

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The School Board of Sarasota County, Florida, (the "District") has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Sarasota County School District is considered part of the Florida system of public education. The governing body of the school district is the Sarasota County District School Board (Board) that 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 Sarasota County.

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

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

- **Blended Component Unit** The Financing Corporation for the School Board of Sarasota County (Corporation), was founded to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 8. Due to the substantive economic relationship between the Sarasota County District School Board and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- **Discretely Presented Component Units** The component units columns in the government-wide financial statements include the financial data of the District's other component units. For financial reporting purposes, nine charter schools are included in the financial statements of the District as discretely presented component units. These schools operate under a charter approved by their sponsor, the Board, and are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for them. The component units are as follows:

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Island Village Montessori Charter School, Inc., Sarasota Suncoast Academy, Inc., Student Leadership Academy of Venice, Inc., Sarasota Military Academy, Inc., Sarasota School of Arts and Sciences, Inc., Suncoast School for Innovative Studies, Inc. and SKY Academy, a subsidiary of the South County Family YMCA Foundation, Inc. (charter schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, and Section 1002.33, Florida Statutes. Imagine School at Sarasota, LLC, doing business as Imagine School at North Port and Imagine School at Palmer Ranch (charter schools) is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, and Section 1002.33, Florida Statutes. The Board is responsible for the prudent use of the public funds received for providing an appropriate educational program for its targeted enrollment. Audits of the charter schools for the fiscal year ended June 30, 2012, were conducted by independent certified public accountants and are filed at the District's administrative office at 1960 Landings Boulevard, Sarasota, FL 34231.

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses are allocated to functions/programs of the primary government. 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, with certain exceptions. 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 activities have been eliminated from the government-wide financial statements. Interfund transactions, consisting of transactions involving the internal service funds, were eliminated by allocating the change in net assets of internal service funds in direct proportion as they were charged as expenses to the various functions.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- General Fund - to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs on the long-term certificates of participation.
- Debt Service – ARRA Economic Stimulus Debt Service Fund - to account for the accumulation of resources for, and the payment of, sinking fund, interest and related costs on the Certificates of Participation, 2010A Qualified School Construction Bonds.
- Capital Projects – Local Capital Improvement Tax Fund - to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources such as sales tax proceeds, impact fees, and certificates of participation, which are used for capital outlay needs.
- Capital Projects – ARRA Economic Stimulus Capital Project Fund – to account for the proceeds and capital outlay related to the Certificates of Participation, 2010A Qualified School Construction Bonds.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Internal Service Funds - to account for the District's individual self-insurance programs.
- Agency Funds - to account for resources of the school internal funds, which are used to administer moneys collected at the District's schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the 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. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. 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, early retirement incentive payments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. 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 workers' compensation and employee dental insurance. Operating expenses include insurance claims, excess coverage premiums, employee compensation and purchased services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

➤ **Use of Estimates**

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

➤ **Deposits and Investments**

Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts, and therefore all balances representing participants' equity in the investment pools are classified as cash equivalents for purposes of these statements. For investments which are held separately from the pools, those which are highly liquid (including restricted assets) with an original maturity of 90 days or less are considered to be cash equivalents. The amounts reported as cash and cash equivalents consist of cash in demand deposits; amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME; and amounts placed in the Wells Fargo Advantage 100% Treasury Money Market Fund, the Wells Fargo

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advantage Government Money Market Fund and the Florida Education Investment Trust Fund.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by the Federal Depository Insurance Corporation and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash and cash equivalents as those accounts used as demand deposit accounts and all highly liquid investments with an original maturity of 90 days or less.

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in Florida PRIME 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.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

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

Investments made locally consist of money market mutual funds and obligations of United States Agencies and Instrumentalities and are reported at fair value. Types and amounts of investments held at fiscal year-end are further described in Note 3.

➤ **Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a weighted average basis, except that United States Department of Agriculture surplus commodities 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 at the time individual inventory items are requisitioned for consumption, except for transportation parts. The inventory balance for transportation parts is offset on the balance sheet by a fund balance reserve account, which indicates that it

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

does not constitute “available expendable resources” even though it is a component of the current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The purchase method is used to account for prepaid items.

➤ **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 in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. 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. The costs of normal maintenance and repairs that does not add to the value of the asset or materially extends the assets lives are not capitalized. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	5 – 40 years
Buildings and Fixed Equipment	10 – 50 years
Furniture, Fixtures and Equipment and Audio Visual Materials	3 – 15 years
Motor Vehicles	5 – 10 years
Computer Software	4 - 5 years

Changes in capital assets for the current year are further described in Note 5.

➤ **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee’s right to receive compensation is attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable that they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and State law.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, only the amount payable to employees who terminated their employment as of the end of the fiscal year is reported. The liability at year-end includes salary related payments such as Social Security, Medicare and Florida Retirement System contributions.

