001, Florida Statutes, Chapter 212, Florida Statutes, and other applicable provisions of law, and the Sales Tax Revenue Bond Resolution authorizing the issuance of the bonds duly adopted by the

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Board on February 18, 2003, as supplemented by a Resolution duly adopted by the Board on November 14, 2005. The issuance of the bonds was approved by referendum of the voters of Manatee County duly held on May 21, 2002. The bonds were validated and confirmed by a final judgment of the Twelfth Judicial Circuit in and for Manatee County, Florida, entered on June 5, 2003. The bonds are secured by a prior lien upon and pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes.

The District issued Sales Tax Revenue Refunding Bonds, Series 2012 on April 3, 2012, in the amount of \$49,490,000. The bonds were issued to advance refund the District's outstanding Sales Tax Revenue Bonds, Series 2003 maturing on October 1, 2014, through and including October 1, 2017, and pay certain costs and expenses associated with the issuance of the Series 2012 bonds.

The School Board issued Sales Tax Revenue Bonds, Series 2003, in the amount of \$112,340,000 on August 7, 2003, and Sales Tax Revenue Bonds, Series 2005, in the amount of \$30,000,000 on December 19, 2005. Proceeds of the bonds were used to finance the cost of acquisition, construction, and installation of, and renovation to, certain capital improvements and educational facilities.

The sales tax collections began on January 1, 2003 and will be in place for 15 years. The sales tax was projected to generate at least \$235,660,684, or 119.24 percent of the principal and interest payments over the 15 years of the bonds. During the 2012-13 fiscal year, the District recognized sales tax revenues totaling \$23,520,704 and expended \$14,855,596 (63 percent) of these revenues for debt service directly collateralized by these revenues.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 1,621,903	\$ 1,145,000	\$ 476,903
2015	1,630,303	1,210,000	420,303
2016	1,630,387	1,270,000	360,387
2017	1,632,500	1,335,000	297,500
2018	1,641,312	1,410,000	231,312
2019-2023	2,612,394	1,990,000	622,394
2024-2028	1,624,381	1,385,000	239,381
2029-2030	395,325	375,000	20,325
Total State School Bonds	12,788,505	10,120,000	2,668,505
District Revenue Bonds:			
2014	15,277,294	13,835,000	1,442,294
2015	15,468,243	14,495,000	973,243
2016	15,471,164	14,775,000	696,164
2017	15,466,350	15,045,000	421,350
2018	15,465,918	15,325,000	140,918
Total District Revenue Bonds	77,148,969	73,475,000	3,673,969
Total	\$ 89,937,474	\$ 83,595,000	\$ 6,342,474

10. DEFEASED DEBT

On June 30, 2013, outstanding Sales Tax Revenue Bonds, Series 2003, totaling \$46,240,000 are considered defeased in substance. Accordingly, the trust account assets and liability for the in-substance defeased Sales Tax Revenue Bond, Series 2003 are not included in the District's financial statements. These bonds are scheduled to be redeemed on October 1, 2013.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
GOVERNMENTAL ACTIVITIES					
Note Payable	\$ 8,500,000	\$	\$ 3,500,000	\$ 5,000,000	\$ 5,000,000
Bonds Payable	98,230,000		14,635,000	83,595,000	14,980,000
Plus: Premium on Bonds	1,635,777		458,311	1,177,466	
Less: Discount on Bonds	(11,929)		(6,728)	(5,201)	
Less: Deferred Loss on Bonds	(2,388,610)		(353,662)	(2,034,948)	
Certificates of Participation Payable	216,418,455		9,865,000	206,553,455	10,245,000
Plus: Premium on COPs	2,755,483		276,568	2,478,915	
Less: Discount on COPs	(719,525)		(41,933)	(677,592)	
Early Retirement Plan Payable	132,255	96,071	54,790	173,536	23,220
Estimated Insurance Claims Payable	9,201,874	37,264,563	36,183,867	10,282,570	2,294,000
Other Postemployment Benefits Payable	16,297,911	1,663,392	1,075,687	16,885,616	
Compensated Absences Payable	25,501,756	4,094,987	3,861,604	25,735,139	3,000,000
Total Governmental Activities	<u>\$ 375,553,447</u>	<u>\$ 43,119,013</u>	<u>\$ 69,508,504</u>	<u>\$ 349,163,956</u>	<u>\$ 35,542,220</u>

For the governmental activities, compensated absences, early retirement plan benefits, and other postemployment benefits payable are generally liquidated with resources of the General Fund. The estimated insurance claims payable are generally liquidated with resources of the internal service funds.

12. 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, 2013:

Major Fund		
Capital Projects - Other Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 46,417</u>	<u>\$ 156,903</u>	<u>\$ 203,320</u>

The District did not report encumbrances in the General Fund totaling \$507,020 due to the deficit unassigned balance.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ -	\$ 26,571,904
Special Revenue - ARRA		
Economic Stimulus	-	344,154
Debt Service:		
Other Debt Service	9,264,404	-
ARRA Economic Stimulus	32,944	-
Capital Projects:		
Other Capital Projects	-	2,884,090
ARRA Economic Stimulus	616,505	-
Other Nonmajor Funds	3,838,904	3,294,967
Internal Service Funds	19,342,358	-
Total	<u>\$ 33,095,115</u>	<u>\$ 33,095,115</u>

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the funding providing the advancement. All amounts are expected to be repaid within the 2013-2014 fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Governmental Funds:		
Major Funds:		
General	\$ 14,678,633	\$ -
Debt Service:		
Other Debt Service	33,941,271	-
ARRA Economic Stimulus	1,138,592	-
Capital Projects:		
Other Capital Projects	-	23,294,809
Other Nonmajor	3,607,291	30,070,978
Total	<u>\$ 53,365,787</u>	<u>\$ 53,365,787</u>

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

The transfers into the General Fund from the Capital Projects – Other Capital Projects Fund, and Capital Projects – Section 1011.71(2), F.S. Local Capital Improvement Tax Fund (nonmajor fund), were for capital outlay to charter schools, reimbursing the General Fund for maintenance and repair costs, and payment of premiums for property and casualty insurance.

