

**SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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 2011-12 fiscal year are as follows:

- The District's financial position improved during the fiscal year ended June 30, 2012. In total, net assets increased by \$10,235,707, or 1.2 percent over the course of the year.
- General revenues totaled \$445,774,393, 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 \$26,065,168, or 6 percent. Total revenues decreased from \$502,313,710 in fiscal year 2010-11 to \$471,839,561 in fiscal year 2011-12. The change is primarily attributed to a decrease in per student funding, a decrease in property tax revenues and the loss of Federal Stimulus funding.
- Expenses totaled \$461,603,854 only \$26,065,168 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$10,235,707. Total expenses decreased \$26,760,157 or 5 percent, from \$488,364,011 in fiscal year 2010-11. This change is attributed primarily to salary and benefit deductions.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$32,595,379 at June 30, 2012 or 9.13percent 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.

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**Government-wide Financial Statements**

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

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 ten 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. Nine 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 School Board and the Corporation, the Corporation is included as an integral part of the primary government. Please refer to Note 1 to the financial statements for more information on the District's component units.

Over a period of time, changes in the District's net assets 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.

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**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.

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**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Net assets 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 assets as of June 30, 2012, compared to net assets as of June 30, 2011:

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and other assets	\$ 306,605,779	\$ 357,037,452	\$ (50,431,673)	
Capital assets, net	876,986,364	825,119,730	51,866,634	
<b>Total assets</b>	<u>1,183,592,143</u>	<u>1,182,157,182</u>	<u>1,434,961</u>	0%
Other liabilities	37,054,696	34,104,333	2,950,363	
Long-term liabilities, current	32,947,605	32,557,620	389,985	
Long-term liabilities, noncurrent	243,211,772	255,352,866	(12,141,094)	
<b>Total liabilities</b>	<u>313,214,073</u>	<u>322,014,819</u>	<u>(8,800,746)</u>	-3%
Net assets				
Invested in capital assets, net of related debt	723,003,287	712,540,799	10,462,488	
Restricted	121,354,050	112,329,674	9,024,376	
Unrestricted	26,020,733	35,271,890	(9,251,157)	
<b>Total net assets</b>	<u>\$ 870,378,070</u>	<u>\$ 860,142,363</u>	<u>\$ 10,235,707</u>	1%

The largest portion of the District's net assets (83 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 assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

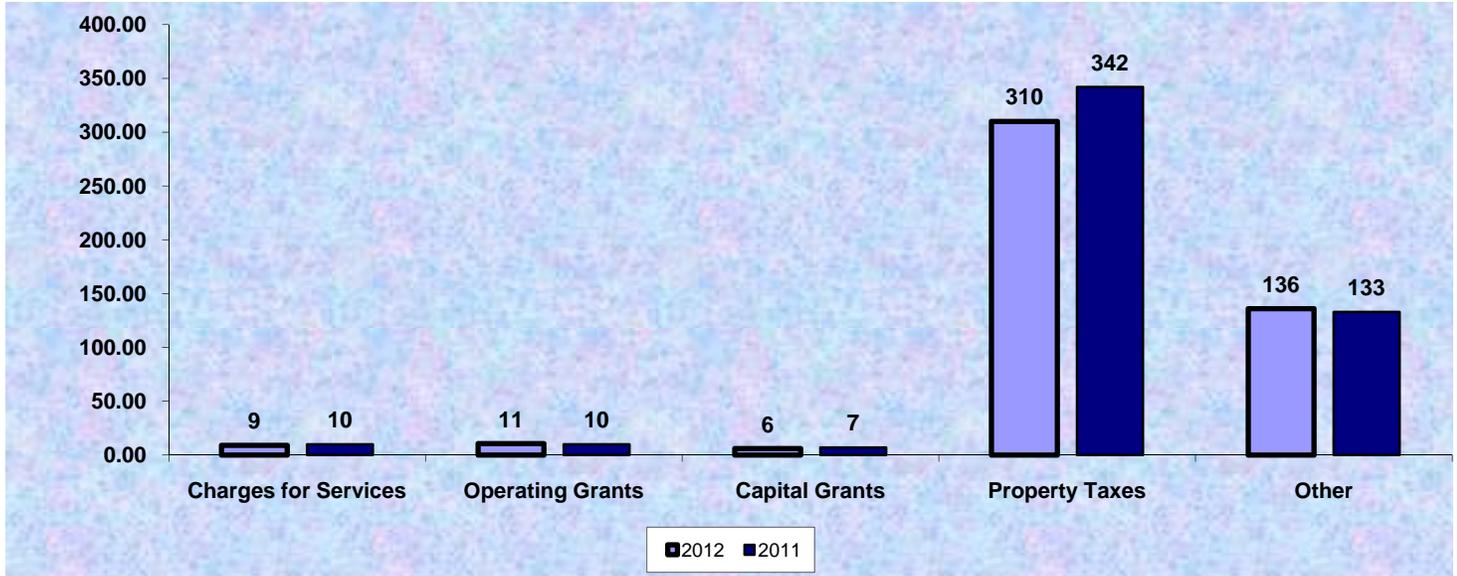
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The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2012 and June 30, 2011, are shown in the following table and graphs:

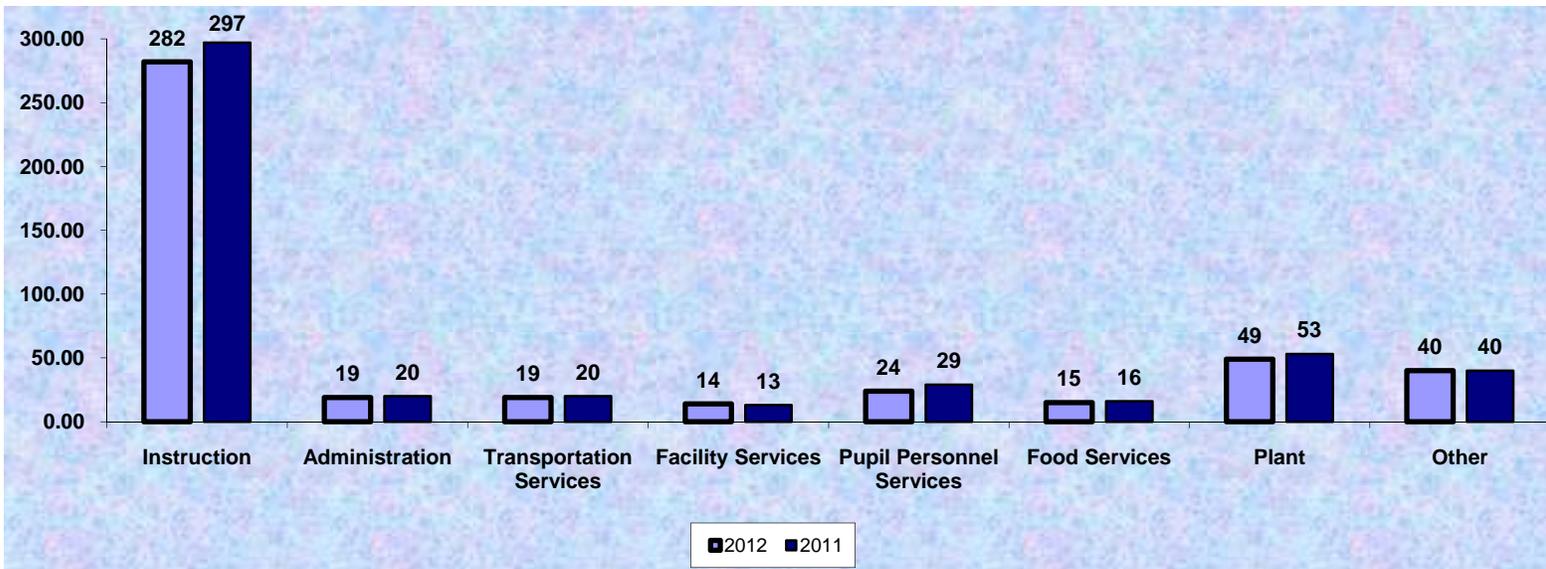
	Governmental Activities			
	6/30/2012	6/30/2011	Increase (Decrease)	Percentage Change
<b>Revenues:</b>				
Program revenues				
Charges for services	\$ 9,501,570	\$ 9,679,674	\$ (178,104)	-2%
Operating grants and contributions	10,690,392	10,412,253	278,139	3%
Capital grants and contributions	5,873,206	6,549,424	(676,218)	-10%
General revenues				
Property taxes - general	249,145,074	276,860,927	(27,715,853)	-10%
Property taxes - capital projects	60,937,028	64,915,896	(3,978,868)	-6%
Local sales taxes	13,860,532	13,295,558	564,974	4%
Grants and contributions not restricted to specific programs	112,835,562	109,899,786	2,935,776	3%
Miscellaneous	7,371,508	8,938,210	(1,566,702)	-18%
Unrestricted investment earnings	1,624,689	1,761,982	(137,293)	-8%
<b>Total revenues</b>	<u>471,839,561</u>	<u>502,313,710</u>	<u>(30,474,149)</u>	-6%
<b>Expenses:</b>				
Instruction	281,722,647	296,690,439	(14,967,792)	-5%
Pupil personnel services	23,967,492	28,732,840	(4,765,348)	-17%
Instructional media services	4,724,382	5,386,832	(662,450)	-12%
Instruction and curriculum development services	3,434,577	3,844,308	(409,731)	-11%