Changes in compensated absences liability for the current year are further described in Note 11.

➤ **Long-Term Debt**

Long-term debt obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond and certificates of participation premiums and discounts, differences between the reacquisition price and net carrying amount of the old debt, and issuance costs, are deferred and amortized over the life of the bonds and certificates of participation using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable premium or discount and differences between the reacquisition price and the net carrying amount of the old debt.

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

Changes in long-term debt obligations for the current year are further described in Note 11.

➤ **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.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 nine months following the date of 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 categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental funds financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. There were no funds allocated by the state to the District for the fiscal year.

A schedule of revenue from State sources for the current year is further described in Note 15.

➤ **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 Sarasota County Property Appraiser, and property taxes are collected by the Sarasota County Tax Collector.

The School Board adopted the 2011 tax levy on September 13, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Sarasota County Tax Collector at fiscal year-end but not yet remitted to the District.

Millage rates and taxes levied for the current year are further described in Note 16.

➤ **School Capital Outlay Surtax (Local Sales Tax)**

The citizens of Sarasota County on November 4, 1997, approved a one-cent sales tax authorized under Section 212.055(6), Florida Statutes. The School Board receives one-fourth of the one-cent sales tax. The surtax levy commenced on September 1, 1999, and remained in effect for a period of 10 years through 2009. The voters of Sarasota County approved the continuation of this tax effective September 1, 2009, which remains in effect for a period of 15 years through 2024.

➤ **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. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- 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.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY (continued)

- Appropriations are controlled at the function level within each fund (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, except that no budget appropriation is made for capital leases in the year of inception.
- 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.
- The reported budgetary data consists of the original budget as well as the final appropriated budget after amendments approved by the Board.

3. INVESTMENTS

Investments at June 30, 2012, are shown below:

State Board of Administration:		
Florida PRIME	38 Day Average ⁽¹⁾	\$ 200,433,865
Fund B Surplus Funds Trust Fund (Fund B)	5.73 Year Average	3,912,568
Debt Service Accounts	6 Months	339,761
Wells Fargo Government Money Market Fund	27 Day Average ⁽²⁾	30,455,410
Wells Fargo Advantage Heritage Money Market Fund	28 Day Average ⁽²⁾	16,460,447
Florida Education Investment Trust Fund	46 days	708,948
United State Treasury Notes	November 2011-April 2012	7,029,007
United States Agencies	March 2012-June 2014	34,281,081
Commercial Paper	-	2,249,608
Obligations of United States Agencies and Instrumentalities - FNMA Discount Note	11/16/2012 ⁽³⁾	936,611
Total Investments		\$ 296,807,306

⁽¹⁾ Investments are reported as cash equivalents.

⁽²⁾ Investments are reported as cash with fiscal agent.

⁽³⁾ This investment is held under a paying agent agreement in connection with the Qualified Zone Academy

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

3. INVESTMENTS (continued)

Interest Rate Risk

- Section 218.415, Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates, but the policy does state that securities should be invested to provide sufficient liquidity to pay obligations as they come due.
- The maturity of the SBA Fund B is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2012. Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. 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.

Credit Risk

- Section 218.415(16), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; Florida PRIME or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes.
- The District's investment policy authorizes the following investments:
 - Savings accounts.
 - Certificates of deposits.
 - Time deposits.
 - Securities of the United States Government including obligations of the United States Treasury.
 - Investment pools managed and directed by an approved agency of the state.

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

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

3. INVESTMENTS (continued)

As of June 30, 2012, the District's investments in the Florida PRIME is rated AAAM by Standard & Poor's. Pool B is unrated.

The Wells Fargo Advantage Government Money Market Fund was rated AAAM by Standard & Poor's. The Wells Fargo Advantage Heritage Money Market Fund was rated AAAM by Standard and Poor's.

The Florida Education Investment Trust Fund was rated AAAM by Standard and Poor's.

- The District's investment in Obligations of United States Agencies and Instrumentalities is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds paying agent. The forward delivery agreement authorizes the investment of the sinking fund amounts in certain eligible securities, including, without limitation, the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation. The eligible securities must have a maturity date that is on or before November 16, 2021. The District's investment in the FNMA discount note is rated A-1+ by Standard and Poor's.

Custodial Credit Risk

- 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 of Florida (State), or any other state or territory of the United States which has a branch or principal 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 does not have a formal investment policy that addresses custodial credit risk.