The other transfers from Capital Projects – Other Capital Projects Fund and Capital Projects – Section 1011.71(2), F.S. Local Capital Improvement Tax Fund to the Debt Service – Other Debt Service Fund and Other Nonmajor Funds were made for debt service payments.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2012-13 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 87,122,510
Categorical Educational Programs:	
Class Size Reduction/Operating Funds	50,931,607
School Recognition Funds	2,095,390
Voluntary Prekindergarten	1,222,565
Other	136,265
Workforce Development	8,742,656
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,819,463
Charter School Capital Outlay	1,358,013
Mobile Home License Tax	332,958
Food Service Supplement	295,568
Miscellaneous	637,865
Total	<u>\$ 154,694,860</u>

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

15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-2013 fiscal year:

<u>GENERAL FUND</u>	<u>Millage</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.341	\$ 133,023,645
Basic Discretionary Local Effort	0.748	18,629,782
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>37,359,243</u>
Total	<u>7.589</u>	<u>\$ 189,012,670</u>

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

16. STATE RETIREMENT PROGRAM

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All 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 the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer 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, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2012-2013 fiscal year, contribution rates were as follows:

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Elected County Officers	3.00	10.23
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013 totaled \$24,806,302, \$14,122,938, and \$15,499,364, respectively, which were equal to the required contributions for each fiscal year.

There were 777 District participants in the Investment plan during the 2012-2013 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$2,394,908, which was equal to the required contribution for the 2012-2013 fiscal year.

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

17. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical and prescription coverages. The District subsidizes the premium rates paid by the retirees by allowing them to participate in the OPEB Plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by retirees eligible for Medicare are reduced by the Medicare premium. 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.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through negotiations between the District and respective unions. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you go basis. At July 1, 2012, there were 481 retirees receiving other postemployment benefits. The District provided required contributions of \$1,075,687 toward the annual OPEB cost, net of retiree contributions totaling \$3,520,022, which represents 1.6 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	\$ 1,051,632
Amortization of Unfunded Actuarial Accrued Liability	965,679
Interest on Normal Cost and Amorization	80,692
Annual Required Contribution	2,098,003
Interest on Net OPEB Obligation	651,916
Adjustment to Annual Required Contribution	(1,086,527)
Annual OPEB Cost (Expense)	1,663,392
Contribution Toward the OPEB Cost	(1,075,687)
Increase in Net OPEB Obligation	587,705
Net OPEB Obligation, Beginning of Year	16,297,911
Net OPEB Obligation, End of Year	\$ 16,885,616

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years were as follows:

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 6,136,128	45.01%	\$ 15,812,739
June 30, 2012	2,009,503	75.86%	16,297,911
June 30, 2013	1,663,392	64.67%	16,885,616

Funded Status and Funding Progress. As of July 1, 2012, the most recent valuation date, the funded status of the plan is as follows:

Actuarial Accrued Liability (a)	\$ 14,485,189
Actuarial Value of Plan Assets (b)	-
Unfunded Actuarial Accrued Liability (c)=(a-b)	<u>\$ 14,485,189</u>
Funded Ratio (b/a)	0.00%
Covered Payroll (Active Plan Members) (d)	\$ 219,942,192
UAAL as a Percentage of Covered Payroll (c/d)	6.59%

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of July 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial accrued liability as of June 30, 2013 and estimate the District's 2012-2013 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent discount rate. The actuarial assumptions also included a payroll growth rate of 4 percent annually and an annual healthcare cost trend rate of 8.5 percent for the fiscal year ending June 30, 2013, reduced by various decrements each year, to an ultimate rate of 5 percent in the 2021-2022 fiscal year. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

accrued liability is being amortized on a closed basis over 15 years as a level percent of expected payroll. The remaining amortization period at June 30, 2013, is 15 years.

18. SPECIAL TERMINATION BENEFITS

On March 20, 1995, the School Board approved the Manatee County School Board One-time Only Retirement Incentive Plan (Plan). This plan provided that eligible employees who elected to retire by June 30, 1995, be paid special termination benefits. The Plan was offered to members of the instructional and classified bargaining units and administrative personnel who signed an agreement to participate in the Plan, who agreed to retire from employment under the provisions of the Florida Retirement System (FRS), and who met certain age and length of service requirements. One hundred fifty-nine (159) employees elected to participate in the Plan. Special termination benefits included payment for 100 percent of accrued sick and vacation leave, either a bonus based on 25 percent of the retiree's final year's compensation or an amount to compensate the employee for the FRS early retirement penalty, single coverage for health insurance, and a specified amount of life insurance. The Plan provided that the accrued sick and vacation leave, bonus pay, and the FRS early retirement penalty be paid out to the retirees and to a third-party administrator over a period of five years. The premiums for health insurance are to be paid for a period of eight years, while the premiums for the life insurance are to be paid out over the respective retiree's life. The total paid by the District pursuant to this retirement incentive during the 2012-2013 fiscal year was \$15,976. The District reported a liability of \$101,418 in the statement of net position representing the present value of the estimated future payments under the Plan.

On May, 2011, an On-Time Retirement Incentive Program was approved by the School Board for all Supervisory, Administrative and Managerial personnel (SAMP) and non-bargaining employees. Eligible employees received one month of salary (20 days), a 10 year life insurance policy in the amount of \$25,000 paid by the District, and 3 months of retiree single health insurance immediately following resignation. Employees were required to retire or resign no later than December 31, 2011. Twenty (20) employees elected to participate in the program. The total paid by the District pursuant to this retirement incentive during the 2012-2013 fiscal year was \$6,468. The District reported a liability in the amount of \$51,744 in the statement of net position representing the present value of the estimated future payments under the program.

On October 22, 2012, an On-Time Retirement Incentive Program was approved by the School Board for all Supervisory, Administrative and Managerial personnel (SAMP) and non-bargaining employees. Eligible employees will receive one month of salary (20 days), a 10 year life insurance policy in the amount of \$25,000 paid by the District, and 3 months of single health insurance immediately following resignation. Employees were required to retire or resign no later than December 31, 2012, with an effective date of no later than July 31, 2013. Seven (7) employees elected to participate in the program. The total paid by the District pursuant to this retirement incentive during the 2012-2013 fiscal year was \$32,346. The District reported a liability in the amount of \$20,374 in the statement of net position representing the present value of the estimated future payments under the program.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

19. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of property claim amounts above the self-insured retention amount (currently \$250,000 for property excluding named storm, wind/hail and flood damages. Named windstorm deductible is 5 percent of replacement value per building, per occurrence for wind and hail damages with \$1,000,000 minimum, and \$1,000,000 for automobile and general liability). The District has contracted with an insurance administrator, Johns Eastern Company to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A third-party administrator, Florida Blue, Inc., administers the District's health and hospitalization insurance program. In plan year 2012, the District paid per employee per month administrative fees of \$37.89 for all four plans. The payment agreement with Blue Cross Blue Shield of Florida provides for liability limits based on fixed rates and average numbers of insured employees and dependents. There is a \$450,000 specific excess loss deductible and the annual maximum of specific stop loss of \$1,250,000 for calendar year 2012 and \$2,000,000 for calendar year 2013. To remain in compliance with health care reform and the Patient Protection and Affordable Care Act, there are no longer lifetime maximums included in the Blue Choice, Blue Options or Blue Care plans.