Instructional staff training services	4,969,184	5,378,038	(408,854)	-8%
Instruction related technology	2,368,817	1,373,380	995,437	72%
Board of education	1,021,338	1,126,670	(105,332)	-9%
General administration	2,559,299	2,951,442	(392,143)	-13%
School administration	16,226,134	17,484,966	(1,258,832)	-7%
Facility services - non-capitalized	13,542,098	13,136,595	405,503	3%
Fiscal services	2,106,502	2,051,350	55,152	3%
Food services	15,439,526	16,391,007	(951,481)	-6%
Central services	6,143,183	6,455,528	(312,345)	-5%
Pupil transportation services	18,989,823	19,524,334	(534,511)	-3%
Operation of plant	33,328,174	35,436,543	(2,108,369)	-6%
Maintenance of plant	15,893,062	17,949,420	(2,056,358)	-11%
Administrative technology services	2,504,196	2,080,924	423,272	20%
Community services	2,318,840	2,457,531	(138,691)	-6%
Interest on long-term debt	10,344,580	9,911,864	432,716	4%
<b>Total expenses</b>	<u>461,603,854</u>	<u>488,364,011</u>	<u>(26,760,157)</u>	-5%
<b>Increase in net assets</b>	<u>10,235,707</u>	<u>13,949,699</u>	<u>(3,713,992)</u>	-27%
<b>Beginning net assets</b>	860,142,363	846,192,664	13,949,699	
<b>Ending net assets</b>	<u>\$ 870,378,070</u>	<u>\$ 860,142,363</u>	<u>\$ 10,235,707</u>	