The District's \$936,611 investment in a FNMA discount note was held in a custody account by the paying agent.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

4. RECEIVABLES

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

Due from other governmental agencies at June 30, 2012, are shown below:

Florida Department of Education	\$	785,857
Sarasota County Tax Collector		195,717
US Department of Agriculture		177,531
Sarasota County Sheriff		103,404
Williams Parker Escrow Account		91,339
State of Florida		75,074
US Department of Defense		38,342
Sarasota County Fire Department		8,416
Other Sarasota County Offices		2,032
		<u>1,477,712</u>
	\$	<u>1,477,712</u>

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 30,983,697	\$ 594,336	\$ 76,800	\$ 31,501,233
Land Improvements	67,968,886	67,235	-	68,036,121
Construction in Progress	41,865,008	66,482,581	5,952,665	102,394,924
	<u>140,817,591</u>	<u>67,144,152</u>	<u>6,029,465</u>	<u>201,932,278</u>
Total Capital Assets Not Being Depreciated				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	50,177,678	330,897	14,731	50,493,844
Buildings and Fixed Equipment	818,241,205	1,132,777	906,707	818,467,275
Furniture, Fixtures, and Equipment and Audio Visual Materials	63,975,470	3,932,181	4,706,455	63,201,196
Motor Vehicles	29,345,792	3,060,171	2,424,391	29,981,572
Equipment Under Capital Leases	20,726,256	5,163,158	-	25,889,414
Computer Software	2,583,108	7,827,308	1,299,254	9,111,162
	<u>985,049,509</u>	<u>21,446,492</u>	<u>9,351,538</u>	<u>997,144,463</u>
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(25,435,012)	(2,033,506)	4,901	(27,463,617)
Buildings and Fixed Equipment	(198,342,040)	(17,674,696)	844,955	(215,171,781)
Furniture, Fixtures, and Equipment and Audio Visual Materials	(48,201,993)	(5,714,064)	4,649,072	(49,266,985)
Motor Vehicles	(19,251,896)	(2,115,416)	2,424,391	(18,942,921)
Equipment Under Capital Leases	(7,448,507)	(2,630,737)	-	(10,079,244)
Computer Software	(2,067,922)	(397,161)	1,299,254	(1,165,829)
	<u>(300,747,370)</u>	<u>(30,565,580)</u>	<u>9,222,573</u>	<u>(322,090,377)</u>
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	<u>684,302,139</u>	<u>(9,119,088)</u>	<u>128,965</u>	<u>675,054,086</u>
Governmental Activities Capital Assets, Net				
	<u>\$ 825,119,730</u>	<u>\$ 58,025,064</u>	<u>\$ 6,158,430</u>	<u>\$ 876,986,364</u>

The class of property under capital leases is presented in Note 7.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

5. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 26,332,265
Pupil Personnel Services	5,441
Instructional Media Services	11,098
Instruction and Curriculum Development Services	37,728
Instructional Staff Training	15,480
Instructional-Related Technology	38,215
Board of Education	3,085
General Administration	286,936
School Administration	12,433
Facility Services - Non-Capitalized	721,789
Fiscal Services	7,258
Food Services	52,750
Central Services	536,002
Pupil Transportation Services	2,119,127
Operation of Plant	59,524
Maintenance of Plant	288,275
Administrative Technology Services	25,286
Community Services	12,888
	<hr/>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 30,565,580</u></u>

6. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Accounts payable and other current liabilities at June 30, 2012, are shown below:

Construction Contracts Payable	\$ 7,161,711
Accounts Payable	6,064,927
Salary and Wages Payable	1,236,880
Payroll Deductions and Withholdings Payable	654,317
Deposits Payable	18,350
	<hr/>
	<u>\$ 15,136,185</u>
	<hr/>

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

7. OBLIGATIONS UNDER CAPITAL LEASES

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

<u>Asset Description</u>	<u>Asset Balance</u>
Equipment:	
Copier Equipment	\$ 1,035,673
Computer Equipment	24,853,741
	\$ 25,889,414

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2013	\$ 5,574,333
2014	5,232,747
2015	3,424,261
2016	2,253,057
2017	1,215,629
Total minimum lease payments	17,700,027
Less interest	(1,020,303)
Present value of minimum payments	\$ 16,679,724

The imputed interest rates range from 2.616 to 3.0 percent.

8. CERTIFICATES OF PARTICIPATION PAYABLE

The District entered into a financing arrangement on September 15, 2004. This arrangement was characterized as a lease-purchase agreement, with the Corporation whereby the District secured financing of various educational facilities in the amount of \$50,000,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2004, to be repaid from the proceeds of rents paid by the District.

The District also entered into a financing arrangement on March 25, 2009. This arrangement was characterized as a lease-purchase agreement, with the Corporation whereby the District secured financing of various educational facilities in the amount of \$75,625,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2009, to be repaid from the proceeds of rents paid by the District.

The District also entered into a financing arrangement on September 1, 2010. This arrangement was characterized as a lease-purchase agreement in the form of Qualified School Construction Bonds, with the Corporation whereby the District secured financing of various education facilities in the amount of \$43,026,000.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

8. CERTIFICATES OF PARTICIPATION PAYABLE (continued)

The Qualified School Construction Bond financing was accomplished through the issuance of Certificates of Participation, Series 2010A, to be repaid from the proceeds of rents paid by the District.

