

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

The management of the School Board of Sarasota 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 and notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- The District's financial position improved during the fiscal year ended June 30, 2014. In total, net position increased by \$1,767,237, or less than one percent.
- General revenues totaled \$461,907,472, or 94 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$28,258,820, or 6 percent. Total revenues increased by \$18,680,834 from \$471,485,458 in fiscal year 2012-13 to \$490,166,292 in fiscal year 2013-14. The change is primarily attributed to an increase in the required local portion of funding the Florida Education Finance Program (FEFP) through property tax revenues.
- Expenses totaled \$488,399,055, only \$28,258,820 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$1,767,237. Total expenses increased \$18,251,302 or 4 percent, from \$470,147,753 in fiscal year 2012-13. This change is attributed primarily to salary and benefit expenses from additional instructional positions, a salary increase included as a specific line item in the FEFP, and charter school pass through payments due to enrollment growth.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$39,435,810 at June 30, 2014 or 10.2 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

GOVERNMENT- WIDE FINANCIAL STATEMENTS

The Government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets, deferred outflows of resources, and liabilities, the net position, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year.

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

- Governmental activities – This represents most of the District's services including its educational programs: basic, vocational, adult and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units –The District presents nine separate legal entities in this report. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Eight of these organizations are charter schools. Financial information for these component units is reported separately from the financial information presented for the primary government. The Financing Corporation for the School Board of Sarasota County (Corporation), although also legally separate, was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the Board and the Corporation, the Corporation is included as an integral part of the primary government. Please refer to Note 1 to the basic financial statements for more information on the District's component units.

Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

FUND FINANCIAL STATEMENTS

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

All of the District's funds may be classified within one of three broad categories:

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the Government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the Government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

Proprietary Funds. Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains one type of proprietary fund, the internal service fund to account for the District's self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the Government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the Government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses agency funds to account for resources held for student activities and groups.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position and provides a perspective of the District as a whole. The following is a summary of the District's net position as of June 30, 2014, compared to net position as of June 30, 2013:

Net Position, End of Year

	Governmental Activities		Increase (Decrease)	Percentage Change
	6/30/2014	6/30/2013		
Current and other assets	\$ 216,451,567	\$ 251,005,833	\$ (34,554,266)	
Capital assets, net	944,228,478	923,307,067	20,921,411	
Total assets	<u>1,160,680,045</u>	<u>1,174,312,900</u>	<u>(13,632,855)</u>	-1%
Deferred outflows of resources	250,498	271,373	(20,875)	
Total deferred outflows	<u>250,498</u>	<u>271,373</u>	<u>(20,875)</u>	-8%
Other liabilities	39,121,750	38,538,415	583,335	
Long-term liabilities, current	33,425,526	34,361,201	(935,675)	
Long-term liabilities, noncurrent	216,011,215	231,079,842	(15,068,627)	
Total liabilities	<u>288,558,491</u>	<u>303,979,458</u>	<u>(15,420,967)</u>	-5%
Net investments in capital assets	754,873,856	737,197,939	17,675,917	
Restricted	94,797,196	107,809,491	(13,012,295)	
Unrestricted	22,701,000	25,597,385	(2,896,385)	
Total net position	<u>\$ 872,372,052</u>	<u>\$ 870,604,815</u>	<u>\$ 1,767,237</u>	0%

The largest portion of the District's net position (86 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (3 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