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**Revenues by Source – Governmental Activities – in Millions of Dollars**



**Expenses – Governmental Activities – in Millions of Dollars**



Overall total revenues decreased by 6 percent from the fiscal year ended June 30, 2011. Revenue decreases are primarily due to decreases in capital grants and contributions and in property taxes. Decreases in property taxes relates to the decline in property values.

Total expenses decreased by \$26,760,157, or 5 percent from the fiscal year ended June 30, 2011.

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District completed the year with a total governmental fund balance of \$247,794,227, a decrease of \$52,497,422 over last year's ending fund balance of \$300,291,649. The decrease is primarily due to the rebuild of Booker High School, Sarasota Technical Institute and Venice High School.

**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>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 335,686,382	\$ 347,550,711	\$ (11,864,329)	-3%
Other financing sources	20,472,315	21,543,723	(1,071,408)	-5%
Beginning fund balance	64,819,785	66,843,311	(2,023,526)	-3%
Increase (decrease) in inventory reserve	(12,568)	(5,161)	(7,407)	144%
<b>Total</b>	<u>\$ 420,965,914</u>	<u>\$ 435,932,584</u>	<u>\$ (14,966,670)</u>	-3%
Expenditures	356,416,317	370,413,987	(13,997,670)	-4%
Other financing uses	550,279	698,812	(148,533)	-21%
Ending fund balance	63,999,318	64,819,785	(820,467)	-1%
<b>Total</b>	<u>\$ 420,965,914</u>	<u>\$ 435,932,584</u>	<u>\$ (14,966,670)</u>	-3%

The District's ending fund balance decreased by \$820,467 or 1 percent. This decrease is attributed to the approximate 6 percent reduction in property values, state per student funding decrease of 4%, and the loss of federal stimulus revenues. The revenue decreases were offset by a salary and benefit reduction of approximately 4%.

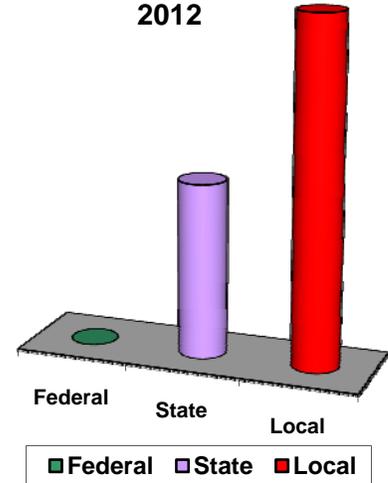
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**Revenues** – Overall revenues decreased by \$11,864,329 or 3 percent as follows:

**Revenues By Source - General Fund**

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Federal	\$ 2,598,829	\$ 2,049,249	\$ 549,580	27%
State	75,468,945	61,919,491	13,549,454	22%
Local	257,618,608	283,581,971	(25,963,363)	-9%
<b>Total</b>	<u>\$ 335,686,382</u>	<u>\$ 347,550,711</u>	<u>\$ (11,864,329)</u>	-3%

**Composition of Revenues  
In Millions of Dollars -  
2012**

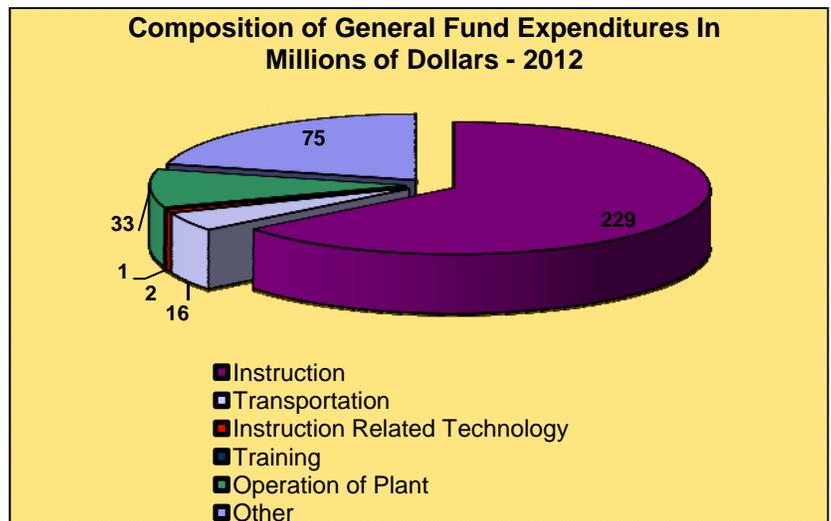


Federal sources increased by \$549,580, or 27 percent, mainly attributed to a increase in Medicaid funding.

State sources increased by \$13,549,454, or 22 percent, mainly attributed to the increase in the required funding of the Florida Education Program Funding.

Local sources decreased by \$25,963,363, or 9 percent, mainly as a result of a decrease in property tax general revenues of \$27,715,854.

**Expenditures** - Total General Fund expenditures decreased by \$13,997,670 from \$370,413,987 to \$356,416,317 for the fiscal year ended June 30, 2012. The decrease of 4 percent is related to salary and benefit reductions.