Qualified School Construction Bonds provide for a refundable credit from the United States Department of Treasury in accordance with Section 6431(f) of the Internal Revenue Code of 1986, as amended, equal to the lesser of the amount of interest payable with respect to the Certificates on such date or the amount of interest which would have been payable with respect to the Certificates on such date if such interest were determined at the tax credit rate otherwise applicable to such Certificates in accordance with the Code. The tax credit rate set by the Department on August 30, 2010 was 4.85%. This interest rate credit will be paid to the District with respect to the Certificates (the "Subsidy Payment").

Lease principal payments in the amount of \$2,373,095 are required to be deposited by the District into a sinking fund on an annual basis, and interest at the rate of 4.94% is paid semiannually. Sinking fund proceeds are invested and accumulate over the life of the issue, ending in a lump sum repayment to the leaseholders at maturity. The annual principal lease payment is adjusted as required based upon final investment earnings.

The District also entered into a financing arrangement on September 16, 2010. This arrangement was characterized as a lease-purchase agreement, with the Corporation whereby the District secured financing of various education facilities in the amount of \$70,070,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2010B, to be repaid from the proceeds of rents paid by the District.

As a condition of the above financing arrangements, the District has given a ground lease on District property to the Corporation with a rental fee of \$10 per year. The 2004, 2009, 2010A and 2010B leases have an original term extending to the date that the Certificates of Participation are paid, or prior to July 1, 2015 for the 2004 certificates, prior to July 1, 2024 for the 2009 certificates, prior to July 1, 2025 for the 2010B certificates, and prior to July 1, 2027 for the 2010A certificates. If the District fails to provide for the rent payment through to term, the District may be required to surrender the sites and financed improvements to the Corporation.

The District properties included in the ground lease under this arrangement include:

Series 2004 Certificates of Participation

Phillippi Shores Elementary School
Venice Elementary School
Wilkinson Elementary School

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

8. CERTIFICATES OF PARTICIPATION PAYABLE (continued)

Series 2009 Certificates of Participation

Atwater Elementary School
Sarasota County Technical Institute

Series 2010A Certificate of Participation (Qualified School Construction Bonds)

Booker High School

Series 2010B Certificates of Participation

Booker High School
Venice High School

The lease payments are payable by the District semiannually, on July 1 and January 1, with interest rates ranging from 3.00 to 5.375 percent. The following is a schedule by years of future minimum lease payments as of June 30:

Fiscal Year Ending June 30:	Series 2004 Lease	Series 2009 Lease	Series 2010A Lease	Series 2010B Lease	Total
2013	\$ 6,081,750	\$ 7,275,619	\$ 2,125,484	\$ 6,548,845	\$ 22,031,698
2014	6,082,550	7,272,869	2,125,484	6,552,445	22,033,348
2015	6,084,750	7,271,869	2,125,484	6,552,445	22,034,548
2016	-	7,272,819	2,125,484	6,548,845	15,947,148
2017	-	7,272,219	2,125,484	6,551,645	15,949,348
2018-2022	-	36,369,455	10,627,422	32,756,425	79,753,302
2023-2027	-	14,550,244	53,653,424	19,647,620	87,851,288
Total Minimum Lease Payments	18,249,050	87,285,094	74,908,266	85,158,270	265,600,680
Add: Unamortized Premium on Debt	342,420	87,893	-	4,812,798	5,243,111
Less: Interest	(1,529,050)	(23,060,094)	(31,882,266)	(21,858,270)	(78,329,680)
Total Certificates of Participation	<u>\$ 17,062,420</u>	<u>\$ 64,312,893</u>	<u>\$ 43,026,000</u>	<u>\$ 68,112,798</u>	<u>\$ 192,514,111</u>

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

9. BONDS PAYABLE

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

State School Bonds:			
Series 2003-A	\$ 45,000	3.125	2013
Series 2004-A	850,000	4.0-4.625	2024
Series 2005-B	5,415,000	5.00	2020
Series 2006-A	1,200,000	4.000-4.625	2026
Series 2008-A	1,045,000	3.50-5.00	2028
Series 2009-A	1,370,000	4.00-5.00	2019
Series 2010	1,660,000	3.50-5.00	2030
Series 2011-A	550,000	3.00-5.00	2023
District Revenue Bonds:			
Race Track Revenue, Series 2003	295,000	3.60	2013
Qualified Academy Zone Bonds	<u>1,299,696</u>		2021
Subtotal	13,729,696		
Add: Unamortized Premium on Debt	804,120		
Less: Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(292,248)</u>		
Total Bonds Payable	<u>\$ 14,241,568</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 were 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. Additionally, the State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

