

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD**

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**Financial, Operational, and Federal Single  
Audit**

For the Fiscal Year Ended  
June 30, 2009



## BOARD MEMBERS AND SUPERINTENDENTS

Santa Rosa County District School Board members and the Superintendents who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Diane L. Scott, Ph.D.	1
E. Hugh Winkles	2
M. Diane Coleman, Vice Chair from 11-18-08	3
JoAnn J. Simpson, Chair to 11-17-08	4
Ed Gray, III, Vice Chair to 11-17-08, Chair from 11-18-08	5
Timothy S. Wyrosdick, Superintendent from 11-18-08	
John W. Rogers, Superintendent to 11-17-08	

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

The audit team leader was Christy L. Johnson, CPA, and the audit was supervised by James W. Kiedinger, CPA. For the information technology portion of this audit, the audit team leader was Heidi G. Burns, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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SANTA ROSA COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

#### MATERIAL WEAKNESS

Finding No. 1: Improvements are needed in reporting procedures to ensure the accuracy and completeness of the financial statements.

#### SIGNIFICANT DEFICIENCY

Finding No. 2: Controls needed to be enhanced over payroll processing.

#### ADDITIONAL MATTERS

Finding No. 3: The District's information technology risk management and assessment practices could be improved.

Finding No. 4: The District's disaster recovery plan needed improvement.

Finding No. 5: Certain security controls related to access and user authentication needed improvement.

Finding No. 6: The District needs to improve its accounting for restricted capital project resources to ensure that payments made from these resources are for purposes allowed by law.

Finding No. 7: District controls over processing of high school diplomas could be enhanced.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Hazard Mitigation programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance and internal control findings as summarized below.

Federal Awards Finding No. 1: Several control deficiencies related to the commodity food program were noted by the Florida Department of Agriculture and Consumer Services.

Federal Awards Finding No. 2: The District did not include certain required provisions in contracts with vendors paid from the Special Education program.

### Audit Objectives and Scope

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

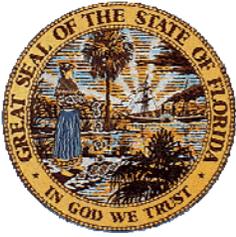
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;

- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-161.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 21 percent of the assets and 83 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Santa Rosa Education Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Santa Rosa County District School Board as of June 30, 2009, and the respective changes in

financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Santa Rosa County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 50 through 52) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
February 23, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Santa Rosa County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 10 through 48.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- In total, net assets increased \$1,787,305.37, which represents a 0.80 percent increase from the 2007-08 fiscal year. Although net assets increased, the increase was in investment in capital assets; unrestricted net assets declined \$4,798,232.87 to \$(1,621,548.59). Primary contributors to this decline from the 2007-08 fiscal year are decreases in State funding and student enrollment.
- General revenues and special items total \$194,325,458.24, or 89.23 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$23,465,972.68, or 10.77 percent.
- Expenses total \$216,004,125.55. Only \$23,465,972.68 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues and special items exceeded total expenses by \$1,787,305.37.
- General Fund expenditures exceeded revenues by \$7,032,584.39. This may be compared to the 2007-08 fiscal year's results in which General Fund expenditures exceeded revenues by \$3,129,581.49.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$13,778,680.45 at June 30, 2009, or 7.84 percent of total General Fund expenditures.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

#### **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 and business-type activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District'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. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in three 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.
- Business-type activities – This represents the accounts and activities of the Gateway Student System Consortium for which the District was fiscal agent. During the 2008-09 fiscal year, the District transferred its fiscal agent responsibilities for the Consortium to the Washington County District School Board.
- Component units – The District presents three separate legal entities in this report that meet the criteria for inclusion provided by generally accepted accounting principles. The Santa Rosa School Board Leasing Corporation (Leasing Corporation) is reported as a blended component unit. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government. The Learning Academy, Inc., and the Santa Rosa Education Foundation, Inc., are reported as discretely presented component units. Financial information for these component units is reported separately from the financial information presented for the primary government.

### **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. Certain funds are established by law 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 entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

**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 use a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

**Proprietary Funds:** Proprietary funds may be established to account for activities in which a fee is charged for services. During the 2008-09 fiscal year, the District transferred its fiscal agent responsibilities for the Gateway Student System Consortium, reported as a proprietary fund, to the Washington County District School Board.