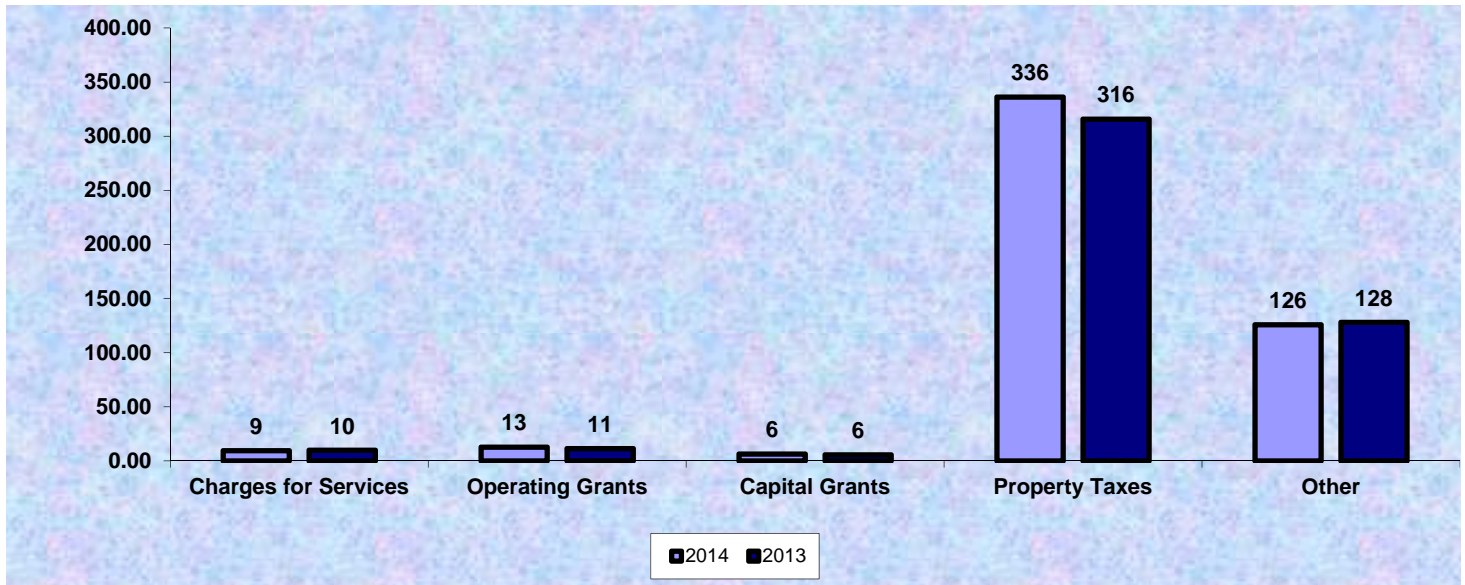
The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are shown in the following table and graphs:

Changes in Net Position from Operating Results

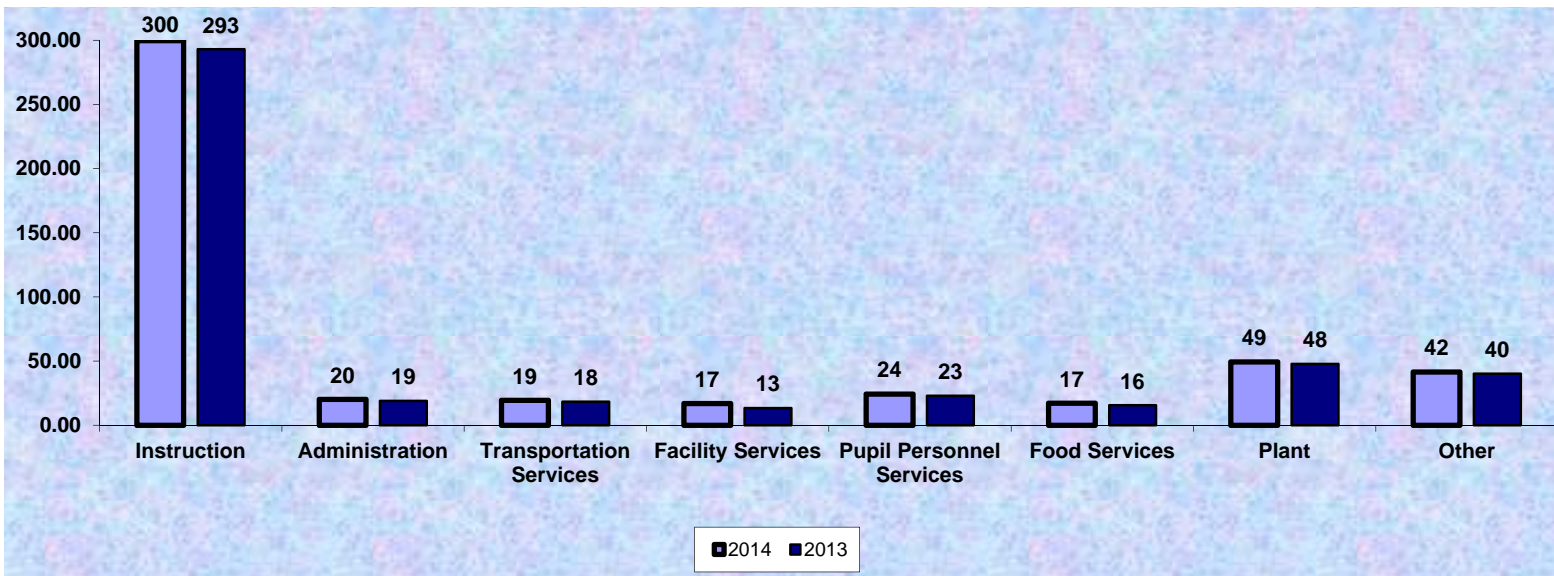
	Governmental Activities			
	6/30/2014	6/30/2013	Increase (Decrease)	Percentage Change
Revenues:				
Program revenues				
Charges for services	\$ 9,356,782	\$ 9,831,969	\$ (475,187)	-5%
Operating grants and contributions	12,602,559	11,311,262	1,291,297	11%
Capital grants and contributions	6,299,479	5,615,947	683,532	12%
General revenues				
Property taxes - general	272,808,869	255,168,075	17,640,794	7%
Property taxes - capital projects	63,261,086	60,632,620	2,628,466	4%
Local sales taxes	15,791,473	14,752,739	1,038,734	7%
Grants and contributions not restricted to specific programs	105,250,969	104,701,937	549,032	1%
Miscellaneous	3,755,476	8,123,934	(4,368,458)	-54%
Unrestricted investment earnings	1,039,599	1,346,975	(307,376)	-23%
Total revenues	<u>490,166,292</u>	<u>471,485,458</u>	<u>18,680,834</u>	4%
Expenses:				
Instruction	299,703,201	293,223,596	6,479,605	2%
Pupil personnel services	24,326,894	22,931,811	1,395,083	6%
Instructional media services	3,196,433	4,036,099	(839,666)	-21%
Instruction and curriculum development services	3,359,671	3,269,677	89,994	3%
Instructional staff training services	5,031,783	4,947,478	84,305	2%
Instruction related technology	3,475,721	3,320,282	155,439	5%
Board of education	1,283,234	819,319	463,915	57%
General administration	2,751,981	2,605,606	146,375	6%
School administration	17,338,048	16,303,070	1,034,978	6%
Facility services - non-capitalized	16,970,765	13,475,579	3,495,186	26%
Fiscal services	1,998,046	1,884,311	113,735	6%
Food services	17,193,318	15,649,443	1,543,875	10%
Central services	6,523,876	6,072,463	451,413	7%
Pupil transportation services	19,415,299	18,343,827	1,071,472	6%
Operation of plant	34,507,859	33,785,539	722,320	2%
Maintenance of plant	14,784,318	14,121,895	662,423	5%
Administrative technology services	3,719,238	3,175,384	543,854	17%
Community services	3,555,076	2,586,369	968,707	37%
Interest on long-term debt	9,264,294	9,596,005	(331,711)	-3%
Total expenses	<u>488,399,055</u>	<u>470,147,753</u>	<u>18,251,302</u>	4%
Increase (decrease) in net position	<u>1,767,237</u>	<u>1,337,705</u>	<u>429,532</u>	32%
Beginning net position	<u>870,604,815</u>	<u>869,267,110</u>	<u>1,337,705</u>	
Ending net position	<u>\$ 872,372,052</u>	<u>\$ 870,604,815</u>	<u>\$ 1,767,237</u>	

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

Revenues by Source – Governmental Activities – in Millions of Dollars



Expenses – Governmental Activities – in Millions of Dollars



Overall total revenues increased by \$18,680,834 or 4 percent from the fiscal year ended June 30, 2013. The change was primarily attributed to an increase in the required local funding portion of the FEFP through property tax revenues.