9. BONDS PAYABLE (continued)

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

<u>Fiscal Year Ending June 30:</u> <u>State School Bonds</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,763,739	\$ 1,165,000	\$ 598,739
2014	1,735,933	1,215,000	520,933
2015	1,726,707	1,265,000	461,707
2016	1,744,547	1,345,000	399,547
2017	1,728,466	1,395,000	333,466
2018-2022	4,351,610	3,485,000	866,610
2023-2027	2,073,919	1,760,000	313,919
2028-2030	541,775	505,000	36,775
Total	<u>\$ 15,666,696</u>	<u>\$ 12,135,000</u>	<u>\$ 3,531,696</u>

➤ **District Revenue Bonds**

Race Track Revenue Refunding Bonds - These bonds were issued by the District and are authorized by Chapter 83-250, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Sarasota County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d) 7.a., Florida Statutes). The annual distribution is remitted by the Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

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

<u>Fiscal Year Ending June 30:</u> <u>Race Track Revenue Bonds</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 305,620	\$ 295,000	\$ 10,620
Total	<u>\$ 305,620</u>	<u>\$ 295,000</u>	<u>\$ 10,620</u>

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

9. BONDS PAYABLE (continued)

➤ **Qualified Zone Academy Bonds**

The District entered into a purchase contract dated November 1, 2005, under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). The District received financing of \$1,299,696 from a local bank on November 16, 2005. Interest on the debt is paid by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of the sale.

Repayment of the original \$1,299,696 financing proceeds is due in full on November 16, 2021. In connection with the financing, the District entered into a forward delivery agreement dated November 16, 2005, requiring a single deposit of \$726,519 into a sinking fund. The forward delivery agreement provides for a guaranteed investment return of 3.67 percent per annum whereby the required deposit, along with accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. There is \$936,611 in this sinking fund at June 30, 2012.

10. DEFEASED DEBT

In prior years, the Board defeased in substance certain outstanding bonds by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements. On June 30, 2012, debt considered defeased in substance are as follows:

<u>Debt Issue</u>	<u>Amount Outstanding</u>
State School Bonds, Series 1998A	\$ 6,510,000
State School Bonds, Series 1999A	1,860,000
State School Bonds, Series 2003A	610,000
Total Defeased Debt	<u>\$ 8,980,000</u>

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 15,768,139	\$ 634,160	\$ 2,160,731	\$ 14,241,568	\$ 1,460,000
Obligations Under Capital Leases	15,459,885	5,163,158	3,943,319	16,679,724	5,117,188
Certificates of Participation Payable	205,941,455	-	13,427,344	192,514,111	13,320,000
Liability for Compensated Absences	34,465,985	10,030,068	10,099,634	34,396,419	9,740,463
Estimated Insurance Claims Payable	7,589,641	7,243,792	6,274,040	8,559,393	2,767,009
Early Retirement Incentive Payable	1,521,606	-	354,689	1,166,917	542,945
Postemployment Healthcare Benefits Payable	7,163,775	1,437,471	-	8,601,246	-
Total Governmental Activities	\$ 287,910,486	\$ 24,508,649	\$ 36,259,757	\$ 276,159,378	\$ 32,947,605

Long-term liabilities are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with resources of the internal service funds as discussed in Note 20.

12. FUND BALANCE REPORTING

Fund Balance is reported in accordance with GASB 54 and provides for two major types of fund balances, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories totaling \$1,281,936 and prepaid items totaling \$3,800,022 that are considered nonspendable. The District does not have any nonspendable funds related to endowments.

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

- **Restricted:** The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked education funding that are legally or otherwise restricted. The District's restricted fund balance total is \$183,352,674 and represents \$6,422,386 for categorical programs, \$263,626 for grants, \$2,657,364 for food service, \$7,069,418 for debt service and \$166,939,880 for capital projects.
- **Committed:** The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the district school board). These

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

12. FUND BALANCE REPORTING (continued)

amounts cannot be used for any other purpose unless the district school board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District does not report any committed fund balance.

- Assigned: The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for a specific purpose based on actions of the Superintendent and the Chief Financial Officer and not included in other categories. The District's assigned fund balance total is \$26,764,216 and represents \$2,772,485 in District projects, \$3,177,447 in school operating budget carryforwards, \$6,732,425 in capital projects and \$14,081,859 in budgeted expenditures over estimated revenues in the 2011 – 2012 fiscal year.
- Unassigned: The portion of fund balance that is the residual classification for the general fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. The unassigned fund balance in the General Fund is \$32,595,379.