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

A liability in the amount of \$10,282,570 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2013. The estimated insurance claims payable for the workers' compensation/property/liability programs of \$7,988,570 was actuarially determined using the discounted method with a confidence level of 50 percent. The discounted method recognized the expected rate of return on investments held in the Internal Service Fund using a discount rate of 4 percent. The estimated insurance claims payable for the self-insured health insurance program is \$2,294,000, including medical and pharmacy claims. This figure was not discounted and was calculated according to Actuarial Standards of Practice No. 5.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-2012	\$ 9,321,851	\$ 34,360,494	\$ (34,480,471)	\$ 9,201,874
2012-2013	9,201,874	37,264,563	(36,183,867)	10,282,570

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

20. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2012-2013 fiscal year:

	Total	Group Health and Life Insurance	Casualty Liability, etc. Insurance
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Assets	<u>19,367,926</u>	<u>13,073,152</u>	<u>6,294,774</u>
Liabilities and Net Position:			
Current Liabilities:			
Accounts Payable	\$ 18,667	\$ 15	\$ 18,652
Claims Payable	5,476,083	5,476,083	-
Estimated Insurance Claims Payable	2,294,000	2,294,000	-
Long-term Liabilities:			
Estimated Insurance Claims Payable	7,988,570	-	7,988,570
Net Position:			
Unrestricted	<u>3,590,606</u>	<u>5,303,054</u>	<u>(1,712,448)</u>
Total Liabilities and Net Position	<u>\$ 19,367,926</u>	<u>\$ 13,073,152</u>	<u>\$ 6,294,774</u>
Revenues:			
Premium Contributions	\$ 47,356,965	\$ 43,036,605	\$ 4,320,360
Other	<u>352,704</u>	<u>352,704</u>	<u>-</u>
Total Revenues	47,709,669	43,389,309	4,320,360
Total Expenses	<u>(41,203,887)</u>	<u>(37,580,478)</u>	<u>(3,623,409)</u>
Change in Net Position	<u>\$ 6,505,782</u>	<u>\$ 5,808,831</u>	<u>\$ 696,951</u>

21. LITIGATION

The District is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Management believes that any liability arising from such claims should not materially affect the District's financial position.

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

22. OTHER LOSS CONTINGENCIES

The District received financial assistance from Federal and State agencies in the form of grants and appropriations. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination by the applicable Federal and State agencies. Any disallowed claims should become a liability of the General Fund or other applicable funds. The questioned costs identified in the audit for the fiscal years ended June 30, 2010, June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$1,859,140, \$1,085,819, \$2,285,064, and \$1,853,435, respectively, for a total of \$7,083,458.

23. SUBSEQUENT EVENTS

Fitch Ratings, in January 2014, downgraded the District's outstanding Certificates of Participation, Series 2005A, Series 2007, Series 2008A, Refunding, Series 2009A, and Series 2011A, from a rating of "BBB" to "BBB-" and an outlook of negative. In addition, the District's outstanding Revenue Bonds, Sales Tax, Series 2005, was also downgraded from a rating of "BBB+" to "BBB" and an outlook of negative.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

MANATEE COUNTY DISTRICT SCHOOL BOARD REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b) (3)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [b-a/c]
01/01/09	\$ -	\$ 68,366,346	\$ 68,366,346	0.00%	\$ 210,941,394	32.41%
1/1/2012	-	19,579,979 (2)	19,579,979	0.00%	174,612,295	11.21%
7/1/2012	-	14,485,189 (1)	14,485,189	0.00%	219,942,192	6.59%

(1) The January 1, 2012, unfunded actuarial accrued liability of \$19,579,979 was significantly higher than the July 1, 2012, liability of \$14,485,189 primarily as a result of a change in the assumption of the per capita claims.

(2) The January 1, 2012, unfunded actuarial accrued liability of \$19,579,979 was significantly lower than the January 1, 2009, liability of \$68,366,346 as a result of several changes in the assumptions used to calculate the liability as follows:

- a. A change in assumption pertaining to the cost of coverage for retirees eligible for Medicare.
- b. Increased migration to a recently introduced Medicare Advantage Plan.
- c. The rates of participation in the Plan were adjusted to reflect current experience.
- d. The total cost of coverage increase per subscriber per month from the 2009 calendar year to the 2012 calendar year was lower than expected.
- e. Demographic assumptions were revised to be consistent with those used for the Florida Retirement System.

(3) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013**

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:				
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	\$ 3,470,552	\$ -
National School Lunch Program	10.555 (2)	300	12,390,352	-
Summer Food Service Program for Children	10.559	323	230,227	-
Total Child Nutrition Cluster			16,091,131	-
Florida Department of Education:				
Fresh Fruit and Vegetable Program	10.582	01-0041	278,183	-
Total United States Department of Agriculture			16,369,314	-
United States Department of Labor:				
Indirect:				
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	281,413	-
Total United States Department of Labor			281,413	-
United States Department of Transportation:				
Indirect:				
Florida Department of Transportation:				
Highway Planning and Construction	20.205	None	604	-
Total United States Department of Transportation			604	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	25,000	-
Federal Work-Study Program	84.033	N/A	36,429	-
Federal Pell Grant Program	84.063	N/A	2,280,020	-
Total Student Financial Assistance Cluster			2,341,449	-
Fund for the Improvement of Education	84.215	N/A	880,959	-
Arts in Education	84.351	N/A	22,472	-
Total Direct			3,244,880	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027(3)	262, 263	9,380,627	99,745
Special Education - Preschool Grants	84.173	267	211,066	-
Sarasota County District School Board:				
Special Education - Grants to States	84.027(3)	None	158,120	-
Total Special Education Cluster			9,749,813	99,745
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	532,549	-
Title I Grants to Local Educational Agencies	84.010	212, 223, 226, 228	10,382,007	374,275
Migrant Education - State Grant Program	84.011	217	827,557	-
Career and Technical Education - Basic Grants to States	84.048 (4)	161	659,975	-
Education for Homeless Children and Youth	84.196	127	118,616	-
Charter Schools	84.282	298	329,590	329,590
Twenty-First Century Community Learning Centers	84.287	244	820,266	-
English Language Acquisition Grants	84.365	102	550,212	-
Improving Teacher Quality State Grants	84.367	224	1,486,149	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	RG311, RL111	1,351,308	-
State College of Florida, Manatee-Sarasota:				
Career and Technical Education - Basic Grants to States	84.048 (4)	None	25,000	-
University of South Florida:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	None	188,440	-
Total Indirect			27,021,482	803,610
Total United States Department of Education			30,266,362	803,610

MANATEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2013

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:				
Indirect:				
Early Learning Coalition of Manatee County:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	SR 01-11	\$ 12,177	\$ -
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LCCG 01-10/LCCF 01-11/SR 01-11	14,514	-
Total CCDF Cluster			26,691	-
Temporary Assistance for Needy Families	93.558	SR 01-11	15,631	-
Social Services Block Grant	93.667	SR 01-11	120	-
Total United States Department of Health and Human Services			42,442	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	424,278	-
Total Expenditures of Federal Awards			\$ 47,384,413	\$ 803,610

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: National School Lunch Program. Includes \$1,090,670 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$9,538,747.