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**Expenditures By Function - General Fund**

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Instruction	\$ 229,122,527	\$ 236,828,230	\$ (7,705,703)	-3%
Instructional staff training services	1,380,608	1,499,776	(119,168)	-8%
Pupil transportation services	16,341,740	16,953,964	(612,224)	-4%
Operation of plant	33,045,743	34,390,694	(1,344,951)	-4%
Instruction related technology	2,301,261	1,359,233	942,028	69%
Other	74,224,438	79,382,090	(5,157,652)	-6%
<b>Total</b>	<u>\$ 356,416,317</u>	<u>\$ 370,413,987</u>	<u>\$ (13,997,670)</u>	-4%

**ARRA Economic Stimulus Funds**

The ARRA Economic Stimulus Funds are used to account for Federal program revenues and expenditures related to the American Recovery and Reinvestment Act. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds do not accumulate a fund balance. An overall analysis of the District's Special Revenue ARRA Economic Stimulus Funds expenditures is presented below:

**Expenditures By Function - Special Revenue ARRA Economic Stimulus Funds**

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current:				
Instruction	\$ 8,197,136	\$ 16,737,252	\$ (8,540,116)	-51%
Pupil personnel services	3,558	4,283,756	(4,280,198)	-100%
Instructional media services	-	157,373	(157,373)	-100%
Instruction and curriculum development	34,261	213,204	(178,943)	-84%
Instructional staff training services	194,049	353,879	(159,830)	-45%
Instructional related technology	423	2,000	(1,577)	100%
General administration	-	65,033	(65,033)	-100%
Fiscal services	28,759	18,552	10,207	100%
Central services	87,904	51,310	36,594	100%
Pupil transportation services	-	4,725	(4,725)	-100%
Operation of plant	-	799,035	(799,035)	-100%
Capital Outlay:				
Facilities acquisition and construction	54,879	46,824	8,055	100%
<b>Total</b>	<u>\$ 8,600,969</u>	<u>\$ 22,732,943</u>	<u>\$ (14,131,974)</u>	-62%

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**Debt Service – Other Debt Service Fund**

An overall analysis of the District's Other Debt Service Fund is presented below:

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 34,151	\$ 42,155	\$ (8,004)	-19%
Other financing sources	24,279,267	21,864,022	2,415,245	11%
Beginning fund balance	903,299	862,099	41,200	5%
Total	<u>\$ 25,216,717</u>	<u>\$ 22,768,276</u>	<u>\$ 2,448,441</u>	11%
Expenditures	\$ 24,280,106	\$ 21,864,977	\$ 2,415,129	11%
Ending fund balance	936,611	903,299	33,312	4%
Total	<u>\$ 25,216,717</u>	<u>\$ 22,768,276</u>	<u>\$ 2,448,441</u>	11%

**Debt Service – ARRA Economic Stimulus Debt Service 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 second 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:

Revenue	\$ 61,276,774	\$ 65,421,134	\$ (4,144,360)	-6%
Other financing sources	-	2,781,361	(2,781,361)	-100%
Beginning fund balance	66,109,265	56,386,128	9,723,137	17%
Total	<u>\$ 127,386,039</u>	<u>\$ 124,588,623</u>	<u>\$ 2,797,416</u>	2%
Expenditures	\$ 22,872,849	\$ 16,413,252	\$ 6,459,597	39%
Other financing uses	45,370,207	42,066,106	3,304,101	8%
Ending fund balance	59,142,983	66,109,265	(6,966,282)	-11%
Total	<u>\$ 127,386,039</u>	<u>\$ 124,588,623</u>	<u>\$ 2,797,416</u>	2%

During the fiscal year 2012, revenue in the Capital Projects – Local Capital Improvement Tax Fund decreased by \$4,144,360, or 6 percent. This was due to the decrease in property tax revenue. Expenditures increased by \$6,459,597, or 39 percent. Remodeling, renovations and HVAC work at various locations are the primary reason for the increase.