The District has a policy that the unassigned fund balance in the General Fund will be, at a minimum 7.5 percent of the total appropriations and transfers out. The District currently exceeds this policy with an unassigned fund balance at 9.13%.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

12. FUND BALANCES REPORTING (continued)

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

	Major Funds						
	General	Special Revenue - ARRA Economic Development	Debt Service - Other Debt Service	Debt Service - ARRA Economic Stimulus	Capital Projects - Local Capital Improvement Tax	Capital Projects - Other Capital Projects	Capital Projects - ARRA Economic Stimulus
Fund Balances							
Nonspendable:							
Inventories	\$ 886,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepays	3,800,022						
Spendable:							
Restricted:							
Categorical Programs	6,422,386						
Grants	263,626						
Special Revenue - Food Service							
Debt Service			936,611	5,131,556			
Capital Projects					59,142,983	97,761,719	10,035,178
Assigned:							
School Operations:							
District Projects	2,772,485						
School Carryforwards	3,177,447						
Budgeted Deficit 2012-2013	14,081,859						
Capital Projects						6,732,425	
Unassigned	32,595,379						
Total Fund Balances	<u>\$ 63,999,318</u>	<u>\$ -</u>	<u>\$ 936,611</u>	<u>\$ 5,131,556</u>	<u>\$ 59,142,983</u>	<u>\$ 104,494,144</u>	<u>\$ 10,035,178</u>
	Nonmajor Governmental Funds	Total Governmental Funds					
Fund Balances							
Nonspendable:							
Inventories	\$ 395,822	\$ 1,281,936					
Prepays		3,800,022					
Spendable:							
Restricted:							
Categorical Programs		6,422,386					
Grants		263,626					
Special Revenue - Food Service	2,657,364	2,657,364					
Debt Service	1,001,251	7,069,418					
Capital Projects		166,939,880					
Assigned:							
School Operations:							
District Projects		2,772,485					
School Carryforwards		3,177,447					
Budgeted Deficit 2011-2012		14,081,859					
Capital Projects		6,732,425					
Unassigned		32,595,379					
Total Fund Balances	<u>\$ 4,054,437</u>	<u>\$ 247,794,227</u>					

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances: Appropriations in governmental funds are encumbered upon issuance of purchase order for goods and services. Even through appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2012:

Major Funds						
General	Special Revenue - ARRA Economic Stimulus	Capital Projects - Local Capital Improvement Fund	Capital Funds - Other Capital Projects	Capital Funds - ARRA Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,300,857	\$ 23,109	\$ 25,809,410	\$ 68,480,004	\$ 9,922,655	\$ 593,265	\$ 106,129,300

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

Project Name	Contract Amount	Completed To Date	Balance Committed
Bay Haven	\$ 230,000	\$ -	\$ 230,000
Booker High	36,287,574	23,821,761	12,465,813
Booker Middle	1,957,720	576,161	1,381,559
Englewood	100,000	-	100,000
Fruitville	514,250	12,000	502,250
Glenallen	266,679	63,493	203,186
Gocio	181,900	-	181,900
Laurel Nokomis	7,299,929	3,420,808	3,879,121
Oak Park	217,500	-	217,500
Pineview	110,825	-	110,825
Sarasota County Technical	47,054,426	27,329,591	19,724,835
Sarasota High	2,253,837	46,369	2,207,468
Sarasota Middle	6,421,976	2,446,207	3,975,769
Venice High	66,378,442	30,628,052	35,750,390
Venice Middle	164,104	39,106	124,998
Total	\$ 169,439,162	\$ 88,383,548	\$ 81,055,614

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

14. 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 Funds:		
General	\$ 3,271,776	\$ -
Special Revenue:		
ARRA Economic Stimulus		112,337
Other Federal Projects	1,777	119,632
Miscellaneous Special Revenue	111,398	16,769
Debt Service:		
Other Debt Service	15,522	
Capital Projects:		
Local Capital Improvement Tax		3,009,145
Other Capital Projects	73,677	
Nonmajor Governmental Funds	12,453	214,091
Internal Service Funds		14,629
	<u>\$ 3,486,603</u>	<u>\$ 3,486,603</u>
Total	<u>\$ 3,486,603</u>	<u>\$ 3,486,603</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 monies were received in the fund providing the advancement. All amounts will be repaid within the 2012-13 fiscal year.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS
(continued)

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 20,460,435	\$ 550,279
Debt Service:		
Other Debt Service	24,279,267	
ARRA Economic Stimulus	2,489,026	
Capital Projects:		
Local Capital Improvement Tax		45,370,207
Other Capital Projects	130,858	1,989,379
Internal Service Funds	550,279	
 Total	\$ 47,909,865	\$ 47,909,865

Interfund transfers of money represent permanent transfers of monies between funds. The transfer from the General Fund to the Internal Service Funds was to reimburse the general liability and auto liability self-insurance funds. Transfers from the Local Capital Improvement Tax Fund were for the purpose of funding maintenance and equipment expenditures and payment of premiums for property and casualty insurance in the General Fund and for paying debt service expenditures in the Other Debt Service Fund. Transfers from Other Capital Projects were to pay debt service and capital outlay to charter schools.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