(4) Career and Technical Education - Basic Grants to States. Total CFDA No. 84.048 expenditures: \$684,975.

(5) State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$1,539,748.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
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 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*

Report on the Financial Statements

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the agency funds and aggregate discretely presented component units, as described in our report on the Manatee County District School Board's financial statements. 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 of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies

and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1 to be a material weakness.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1.

We noted a certain additional matter that is discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report. In addition, we noted certain matters that we reported to District management in our operational audit report No. 2014-079, dated January 2014.

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.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 27, 2014



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
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 COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Manatee 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, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Special Education Cluster and Improving Teacher Quality State Grants Programs

As described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding CFDA Nos. 84.027 and 84.173 Special Education Cluster as described in Federal Awards Finding No. 1 for Matching, Level of Effort, Earmarking – Early Intervention Services. In addition, the District did not comply with requirements regarding CFDA No. 84.367 Improving Teacher Quality State Grants as described in Federal Awards Finding No. 2 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on the Special Education Cluster and Improving Teacher Quality State Grants Programs

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster and Improving Teacher Quality State Grants programs for the fiscal year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 3 through 7. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is included in Exhibit A. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that

were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 control 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. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 3 through 6 to be significant deficiencies and Federal Awards Finding No. 7 to be a control deficiency.

The District's response to the internal control over compliance findings identified in our audit is included as Exhibit A. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

January 27, 2014

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the Special Education Cluster (CFDA Nos. 84.027 and 84.173) and Improving Teacher Quality State Grants (CFDA No. 84.367), which were qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Number(s):	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,421,532
Auditee qualified as low-risk auditee?	No

**MANATEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENT FINDING

Material Noncompliance and Material Weakness

Finding No. 1: Budgetary Controls and Financial Monitoring

The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. Without properly monitoring and amending the budget to meet changing financial circumstances, there is an increased risk that expenditures may exceed available resources. Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized.

Pursuant to Section 1011.06(1), Florida Statutes, the District's actual expenditures may not exceed budgeted expenditures for functional expenditure categories. Section 1011.06(2), Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted by function and object if the Board approves the expenditures and amends the budget within timelines established by the policies. Pursuant to this statute, the Board adopted Board Policy 7.11 allowing expenditures to temporarily exceed the amount budgeted and requiring budget amendments to be presented for approval within 60 days of the end of the month in which the expense is incurred.

The District experienced a deficit total assigned and unassigned fund balance of \$4.1 million in its General Fund at June 30, 2012, and a forensic investigation report, dated January 2013, identified certain causes for the deficit. The report also recommended that the District develop detailed written policies and procedures, including a step-by-step checklist, as a basis for developing and amending the annual budget and periodic testing to confirm budget projections. In addition, the report recommended that the District implement an automated resource allocation system to provide real time tracking of employee filled and vacant-funded positions, including full-time equivalent positions by name, position, base salary, and other information; hire additional personnel to monitor the budget; and provide more frequent, detailed financial reports by major expenditure function to the Board to better identify potential budget shortfalls. As the forensic investigation report was not completed until January 2013, the District did not fully implement many of the corrective measures recommended in the report during the 2012-13 fiscal year.

For the 2012-13 fiscal year, District personnel provided the Board monthly financial reports of budget and actual information that agreed with District accounting records. District personnel were responsible for reviewing the Florida Department of Education (FDOE) Web site for projected quarterly State revenue estimates and making budget amendments for changes in State revenue projections, as necessary. However, the District overestimated State revenues by \$4.4 million, and overspent seven General Fund functional expenditure categories totaling \$5,423,680, ranging from \$54,185 to \$2,690,262, contrary to Section 1011.06, Florida Statutes. The overexpenditures resulted, in part, because the District did not appropriately monitor and limit the number of staff positions as full-time employees paid by the General Fund increased from 4,700 to 4,774 employees during the 2012-13 fiscal year. Without accurately

amending the budget for State funding and effectively limiting staff positions, the District's budgetary monitoring process was ineffective in limiting expenditures to budgeted amounts. As a result of ineffective budgetary monitoring procedures, the District experienced a deficit total assigned and unassigned fund balance of \$8.6 million in its General Fund at June 30, 2013.

For the 2013-14 fiscal year, District personnel indicated that most of the January 2013 forensic investigation report recommendations were implemented as the District began using an automated resource allocation system to monitor employee positions, hired a new budget director, reduced the number of certain staff positions, and made other salary adjustments; however, certain projected costs were excluded from consideration in the 2013-14 fiscal year original budget. For example, budgeted expenditures excluded \$1.7 million for additional Special Education program personnel, \$800,000 for high school teacher salaries and benefits for teachers that transitioned along with students to other schools after a high school closed, and \$780,000 for teacher lead program expenditures that District personnel initially overlooked. In October 2013, subsequent to the original budget adoption, the Board amended the budget to reduce the projected June 30, 2014, total fund balance of the General Fund from \$10.3 million to \$9.35 million. Proper development of original budget projections based on known and estimated costs may reduce the risk for expenditures to exceed available resources.

As noted in our operational audit report No. 2014-079, in Finding No. 1 – Financial Condition, the fund balance of the General Fund may be further reduced if the Board has to use General Fund moneys to restore questioned costs of certain restricted capital outlay resources totaling \$6,496,848 or to eliminate the Workers' Compensation, Property, and General Liability Internal Service Fund deficit net position balance of \$1,712,448. The fund balance of the General Fund may be further reduced if the Board has to use General Fund moneys to restore Federal awards questioned costs totaling \$1,853,435 as discussed in Federal Awards Finding Nos. 1 through 4, and 7.

A similar finding was noted in the 2011-12 fiscal year financial audit report.

Recommendation: The Board should continue its efforts to strengthen its budgetary procedures to ensure that budgets are properly developed, established, and amended, as necessary, based on accurate projections of revenues and expenditures for salaries, benefits, purchased services, and goods, and expenditures are limited to budget amounts as required by law.