Total expenses increased by \$18,251,302, or 4 percent from the fiscal year ended June 30, 2013. The increase was primarily due to an increase in salary and benefit expenses from additional instructional positions, a salary increase included as a specific line item in the FEFP and charter school pass through payments due to enrollment growth.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$158,152,769, a decrease of \$32,411,110 from last year's ending fund balance of \$190,563,879. The decrease in total District fund balance is primarily due to large capital construction expenditures for the rebuild of two high schools and a technical center funded by debt issued in prior years.

Major Governmental Funds

General Fund

The General Fund is the primary operating fund for the District. Presented below is an overall analysis of the General Fund as compared to the prior year:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>(Decrease)</u>	<u>Change</u>
Revenue	\$ 363,271,257	\$ 343,409,673	\$ 19,861,584	6%
Other financing sources	21,841,337	20,309,754	1,531,583	8%
Beginning fund balance	53,480,753	63,999,318	(10,518,565)	-16%
Total	<u><u>\$ 438,593,347</u></u>	<u><u>\$ 427,718,745</u></u>	<u><u>\$ 10,874,602</u></u>	3%
Expenditures	387,159,805	373,307,402	13,852,403	4%
Other financing uses	550,279	930,590	(380,311)	-41%
Ending fund balance	50,883,263	53,480,753	(2,597,490)	-5%
Total	<u><u>\$ 438,593,347</u></u>	<u><u>\$ 427,718,745</u></u>	<u><u>\$ 10,874,602</u></u>	3%

The District's General Fund ending fund balance decreased by \$2,597,490 or 5 percent. This decrease is primarily attributed to **salary and benefit expenditures from additional instructional positions**. While the District's increased enrollment generated additional earned revenue, there was a holdback of state funding in the amount of \$798,047 for a proration to funds available which reduced the amount of actual state revenue received by the District. It should be noted that \$922,282 of ending fund balance has been encumbered for specific projects.

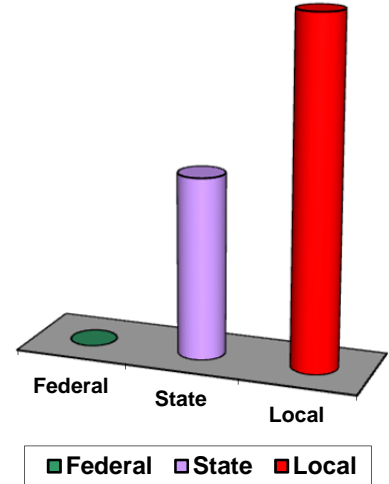
SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

Revenues – Overall revenues increased by \$19,861,584 or 6 percent as follows:

Revenues By Source - General Fund

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Federal	\$ 2,243,920	\$ 2,265,678	\$ (21,758)	-1%
State	76,669,585	76,425,715	243,870	0%
Local	284,357,752	264,718,280	19,639,472	7%
Total	\$ 363,271,257	\$ 343,409,673	\$ 19,861,584	6%