15. SCHEDULE OF STATE REVENUE SOURCES

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

Source:	Amount
Categorical Educational Programs:	
Class size reduction - operating	\$ 46,023,875
School recognition	1,764,702
Excellent teaching program	
Discretionary lottery	135,772
Other	
Workforce development	9,528,420
Florida education finance program	17,015,914
Gross receipts tax (Public education capital outlay)	
Motor vehicle license tax (CO&DS)	1,957,003
Charter school capital outlay	1,858,522
Adults with disabilities	515,161
Mobile home license tax	233,495
Food service supplement	169,990
Performance Based Incentives	108,712
Miscellaneous	724,553
Total	\$ 80,036,119

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

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

16. PROPERTY TAXES

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

Funds	Millage Rates	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.387	\$ 184,406,224
Basic Discretionary Local Effort	0.748	31,441,955
Voted Tax:		
Operating	1.000	42,034,699
Capital Projects Funds		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>63,052,048</u>
Total	<u>7.635</u>	<u>\$ 320,934,926</u>

17. STATE RETIREMENT PROGRAMS

Florida Retirement System. The Florida Retirement System (FRS) covers all regular employees of the District. The FRS offers employees a defined benefit retirement plan and a defined contribution program. The District is required to make contributions in accordance with rates established by the Florida Legislature. Essentially all regular employees of participating employers are eligible and must enroll as members of the Florida Retirement System. During the 2011 legislative session, the laws governing the FRS were amended and effective July 1, 2011, requires all employees except Deferred Retirement Option Program (DROP) participants to start contributing 3% of their salary into the retirement system, excludes service credit earned after July 1, 2011 from the calculation of a member's cost-of-living increase at the time of retirement, reduces the interest rate earned on DROP participant accounts to 1.3% for new participants, and changes the normal retirement age and or years of service requirements, vesting requirements and calculation of average final compensation for members of the FRS initially enrolled on or after July 1, 2011.

Defined Benefit Plan. Most employees working for the District are covered by a State-administered, cost-sharing, multiple-employer defined benefit retirement plan (Plan) under the FRS. Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Employees in the Plan vest at six years of service if enrolled before July 1, 2011. All employees enrolled in the plan on or after July 1, 2011 vest at eight years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service, except for members classified as special risk who are eligible for normal retirement

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

17. STATE RETIREMENT PROGRAMS (continued)

benefits at age 55 or at any age after 25 years of service. Members who enrolled in the plan on or after July 1, 2011 and become vested are eligible for normal retirement benefits at age 65 or at any age after 33 years of service, which may include up to 4 years of credit for military service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. The Plan also includes an early retirement provision but 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.

The DROP Program, subject to provisions of Section 121.091, Florida Statutes permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Defined Contribution Plan. Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). Employees in PEORP vest after one year of service. District employees participating in DROP are not eligible to participate in PEORP. This program is administered by FRS as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to the individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 662 District participants in PEORP during the 2011-12 fiscal year. Required employer contributions made to the program totaled \$1,226,748.42 and employee contributions totaled \$746,454.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

17. STATE RETIREMENT PROGRAMS (continued)

Funding Policy. The contribution rates for Plan members are established and may be amended by the State of Florida. During the 2011-12 fiscal year, contribution rates were amended to require all employees except Deferred Retirement Option Program (DROP) participants to start contributing 3% of their salary into the retirement system and are as follows:

Membership Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement System, DROP	0.00	4.42
Florida Retirement System, Special Risk System	3.00	14.1
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2010, June 30, 2011 and June 30, 2012 totaled \$22,221,315 and \$23,822,006, \$9,946,576 respectively, which were equal to the required contributions for each fiscal year. The employees contribution for the fiscal year ending June 30, 2012 were \$5,265,482.

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

18. SPECIAL TERMINATION BENEFITS

On May 18, 1993, the Board approved the establishment of a one-time early retirement incentive program for members of the instructional and classified collective bargaining units and its administrative personnel who signed an agreement to participate in the program and agreed to retire from employment under the provisions of the FRS as explained in Note 15. The early out program was offered only until August 15, 1993. Participating employees were required to select an option under the existing provisions of the FRS which pays over the life of the employee the maximum retirement benefit payable, forfeiting an option which would pay decreased retirement benefits for the lifetime of both the employee and a joint annuitant (Survivor). To compensate

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

18. SPECIAL TERMINATION BENEFITS (continued)

for the loss of these extended survivor benefits, the District, as part of the Early Out Program, purchased on behalf of participating employees a flexible premium universal life insurance policy to be paid for over the life of the retiree, providing death benefits upon the qualified employee's death equaling the amount the survivor would have received, including a 3 percent annual cost of living adjustment (COLA), had the qualified employee selected the FRS option which paid survivor benefits. Premiums are to be paid for over the life of the participating employee. The District reported a liability of \$1,166,917 in the Statement of Net Assets representing the present value of the estimated future payments for life insurance premiums for the remaining 120 employees who elected to retire during the 1992-93 and 1993-94 fiscal years and participate in the program.

19. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description – The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and their eligible dependents may continue to participate in one of four fully insured comprehensive plans for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not provide any explicit subsidies for retiree coverage. Retirees are not required to enroll in the Federal Medicare programs parts A and B for their primary coverage as soon as they are eligible. A retiree may also participate in the District's life insurance program that provides \$5,000 coverage reducing to \$2,500 at age 70.

Funding Policy – Contribution requirements of the District for the Postemployment Healthcare Benefits Plan are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. As of the valuation date there were 411 retirees and 53 eligible dependents receiving post employment health care benefits and 1,639 receiving life insurance coverage. For the 2011-12 fiscal year the District provided required contributions of \$1,179,591 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses, retention costs, and net of retiree contributions totaling \$32,526,019. Required contributions are based on projected pay-as-you-go financing.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

19. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation – The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	\$ 1,468,226
Amortization of Unfunded Actuarial Accrued Liability	1,018,662
Interest on Normal Cost and Amortization	99,476
Annual Required Contribution	2,586,364
Interest on Net OPEB Obligation	286,551
Adjustment to Annual Required Contribution	(255,853)
Annual OPEB Cost (expense)	2,617,062
Contribution Toward the OPEB Cost	(1,179,591)
Increase in Net OPEB Obligation	1,437,471
Net OPEB Obligation, Beginning of Year	7,163,775
Net OPEB Obligation, End of Year	\$ 8,601,246

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

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007-08	\$ 1,923,831	\$ 876,002	45.5%	\$ 2,534,693
2008-09	2,571,502	812,370	31.6%	4,293,825
2009-10	2,741,317	1,208,846	44.1%	5,826,296
2010-11	2,460,643	1,123,164	45.6%	7,163,775
2011-12	2,617,062	1,179,591	45.1%	8,601,246

Funded Status and Funding Progress – As of June 30, 2012, the actuarial accrued liability for benefits was \$25,969,958 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$25,969,958 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$234,975,704 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.1 percent.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (continued)

The required supplementary schedule of funding progress immediately following the notes to the financial statements present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation for the 2011-12 fiscal year used the entry age normal cost actuarial method to estimate both the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also include a payroll growth rate of 3.50 percent per year, general inflation is 2.5%, and an annual healthcare cost trend rate of 9.5 percent initially (7.5% for Medicare eligible) for the 2011-12 fiscal year, reduced to an ultimate rate of 5.50 percent for fiscal year ending June 30, 2018. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years.

The District has established a cafeteria plan under Section 125 of the Internal Revenue Code whereby the District will purchase various insurance products for the employee. In addition, an employee may purchase additional insurance, which qualifies for salary reduction under Internal Revenue Service guidelines. The cafeteria plan is accounted for as an Internal Service Fund.

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, and certain dental benefits contained within the District's cafeteria plan, are being provided on a self-insured basis up to specified limits.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

20. RISK MANAGEMENT PROGRAMS

The District has contracted with an insurance administrator to administer the workers' compensation and dental benefits self-insurance programs, including the processing, investigation, and payment of claims. The District has entered into an insurance agreement for their workers' compensation plan to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis and aggregate excess coverage up to \$25 million. For auto and general liability coverage the District depends on the Florida Sovereign Immunity Act, Section 768.28, Florida Statutes, to limit its potential tort liability to \$200,000 per person or \$300,000 per occurrence.

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

The District's health and hospitalization insurance program is administered by an insurance carrier under an agreement wherein the total premium is divided into equal monthly payments.

A liability in the amount of \$8,444,699 for the workers' compensation, the general liability, the auto liability, and the dental liability funds was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2012, and is net of excess insurance recoverable on unpaid claims. A liability in the amount of \$114,694 relates to the District's cafeteria plan fund. Non-incremental claims expense has been included as part of the liabilities.

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
2010-2011	7,502,696	4,356,026	(4,269,081)	7,589,641
2011-2012	7,589,641	7,243,792	(6,274,040)	8,559,393

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 would be immaterial to the financial statements.

SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
Notes to the Basic Financial Statements (continued)
June 30, 2012

22. CONTINGENCY

The District receives grant funds from the Federal government. Certain expenditures of these funds are subject to audit by the grantor, and the reporting entity is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the District, no material refunds will be required as a result of expenditures disallowed by the grantors.

23. SUBSEQUENT EVENT

The District has evaluated subsequent events from July 1, 2012 through September 4, 2012, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. No subsequent events occurred which would have a material impact on the District's financial statements.