ADDITIONAL MATTER

Finding No. 2: Financial Reporting

Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires an analysis to determine the major funds that require separate columnar presentation. The District is required to report a governmental fund as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications. In addition, the FDOE requires major fund reporting of debt service and capital projects funded by the American Recovery and Reinvestment Act (ARRA) for principal and interest payments and construction, renovation, and remodeling activities. As such, major funds should be reported for ARRA debt service account balances and transactions in an ARRA - Qualified School Construction Bonds (ARRA - QSCB) Debt Service Fund and construction and renovation and remodeling account balances and transactions in an ARRA – QSCB Capital Projects Fund.

Our review of the District's 2012-13 fiscal year annual financial report, as submitted to FDOE and presented to us, disclosed that financial reporting procedures could be improved. The District inadvertently reported certain ARRA

expenditures totaling \$1,092,550 and \$786,614 in the Debt Service – Other Fund and Capital Projects – Other Fund, respectively, instead of separately reporting these expenditures in the ARRA - QSCB Debt Service Fund and ARRA - QSCB Capital Projects Fund, respectively, contrary to FDOE guidance.

Separately reporting major funds and related expenditures, pursuant to the FDOE guidance, allows financial statement users to readily identify ARRA fund expenditures. We discussed the financial reporting errors with District personnel, and District personnel corrected the account balances and transactions on its Comprehensive Annual Financial Report submitted to us for audit. However, our audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)

Finding Type: Material Noncompliance and Material Weakness

Questioned Costs: \$1,503,624 (CFDA No. 84.027)

Matching, Level of Effort, Earmarking – Early Intervention Services. The Individuals with Disabilities Education Act (IDEA) provides funds for services to children with disabilities, including early intervention, special education, and related services. Title 34, Section 300.226, Code of Federal Regulations (CFR), limits the District's use of the amount received under Part B of the Act, in combinations with other amounts, to no more than 15 percent to develop and implement early intervention services for students who are not currently identified as needing special education or related services. The Florida Department of Education (FDOE) required the District to set aside 15 percent of its IDEA funds for coordinated early intervention services (CEIS). Expenditures for CEIS may include personnel costs, such as behavioral specialists, exceptional student education teachers, paraprofessionals, and other CEIS related staff.

The District identified students as eligible for Special Education program regular instruction, such as reading, speech, behavioral, and emotional, based on individual educational plans prepared yearly that include annual goals for the students. Students identified for CEIS receive remediation through the general education setting, typically by a general education teacher or teacher aide under the guidance of a behavioral specialist or exceptional student education specialist, or other licensed mental health specialists.

The FDOE awarded the District \$9,745,594 for the 2012-13 fiscal year Special Education programs. The District was required to set aside \$1,503,624, representing 15 percent of the total of these awards for CEIS. The District provided a worksheet that detailed the percentage of salaries and benefits of social workers, psychologists, ESE specialists, and a parent support specialist who provide CEIS; however District records, such as personnel activity reports or equivalent documentation, did not document the percentage of time spent on CEIS. We interviewed 5 of the 41 employees that the District indicated spent time on CEIS; however, as none of the employees could confirm the percent of time spent on CEIS, the \$1,503,624 for CEIS represents questioned costs subject to disallowance by the grantor.

In addition, to document eligibility for CEIS, the District used identification and analysis worksheets that listed CEIS eligible students and their learning deficiencies and intervention planning forms that documented planned strategies to overcome the deficiencies. The District provided a list of 400 students served by CEIS; however, for 12 of 25 students tested, District records did not evidence the CEIS services provided. Absent such records, the risk is increased that CEIS will be provided to students who are ineligible for these services.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (qualifications) should be made in the auditor's report. As the District did not comply with the requirements regarding the Matching, Level of Effort, Earmarking – Early Intervention Services compliance requirement applicable to its Special Education programs, our report on the District's compliance with those requirements includes a qualification to that effect. A similar finding was noted in the 2011-12 fiscal year financial audit report.

Recommendation: The District should strengthen procedures to ensure that coordinated early intervention services are adequately documented for Special Education programs. Additionally, the District should document to the grantor (FDOE) the allowability of the \$1,503,624 of questioned costs or restore this amount to the program.

District Contact Person: Wylene Herring-Cayasso, Director Exceptional Student Education

Federal Awards Finding No. 2:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Improving Teacher Quality State Grants (CFDA No. 84.367)

Finding Type: Material Noncompliance and Material Weakness

Questioned Costs: \$91,632

Allowable Costs/Cost Principles. United States Department of Education (ED) nonregulatory guidance, dated October 2006, provides that Improving Teacher Quality (ITQ) program funds that are used for teachers' salaries must be used to pay highly qualified (HQ) teachers who reduce class size or provide or coordinate professional development services for other teachers. For the 2012-13 fiscal year, the District reported ITQ program expenditures of \$1,486,149 and we tested salaries and benefits of 24 employees totaling \$1,373,175, including 18 teachers, for propriety. Of the 18 teachers tested, we noted for one teacher's salary and benefits, and 50 percent of another teacher's salary and benefits, that District records did not evidence that the two teachers reduced class size or provided or coordinated professional development services for other teachers. As a result, \$91,632 (comprised of 100 percent of one teacher's salary and benefits, 50 percent of the other teacher's salary and benefits, and indirect cost of \$3,039) represents questioned costs subject to disallowance by the grantor.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (qualifications) should be made in the auditor's report. As the District did not comply with the requirements regarding Allowable Costs/Cost Principles applicable to the ITQ program, our report on the District's compliance with those requirements includes a qualification to that effect.

Recommendation: The District should enhance procedures to ensure that ITQ program funds used for teachers' salaries are for services that reduce class size or provide or coordinate professional development services. In addition, the District should document to the grantor (FDOE) the allowability of the \$91,632 of questioned costs or restore this amount to the ITQ program.

District Contact Person: Linda Guilfoyle, Director of District Support

Federal Awards Finding No. 3:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Agriculture and Consumer Services

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$42,141

Allowable Costs/Cost Principles – Documentation of Time and Effort. United States Office of Management and Budget (OMB) Circular A-87 provides, for charges to Federal awards for salaries and wages, that where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. District procedures provide that the required semiannual certifications be prepared for November and May. In addition, OMB Circular A-87 provides that budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to Federal awards.