**Composition of Revenues
In Millions of Dollars -
2014**

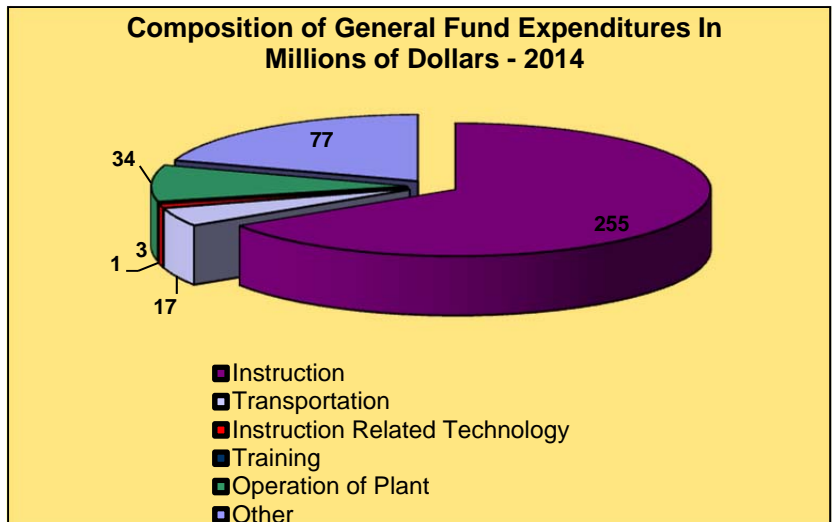


Federal sources decreased by \$21,758, or 1 percent, mainly attributed to a decrease in Medicaid funding.

State sources increased by \$243,870 or less than 1 percent, mainly attributed to the increase in the required funding of the Florida Education Program Funding.

Local sources increased by \$19,639,472, or 7 percent, mainly as a result of an increase in the required local funding portion of the FEFP through property tax general revenues of \$15,875,855 and an increase in a voted additional property tax revenue of \$1,764,939.

Expenditures - Total General Fund expenditures increased by \$13,852,403 from \$373,307,402 to \$387,159,805 for the fiscal year ended June 30, 2014. The increase of 4 percent is related to salary and benefit expenses from additional instructional positions, a salary increase included as a specific line item in the FEFP and charter school pass through payments due to enrollment growth..



SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

Expenditures By Function - General Fund

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Instruction	\$ 254,835,992	\$ 247,624,935	\$ 7,211,057	3%
Instructional staff training services	1,156,950	1,253,537	(96,587)	-8%
Pupil transportation services	16,835,624	15,882,426	953,198	6%
Operation of plant	34,361,468	33,599,632	761,836	2%
Instruction related technology	2,988,524	3,009,685	(21,161)	-1%
Other	76,981,247	71,937,187	5,044,060	7%
Total	<u>\$ 387,159,805</u>	<u>\$ 373,307,402</u>	<u>\$ 13,852,403</u>	4%

Special Revenue - Federal Economic Stimulus Fund

The Federal Economic Stimulus Fund is used to account for Federal program revenues and expenditures related to the American Recovery and Reinvestment Act and the Education Jobs Act. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds do not accumulate a fund balance. The increase in expenditures is due to payments on scheduled deliverables related to the Race to the Top grant.

An overall analysis of the District's Special Revenue - Federal Economic Stimulus Fund expenditures is presented below:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current:				
Instruction	\$ 30,005	\$ 12,813	\$ 17,192	134%
Instruction and curriculum development services	10,647	18,375	(7,728)	-42%
Instructional staff training services	68,553	235,025	(166,472)	-71%
Instruction related technology	477,001	291,256	185,745	64%
Fiscal services	37,273	30,175	7,098	24%
Central services	268,154	161,466	106,688	66%
Capital Outlay:				
Other capital outlay	27,994	4,977	23,017	462%
Total	<u>\$ 919,627</u>	<u>\$ 754,087</u>	<u>\$ 165,540</u>	22%

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

Debt Service – Other Debt Service Fund

An overall analysis of the District's Other Debt Service Fund is presented below. The increase in expenditures was due to increased debt service payments as a result of a change from five years to four years in the computer equipment capital lease model. There is a corresponding increase in transfers from the Capital Projects – Local Capital Improvement Tax fund.

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 36,391	\$ 35,465	\$ 926	3%
Other financing sources	26,870,976	25,742,884	1,128,092	4%
Beginning fund balance	971,430	936,611	34,819	4%
Total	<u>\$ 27,878,797</u>	<u>\$ 26,714,960</u>	<u>\$ 1,163,837</u>	4%
Expenditures	\$ 26,871,370	\$ 25,743,530	\$ 1,127,840	4%
Ending fund balance	1,007,427	971,430	35,997	4%
Total	<u>\$ 27,878,797</u>	<u>\$ 26,714,960</u>	<u>\$ 1,163,837</u>	4%

Debt Service – ARRA Economic Stimulus Fund

This fund is used 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. This is the fourth year of this fund. Revenues in this fund are an interest rebate received from the Internal Revenue Service. The fund balance represents amounts placed into the sinking fund to pay the debt when due. Interest payments are made twice a year.