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**Capital Projects - Other Capital Projects Fund**

The District's other capital projects fund is primarily used 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>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 18,816,738	\$ 20,353,120	\$ (1,536,382)	-8%
Other financing sources	5,667,889	86,702,298	(81,034,409)	-93%
Beginning fund balance	126,372,661	80,348,349	46,024,312	57%
Total	<u>\$ 150,857,288</u>	<u>\$ 187,403,767</u>	<u>\$ (36,546,479)</u>	-20%
Expenditures	\$ 44,373,765	\$ 55,776,436	\$ (11,402,671)	-20%
Other financing uses	1,989,379	5,254,670	(3,265,291)	-62%
Ending fund balance	104,494,144	126,372,661	(21,878,517)	-17%
Total	<u>\$ 150,857,288</u>	<u>\$ 187,403,767</u>	<u>\$ (36,546,479)</u>	-20%

Other financing sources decreased by \$81,034,409 primarily due to the issuance of the Series 2010B Certificates of Participation in September 2010. Expenditures decreased by \$11,402,671 due to project construction for the rebuilds of Venice High, Booker High and Sarasota Technical Institute.

**ARRA Economic Stimulus Capital Projects**

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.

**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 original budget was prepared on a conservative basis as the State was predicting additional budget cuts and State revenue dollars were under projections for fiscal year 2012. The Board approves the final amendment to the budget after year-end. Budgeted expenditures decreased \$5,443,659 from the original budget to the final amended budget. The decreases were due in part to, a negotiated salary reduction, mandated employee retirement contribution and an aggressive energy savings program. Actual expenditures were \$10,759,788 below the final amended expenditure budget.

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**CAPITAL ASSETS AND LONG-TERM DEBT**

At June 30, 2012, the District had \$876,986,364 invested in a broad range of capital assets, including land, buildings and improvements, and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$51,866,634 or 6 percent, from last fiscal year due in part, to the completion of part of the rebuild of the Sarasota County Technical Center.

	<b>Governmental Activities</b>			<b>Percentage Change</b>
	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Change</u>	
<b>Capital assets not being depreciated:</b>				
Land	\$ 31,501,233	\$ 30,983,697	\$ 517,536	2%
Land improvements	68,036,121	67,968,886	67,235	0%
Construction in progress	102,394,924	41,865,008	60,529,916	145%
<b>Capital assets being depreciated:</b>				
Improvements other than buildings	50,493,844	50,177,678	316,166	1%
Buildings and fixed equipment	818,467,275	818,241,205	226,070	0%
Furniture, fixtures and equipment and Audio visual materials	63,201,196	63,975,470	(774,274)	-1%
Motor vehicles	29,981,572	29,345,792	635,780	2%
Equipment under capital leases	25,889,414	20,726,256	5,163,158	25%
Computer software	9,111,162	2,583,108	6,528,054	253%
Total Capital Assets	1,199,076,741	1,125,867,100	73,209,641	7%
Less accumulated depreciation	<u>(322,090,377)</u>	<u>(300,747,370)</u>	<u>(21,343,007)</u>	7%
Total Capital Assets, net	<u>\$ 876,986,364</u>	<u>\$ 825,119,730</u>	<u>\$ 51,866,634</u>	6%

Detailed information regarding the District's capital asset balances and activity for the fiscal year ended June 30, 2012, is provided in Note 5 to the basic financial statements.

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**Long-Term Debt**

At June 30, 2012, the District had \$223,435,403 in bonds payable, obligations under capital leases, and certificates of participation versus \$237,169,479 last fiscal year, a decrease of 6 percent. A summary of the long-term debt obligations are listed in the following table:

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 16,679,724	\$ 15,459,885	\$ 1,219,839	8%
State school bonds	12,646,872	13,758,438	(1,111,566)	-8%
Race track revenue bonds	295,000	710,005	(415,005)	-58%
Qualified academy zone bonds	1,299,696	1,299,696	-	0%
Certificates of participation	<u>192,514,111</u>	<u>205,941,455</u>	<u>(13,427,344)</u>	-7%
<b>Total</b>	<u>\$ 223,435,403</u>	<u>\$ 237,169,479</u>	<u>\$ (13,734,076)</u>	-6%

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

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

<u>Certificates of Participation</u>	
Standard & Poor's	AA-
Moody's	Aa2
Fitch IBCA	AA

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

**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.