For the 2012-13 fiscal year, the District reported \$22,526,514 of expenditures for the Child Nutrition Cluster (CNC) programs. Our tests disclosed that the District did not maintain the required documentation to support Federal salary and benefit expenditures, as follows:

- Expenditures for CNC programs included charges totaling \$60,871 for 90 percent of the salaries and benefits of one Technology and Information Services (TIS) Department employee, and \$8,122 for 10 percent of the salaries and benefits of another TIS Department employee. However, due to oversights, the District did not maintain the required monthly PARs or equivalent documentation for these employees to evidence the actual time the employees devoted to CNC programs. Based on our interviews, the TIS Department employee with 90 percent salaries and benefits charged to a CNC program only devoted 32.5 percent of their time to a CNC program, and the other TIS Department employee only devoted 7.5 percent of their time to a CNC program. As a result, \$42,141 of questioned costs, including \$1,397 of related indirect costs, are subject to disallowance by the grantor.
- Costs allocated to CNC programs for custodial services to lunchrooms totaling \$306,714 were based on estimates of average custodian salary and benefits for 34 custodians for 2 hours a day, contrary to Circular A-87, instead of basing costs on required PARs or equivalent documentation. We interviewed personnel responsible for supervising custodians and determined that the actual custodial services for cafeterias did not result in overcharges to CNC programs.
- Costs allocated to CNC programs for teacher aide services totaling \$472,598 were based on estimates of the average teacher aide salary and benefits for time spent monitoring students (5.5 hours a day) by one teacher aide at 34 elementary schools during meal service times, contrary to OMB Circular A-87, instead of basing costs on required PARs or equivalent documentation. We interviewed seven cafeteria managers and

determined that two to three teacher aides were used in the elementary schools from four to six hours each per day and, therefore, determined that the District did not overcharge CNC programs for teacher aide services.

Absent the required PARs or equivalent documentation to demonstrate actual time devoted to CNC program activities, there is an increased risk that personnel costs may be inappropriately charged to a CNC program.

Recommendation: The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefit charges to Federal programs. In addition, the District should document to the grantor (Florida Department of Agriculture and Consumer Services) the allowability of the \$42,141 of questioned costs or restore this amount to the CNC program.

District Contact Person: Sandra Ford, Director, Food and Nutrition Services

Federal Awards Finding No. 4:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Local Educational Agencies (CFDA No. 84.010)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$207,923

Allowable Cost/Cost Principles and Procurement. OMB Circular A-87 provides that costs are allowable and allocable to a Federal cost objective if they are reasonable and necessary for the proper and efficient performance of the cost objective, allocable if the services are in accordance with the benefits received, and are adequately documented. Title 34, Section 80.30, CFR, provides that grantees may rebudget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved project.

The FDOE, as the pass-through agency for the Title I program, developed the *Project Application and Amendment Procedures for Federal and State Grants (Green Book)*, which sets forth the types of changes in grant activities or budgetary changes subject to prior approval by the grantor agency. The *Green Book* provides that where statutes or rules governing a program do not expressly stipulate program or budget amendment requirements, project recipients must obtain prior approval in writing for changes to the approved project application, involving issues such as changes in project scope, goals, or objectives, work tasks, types of personnel employed, and contracting or sub-granting. In addition, Section B of the *Green Book* provides that a project recipient may not begin to expend or obligate funds under a project amendment until the FDOE receives the amendment in substantially approvable form or the date the amendment is approved by the FDOE program manager, whichever is later.

For the 2012-13 fiscal year, the District reported expenditures totaling \$10,382,007 for the Title I program. The District paid \$93,156 from the Title I program for school choice bus transportation costs; however, the District's FDOE-approved Title I program did not include budget amounts for school choice transportation costs, and the District did not amend the Title I program for such costs. District personnel indicated that, while previous fiscal year Title I program budgets included provisions for these services, these services were inadvertently omitted from the Title I program budget for the 2012-13 fiscal year. Absent preapproval by the grantor (FDOE), the \$93,156 of transportation costs and \$3,195 of related indirect costs totaling \$96,351 represent questioned costs subject to disallowance by the grantor.

Also, the District's FDOE-approved Title I program budget provided a total of \$25,000 for transportation of homeless students; however, the District spent \$65,000 for transporting these students and only provided documentation for \$32,831 of these costs. District records indicated that rates for transportation services were

\$30 per pickup and \$2.25 per mile for transporting special needs students; however, none of the District's homeless students were special needs students. As the District's Title I program students were not identified as special needs students, the basis for the costs charged to the Title I program was not documented. Consequently, the \$65,000 of transportation costs, and \$2,230 of related indirect costs, totaling \$67,230 represent questioned costs subject to disallowance by the grantor.

In addition, the District paid a total of \$122,189 for kindergarten and first grade classes phonics lessons and related materials and provided \$42,872 of the phonics lessons and materials to 19 non-Title I program schools. District personnel indicated that, under the No Child Left Behind Federal legislation, school districts identified as in need of improvement could spend Title I program funds on district-wide professional development, and that the District was in need of improvement because it had a total of 17 D and F schools. However, District records did not demonstrate how providing students phonic lessons and materials related to professional development and, as such, how the \$42,872 met Title I program requirements. Consequently, the \$42,872 of phonic lessons and related materials costs, and \$1,470 of related indirect costs, totaling \$44,342 represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure costs are adequately documented, allowable, and reasonable. In addition, the District should document to the grantor (FDOE) the allowability of the \$207,923 of questioned costs, or restore this amount to the Title I program.

District Contact Person: Elena Garcia, Director, Federal Programs and Grants

Federal Awards Finding No. 5:

Federal Agency: United States Department of Agriculture and United States Department of Education

Pass-Through Entity: Florida Department of Agriculture and Consumer Services and Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Title I Local Educational Agencies (CFDA No. 84.010)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Unknown

Allowable Costs/Cost Principles – Rebate Credits. Attachments A and B of United States Office of Management and Budget (OMB) Circular A-87 establish cost principles to be applied and guidance for determining allowable costs and applicable credits to Federal awards. Also, Section C of Attachment A specifies that, to be allowable costs under a grant program, the costs must be net of all applicable credits, and defines applicable credits as receipts or reductions of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect cost, including insurance refunds or rebates.

The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing process. The District also maintains an e-Payables program with a financial institution as a convenient option for vendors to receive payments. As an incentive, the District receives annual rebates from the financial institutions for each program, with the amounts determined based on the dollar amount of P-card purchases and e-Payables payments during annual periods. For the period January 2012 through December 2012, the District received \$165,118 of rebates from P-card purchases, and for the period October 2011 through September 2012, the District received \$61,470 of rebates from e-Payables payments.

The \$226,588 in rebates received by the District included \$22,149 that was generated by purchases using Child Nutrition Cluster (CNC) program funds, \$9,992 that was generated from P-card purchases using Title I program funds, and \$1,547 that was generated from e-Payables payments for which District records did not document which

Federal programs' funds were used to earn these rebates. However, the rebates were not allocated to CNC, Title I, or other Federal program funds from which the P-card purchases and e-Payables payments were made. Instead, the rebates were recognized as revenue and applied to the General Fund, which is used for general operating purposes.