Capital Projects – Local Capital Improvement Tax Fund

An overall analysis of the District's Capital Projects – Local Capital Improvement Tax Fund is presented below:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 63,398,078	\$ 61,081,902	\$ 2,316,176	4%
Other financing sources	13,888	2,870,811	(2,856,923)	100%
Beginning fund balance	51,273,846	59,142,983	(7,869,137)	-13%
Total	<u>\$ 114,685,812</u>	<u>\$ 123,095,696</u>	<u>\$ (8,409,884)</u>	-7%
Expenditures	\$ 27,465,761	\$ 25,495,969	\$ 1,969,792	8%
Other financing uses	47,899,160	46,325,881	1,573,279	3%
Ending fund balance	39,320,891	51,273,846	(11,952,955)	-23%
Total	<u>\$ 114,685,812</u>	<u>\$ 123,095,696</u>	<u>\$ (8,409,884)</u>	-7%

During the fiscal year 2013-14, revenue in the Capital Projects – Local Capital Improvement Tax Fund increased by \$2,316,176 or 4 percent. Expenditures increased by \$1,969,792 or 8 percent. The rebuild of Sarasota High School is the primary reason for the increase. Of the total fund balance, \$23,766,394 has been encumbered for specific projects.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

Capital Projects - Other Capital Projects Fund

The District's other capital projects fund is used primarily to report revenues and expenditures from sales tax collections and expenditures from the District's Series 2009 and Series 2010B Certificates of Participation issuance. An overall analysis of this fund is presented below:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 20,552,914	\$ 20,010,459	\$ 542,455	3%
Other financing sources	8,872,894	8,086,208	786,686	10%
Beginning fund balance	71,982,142	104,494,144	(32,512,002)	-31%
Total	<u>\$ 101,407,950</u>	<u>\$ 132,590,811</u>	<u>\$ (31,182,861)</u>	-24%
Expenditures	\$ 47,259,751	\$ 55,882,526	\$ (8,622,775)	-15%
Other financing uses	2,485,208	4,726,143	(2,240,935)	-47%
Ending fund balance	51,662,991	71,982,142	(20,319,151)	-28%
Total	<u>\$ 101,407,950</u>	<u>\$ 132,590,811</u>	<u>\$ (31,182,861)</u>	-24%

Other financing sources increased by \$786,686 primarily due to issuance of a capital lease agreement for computer equipment. Expenditures decreased by \$8,622,775 due primarily to completion of construction on Phase III of the Sarasota Technical Institute rebuild and the rebuild of Venice High School. It should be noted that \$27,858,648 of fund balance has been encumbered for specific projects.

Capital Projects - ARRA Economic Stimulus Fund

The District's ARRA Economic Stimulus Capital Project fund is used to report the revenues and expenditures from the District's Series 2010A Certificates of Participation Qualified School Construction Bonds. The proceeds from these bonds were required to be spent in their entirety by September 1, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District revised its budget and brought two amendments to the Board. These amendments were needed to adjust to actual revenues and direct resources where needed. The Board approves the final amendment to the budget after year-end. The original 2013-14 budget was prepared on a conservative basis as the State had experienced multiple years of revenue shortfalls and prorated funding to school districts accordingly. Budgeted expenditures increased \$1,279,684 from the original budget due to increased student enrollment. Actual expenditures were \$3,583,403 below the final amended expenditure budget.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

CAPITAL ASSETS AND LONG-TERM DEBT

At June 30, 2014, the District had \$944,228,478 invested in a broad range of capital assets, including land, buildings and improvements, and equipment; net of accumulated depreciation. This amount represents a net increase (including additions, deductions and depreciation) of \$20,921,411 or 2 percent, from last fiscal year due primarily to the rebuilds at Booker High School, Venice High School and Sarasota Technical Institute.

	Governmental Activities			Percentage
	6/30/2014	6/30/2013	Change	Change
Capital assets not being depreciated:				
Land	\$ 31,546,729	\$ 31,548,138	\$ (1,409)	0%
Land improvements	75,508,871	67,884,975	7,623,896	11%
Construction in progress	24,356,020	164,779,586	(140,423,566)	-85%
Capital assets being depreciated:				
Improvements other than buildings	61,289,213	50,844,685	10,444,528	21%
Buildings and fixed equipment	961,992,420	819,480,695	142,511,725	17%
Furniture, fixtures and equipment and Audio visual materials	56,653,798	61,013,316	(4,359,518)	-7%
Motor vehicles	33,269,983	31,562,431	1,707,552	5%
Equipment under capital leases	32,203,325	32,950,142	(746,817)	-2%
Computer software	8,934,681	9,309,119	(374,438)	-4%
Total Capital Assets	1,285,755,040	1,269,373,087	16,381,953	1%
Less accumulated depreciation	(341,526,562)	(346,066,020)	4,539,458	-1%
Total Capital Assets, net	<u>\$ 944,228,478</u>	<u>\$ 923,307,067</u>	<u>\$ 20,921,411</u>	2%

Detailed information regarding the District's capital asset balances and activity for the fiscal year ended June 30, 2014, is provided in Note 5 to the basic financial statements.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

Long-Term Debt

At June 30, 2014, the District had \$197,617,344 in bonds payable, obligations under capital leases, and certificates of participation versus \$210,754,656 last fiscal year, a decrease of 6 percent. A summary of the long-term debt obligations are listed in the following table:

	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 21,488,041	\$ 19,034,624	\$ 2,453,417	13%
State school bonds	10,470,188	11,718,571	(1,248,383)	-11%
Qualified academy zone bonds	1,299,696	1,299,696	-	0%
Certificates of participation	164,359,419	178,701,765	(14,342,346)	-8%
Total	<u>\$ 197,617,344</u>	<u>\$ 210,754,656</u>	<u>\$ (13,137,312)</u>	-6%

The District's decrease in debt is primarily due to payments made on Certificates of Participation.

The District has been given the following ratings for their outstanding Certificates of Participation:

<u>Rating Agency</u>	<u>Certificates of Participation</u>	
	<u>Rating</u>	<u>Issue Series</u>
Standard & Poor's	AA-	2009, 2010B
Moody's	Aa3	2004, 2009, 2010B
Fitch IBCA	AA	2004, 2009, 2010B

For more details concerning long-term debt, refer to Notes 7 to 11 in the basic financial statements.

ECONOMIC FACTORS

The unemployment rate in June 2014 for Sarasota County was 5.7 percent, which is a decrease of 1.4 percent from June 2013. The State's average unemployment rate in June 2014 was 6.3 percent. Florida's unemployment rate has decreased 1.1 percent while the nation's unemployment rate has decreased 1.4 percent from the prior year.

The State of Florida funds the District through the FEFP which is based on student enrollment. Through fiscal year 2007-08, the District grew at a steady pace as enrollment increased. Starting in fiscal year 2008-09, and continuing through fiscal year 2011-12, revenue to the District through the State and Local FEFP declined due to the slowing of growth as well as state funding shortfalls. In fiscal year 2012-13, the District realized a 3 percent increase in FEFP base student funding, the first increase since the economic downturn. In fiscal year 2013-14, the District continued to see an increase in student enrollment as well as another increase in base student funding reflecting a steady increase in State revenue collections. However, base funding per student has only been restored to fiscal year 2005-06 levels and remains 8 percent below their highest funding level from fiscal year 2007-08.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Management's Discussion and Analysis
June 30, 2014

In fiscal year 2013-14, property values increased 4.6% from the prior year to \$43.7 billion. It is anticipated that property values will continue to increase next year as real property sales have increased with average home prices continuing to rise over the prior year.

During the current fiscal year, unassigned fund balance of the General Fund totaled \$39,435,810. It is anticipated that the unassigned fund balance at June 30, 2015 will be in excess of the Board required minimum of 7.5 percent of total appropriations and transfers out.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and 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 information should be addressed to Mitsi Corcoran, Chief Financial Officer, 1960 Landings Boulevard, Sarasota, Florida 34231.