District personnel indicated they were unaware that rebates should be accounted for in the specific fund type that generated the rebates. As CNC and Title I program funds are restricted by Federal law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate Federal programs, there is an increased risk that rebates generated by Federally-restricted sources may be used for purposes inconsistent with the restrictions on these resources and District records may not evidence that costs are net of all applicable credits, contrary to OMB Circular A-87.

Recommendation: The District should consult with the Florida Department of Agriculture and Consumer Services and Florida Department of Education for resolution on the use and allocation of rebates received on P-card purchases and e-Payables payments.

District Contact Person: Thomas Crosby, Director of Finance

Federal Awards Finding No. 6:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Unknown

Special Tests and Provisions – Charter Schools. Pursuant to Title 34, Section 76.792, CFR, the District must allocate Special Education program funds to any eligible charter school and the District must implement procedures to ensure the charter school receives the proportionate amount of funds for which the school is eligible.

During the 2012-13 fiscal year, the District sponsored 11 charter schools. The District made Special Education program allocations to eight of these charter schools ranging from \$5,300 to \$30,000 and, as of June 30, 2013, the District had distributed \$109,419 to the charter schools. However, District records did not evidence the propriety of the allocations to these charter schools. Without properly documenting the basis for allocating Special Education program funds, charter schools may not receive the amount of program funds for which the school is eligible.

Recommendation: The District should establish procedures to document the allocation of Special Education program funds to charter schools.

District Contact Person: Wylene Herring-Cayasso, Director Exceptional Student Education

Federal Awards Finding No. 7:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I Local Educational Agencies (CFDA No. 84.010)

Finding Type: Noncompliance and Control Deficiency

Questioned Costs: \$8,115

Special Tests and Provisions – Highly Qualified Teachers. Title 34, Section 200.55, CFR, requires that the District ensure that teachers who teach core academic subjects in a program supported with Title I funds, such as a Title I schoolwide program, be highly qualified (HQ). Title 34, Section 200.56, CFR, stipulates, among other things,

that a teacher must be certified in each core academic subject assigned, generally through State testing or additional coursework to be HQ.

Our test of 30 teachers and paraprofessionals including 16 long-term substitutes disclosed that 1 long-term substitute teacher, who taught one or more core academic subjects at a Title I schoolwide program school, did not meet the requirements to be HQ for some of the core academic subjects she was teaching. District personnel indicated that the substitute teacher accepted the position after the District was unable to locate a HQ teacher willing to accept a yearlong substitute position for a teacher on medical leave. The salaries and benefits for the teacher for the classes taught during the 2012-13 fiscal year totaled \$8,115, which represents questioned costs subject to disallowance by the grantor.

Having highly qualified staff enhances the District's ability to provide the necessary education services to Title I program students and contributes toward meeting the adequately yearly progress standards set by the United States Department of Education.

Recommendation: The District should enhance procedures to ensure that all teachers working in Title I schoolwide program schools are highly qualified. In addition, the District should document to the grantor (FDOE) the allowability of the \$8,115 of questioned costs or restore this amount to the Title I program.

District Contact Person: Elena Garcia, Director, Federal Program and Grants

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for financial and Federal findings included in previous audit reports. The following table provides information on District recurring financial and Federal audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
Financial Statement Finding No. 1	CPA Firm Finding Nos. 12-5 and 12-6	NA
Federal Awards Finding No. 1	CPA Firm Finding No. 12-10	CPA Firm Finding No. 11-03

NA - Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*MANATEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013*

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
2011-119 (1) Maudlin & Jenkins, LLC 11-03 12-10	Special Education - State Grants (CFDA No. 84.027) - Matching, Level of Effort, Earmarking – Early Intervention Earmark	The District did not adequately document charges to Special Education programs for coordinated early intervention services, resulting in \$1,399,422, \$1,085,819, and \$1,916,521 of questioned costs in the 2009-10, 2010-11, and 2011-12 fiscal years, respectively.	Not corrected	
2011-119 (2) Maudlin & Jenkins, LLC 12-09	Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391) - Maintenance, Level of Effort, Earmarking - Maintenance of Effort	District records did not evidence that the District met the maintenance of effort requirement for Special Education programs, resulting in \$459,718 and \$368,543 of questioned costs in the 2009-10 and 2011-12 fiscal years, respectively.	Partially Corrected	The deficiencies have been corrected; however, final resolution of the questioned costs rests with the Florida Department of Education and remains unresolved.
Maudlin & Jenkins, LLC 12-07	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); Improving Teacher Quality (CFDA No. 84.367); and State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants (CFDA No. 84.395) - Allowable Costs/Cost Principles	The District did not consistently allocate charges for its workers' compensation self-insurance program among Federal and non-Federal activities, contrary to Federal regulations.	Corrected	The District reversed the entry with the workers' compensation charges on June 30, 2013. The United States Department of Education (ED) provided a letter of determination for this finding. The District restored \$3,181.60 requested by ED in October 2013.
Maudlin & Jenkins, LLC 12-08	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); Improving Teacher Quality (CFDA No. 84.367); and State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants (CFDA No. 84.395) - Cash Management	The District could improve controls over management of Federal cash advances.	Corrected	

EXHIBIT A
MANAGEMENT'S RESPONSE



SCHOOL BOARD

Julie B. Aranibar

Chair

Dave "Watchdog" Miner
Vice Chair

Karen Carpenter

Robert C. Gause

Barbara A. Harvey

SUPERINTENDENT

Rick W. Mills

P.O. Box 9069
Bradenton, Florida
34206-9069
215 Manatee Ave. W.
Bradenton, FL
34205
PH. (941) 708-8770
FAX. (941) 708-8686
www.manateeschools.net

SCHOOL DISTRICT OF MANATEE COUNTY

December 20, 2013

David W. Martin, CPA
Auditor General
Room 476A; Claude Pepper Bldg.
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Noted below are Manatee County District School Board's responses to the Auditor General's management letter for the 2012-2013 fiscal year financial and federal audits. The new executive leadership team of the District is committed to the implementation of the recommendations to increase accountability, transparency and to promote effective and efficient operations throughout the District. In support of our commitment, we have attached a working copy of our detailed action plans on our District's web site.

Financial

Finding No. 1: Controls over the budgetary process were deficient, contributing to the fund balance deficit of the General Fund.

Response:

FIN 13-1) The District has made many adjustments to strengthen its budgetary procedures to ensure that budgets are properly developed, established, and amended, as necessary, based on accurate projections of revenues and expenditures for salaries, benefits, purchased services, and goods, and expenditures are limited to budget amounts as required by law. First the District developed a JDEdward's process that encumbers salaries and benefits for all hired positions. Then The District implemented a JDEdwards Position Control model which was designed to limit the number of positions hired to those to those authorized pursuant to the staff allocation sheets. The District will review and reconcile this system to ensure all information is correct and that the process is working as intended. In addition the District will determine if a process is needed to encumber all other expenditures such as non-contracted hourly and utility expenses.

The District is in the process of revising a report in ReportsNow that projects full year expenditures and revenues for non-encumbered objects. We will continue to develop additional reports and utilize them to develop a recurring process to build Full Year Expenditure and Revenue estimates for the General Fund. In addition we will develop and document detailed written procedures for preparing and monitoring the budget. This will include a procedure for amending the budget at least four times per year to reconcile with DOE's published revenue calculations.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finally, the district will develop a trend report comparing prior year budgets to current year budgets by cost center which will be run and analyzed prior to adopting the final budget.

Weekly reports are e-mailed to budget owners to help them identify potential issues within their own budgets. The district is also in the process of adding to this tool box of reports and providing additional training for budget owners. The district has hired a Budget Director to oversee the entire budget process. The District's action plan for Financial Finding No. 1 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 10).

Finding No. 2: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported.

Response:

FIN 13-2) This finding has been addressed, corrected and deemed completed. The District recognizes that the ARRA funds were not reported as major funds in compliance with DOE requirements. This was an oversight by the District and corrected in the Comprehensive Annual Financial Report. Procedures will be created to ensure appropriate personnel are provided all Technical Assistance Notices and guidance from DOE to ensure that financial statement account balances and transactions are properly reported. The District's action plan for Financial Finding No. 2 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 12).

Federal

Federal Awards Findings No. 1: The District did not adequately document charges to the Special Education program for coordinated early intervention services, resulting in \$1,503,624 of questioned costs.

Response:

FED 13-1) The District developed procedures that have strengthened the documentation of charges to the Special Education program for coordinated early intervention services (CEIS). CEIS logs have been developed and are in use, a specific flag has been created in our student information system (FOCUS) to identify eligible students who are receiving CEI services, all CEIS information is collected monthly to determine accuracy, and informational meetings were held to train involved staff and to inform school administrators. The District will work with FDOE to determine the need to restore questioned costs. The District's action plan for Federal Finding No. 1 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 13).

Federal Awards Findings No. 2: Improving Teacher Quality Program moneys were used for purposes contrary to Federal regulations, resulting in \$91,632 of questioned costs.

Response:

FED 13-2) The District corrected this finding when implementing the 2013-2014 ITQ program. All Reading teachers were removed from the program and placed under the appropriate funding source. No teachers are funded from the ITQ grant for the 2013-2014 school year, and the ITQ funding will be focused on Professional Learning and Leadership. The District will work with FDOE to determine the need to restore questioned costs. The District's action plan for

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Federal Finding No. 2 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 14).

Federal Awards Findings No. 3: Required documentation to support personnel charges of the Child Nutrition Cluster programs was not maintained, resulting in \$42,141 of questioned costs.

Response:

FED 13-3) The district will revise current procedures for documentation of employee time charged to more than one cost center. Employees will be required to complete an annual verification of time. Budget owners will review all charges made against the cost center on a semiannual basis. The District's action plan for Federal Finding No. 3 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 15).

Federal Awards Findings No. 4: District records did not adequately document the allowability of certain Title I program expenditures, resulting in \$207,923 of questioned costs.

Response:

FED 13-4) The District's transportation department has recently shared documentation as evidence to support all of the costs associated with NCLB School Choice with Transportation. While the cost for NCLB School Choice with Transportation was not listed in the original grant budget due to ambiguity caused by Florida's ESEA Waiver, lines of coding for transportation were in fact included. While there was no amendment, because we have adequate documentation to support the expenditure, there should be no required payback of the \$93,156.00 and \$3,195 of indirect costs. We will work with diligently with the FLDOE Title I office to improve our workflow in order to ensure that there are no subsequent errors of this nature.

The Title I office of the District will work closely with both the transportation department and the Homeless Liaison prior to the writing of the grant and before expenditures are paid to ensure that the appropriate amount of funds are budgeted, and that all expenditures for the transportation of Homeless students are reasonable and allowable. The \$65,000 of transportation costs and \$2,230 of indirect costs should be restored to the Title I grant from basic funds. The District's action plan for Federal Finding No. 4 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 16).

Federal Awards Findings No. 5: The District applied rebates totaling \$32,141, generated by the Child Nutrition Cluster (CNC) and Title I programs, to the General Fund, although it appears that the rebates should have been used to offset or reduce CNC or Title I program expenditures.

Response:

13-5) This issue is a state-wide concern noted in many District reports as a new finding. No direction on resolution has been provided from the Florida Department of Education, and the District has not determined that this proposed allocation is required or necessary. The District will continue to monitor direction from the FLDOE in this matter. If allowable, the District plans

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

to allocate rebates received in order to offset or reduce expenditure items allocable to restricted funds as direct or indirect costs. The District's action plan for Federal Finding No. 5 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 17).

Federal Awards Findings No. 6: The District did not document allocations from Special Education funds to charter schools.

Response:

13-6) The District will require all charter schools to submit a written request for services and resources. Based on number of and identified special needs of ESE students the ESE Department will review each request to determine the level need. This method will enable Charter Schools to receive their fair share of revenue to assist their ESE population. The District's action plan for Federal Finding No. 6 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 18).

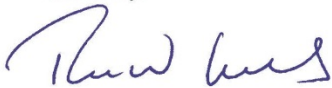
Federal Awards Findings No 7: District procedures did not ensure that all teachers hired to teach core academic subjects in Title I school wide schools were highly qualified, resulting in \$8,115 of questioned costs.

Response:

13-7) The Title I office will work with the Human Resources department to in-service all Title I Principals to ensure that they comply with the HQT teacher hiring requirements and subsequent Non-HQT teacher parent notifications, if applicable. The Title I office will also conduct quarterly checks to ensure that all Title I schools are adhering to the HQT/Non-HQT requirements. The District's action plan for Federal Finding No. 7 can be found on the District's website http://www.manateeschools.net/files/_wHHhe_/3f2798bd92624ccb3745a49013852ec4/Audit_Findings_-_Financial_and_Federal.pdf (Page 19).

We appreciate the professionalism and courtesy of the audit staff throughout the process. Please feel free to contact Michael Boyer, CFO at (941) 708-8770 extension 2110 if you have any questions.

Sincerely,



Rick W. Mills, Superintendent
Manatee County School District