**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 the financial resources of the District’s pretax flexible benefits plan and the school internal funds, which are used to account for moneys collected at the schools in connection with school, student athletic, class, and club activities.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-09	6-30-08	6-30-09	6-30-08	6-30-09	6-30-08
Current and Other Assets	\$ 59,297,154.49	\$ 71,300,008.93	\$	\$ 351,088.95	\$ 59,297,154.49	\$ 71,651,097.88
Capital Assets	233,560,199.45	221,252,011.02			233,560,199.45	221,252,011.02
<b>Total Assets</b>	<b>292,857,353.94</b>	<b>292,552,019.95</b>		<b>351,088.95</b>	<b>292,857,353.94</b>	<b>292,903,108.90</b>
Long-Term Liabilities	61,232,388.24	61,855,023.09		191,236.71	61,232,388.24	62,046,259.80
Other Liabilities	5,955,599.69	6,972,862.75		1,925.71	5,955,599.69	6,974,788.46
<b>Total Liabilities</b>	<b>67,187,987.93</b>	<b>68,827,885.84</b>		<b>193,162.42</b>	<b>67,187,987.93</b>	<b>69,021,048.26</b>
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	194,320,571.98	181,619,886.28			194,320,571.98	181,619,886.28
Restricted	32,970,342.62	38,927,563.55		157,926.53	32,970,342.62	39,085,490.08
Unrestricted (Deficit)	(1,621,548.59)	3,176,684.28			(1,621,548.59)	3,176,684.28
<b>Total Net Assets</b>	<b>\$ 225,669,366.01</b>	<b>\$ 223,724,134.11</b>	<b>\$ 0.00</b>	<b>\$ 157,926.53</b>	<b>\$ 225,669,366.01</b>	<b>\$ 223,882,060.64</b>

The largest portion of the District’s net assets (86.11 percent) reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, 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 represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

	Operating Results for the Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-09	6-30-08	6-30-09	6-30-08	6-30-09	6-30-08
<b>Program Revenues:</b>						
Charges for Services	\$ 7,434,787.31	\$ 7,840,276.75	\$	\$ 567,665.65	\$ 7,434,787.31	\$ 8,407,942.40
Operating Grants and Contributions	10,926,599.21	10,676,220.31			10,926,599.21	10,676,220.31
Capital Grants and Contributions	5,104,586.16	13,646,669.53			5,104,586.16	13,646,669.53
<b>General Revenues:</b>						
Property Taxes, Levied for Operational Purposes	54,723,557.96	51,284,085.58			54,723,557.96	51,284,085.58
Property Taxes, Levied for Capital Projects	12,736,969.46	12,491,425.75			12,736,969.46	12,491,425.75
Local Sales Taxes	5,991,307.81	6,130,141.58			5,991,307.81	6,130,141.58
Grants and Contributions Not Restricted to Specific Programs	117,386,600.04	128,479,619.98			117,386,600.04	128,479,619.98
Unrestricted Investment Earnings	382,638.81	2,777,176.36	1,386.48	17,447.98	384,025.29	2,794,624.34
Miscellaneous	3,207,390.72	2,267,482.24			3,207,390.72	2,267,482.24
<b>Total Revenues</b>	<b>217,894,437.48</b>	<b>235,593,098.08</b>	<b>1,386.48</b>	<b>585,113.63</b>	<b>217,895,823.96</b>	<b>236,178,211.71</b>
<b>Expenses:</b>						
Instruction	118,909,174.04	120,054,795.93			118,909,174.04	120,054,795.93
Pupil Personnel Services	9,090,483.24	9,162,173.86			9,090,483.24	9,162,173.86
Instructional Media Services	2,809,056.97	3,055,518.17			2,809,056.97	3,055,518.17
Instruction and Curriculum Development Services	5,146,700.84	5,380,796.87			5,146,700.84	5,380,796.87
Instructional Staff Training Services	1,395,195.40	1,471,843.87			1,395,195.40	1,471,843.87
Instruction Related Technology	2,433,230.75	2,183,262.11			2,433,230.75	2,183,262.11
Board of Education	461,919.17	440,731.17			461,919.17	440,731.17
General Administration	875,771.42	806,802.47			875,771.42	806,802.47
School Administration	12,909,980.79	13,377,374.25			12,909,980.79	13,377,374.25
Facilities Acquisition and Construction	2,414,804.02	2,585,929.62			2,414,804.02	2,585,929.62
Fiscal Services	1,125,169.87	1,173,877.85			1,125,169.87	1,173,877.85
Food Services	10,919,386.41	9,737,196.53			10,919,386.41	9,737,196.53
Central Services	2,029,774.74	2,237,006.92			2,029,774.74	2,237,006.92
Pupil Transportation Services	12,361,344.20	14,215,202.33			12,361,344.20	14,215,202.33
Operation of Plant	13,398,953.96	13,423,829.87			13,398,953.96	13,423,829.87
Maintenance of Plant	8,760,180.25	8,777,088.61			8,760,180.25	8,777,088.61
Administrative Technology Services	1,671,714.87	1,449,188.05			1,671,714.87	1,449,188.05
Community Services	1,471,296.83	1,729,223.00			1,471,296.83	1,729,223.00
Interest on Long-Term Debt	1,992,708.30	2,083,693.81			1,992,708.30	2,083,693.81
Unallocated Depreciation Expense	5,088,096.28	4,663,503.84			5,088,096.28	4,663,503.84
Loss on Disposal of Capital Assets	729,959.40	394,778.34			729,959.40	394,778.34
Gateway Student System Consortium			9,223.80	523,431.31	9,223.80	523,431.31
<b>Total Expenses</b>	<b>215,994,901.75</b>	<b>218,403,817.47</b>	<b>9,223.80</b>	<b>523,431.31</b>	<b>216,004,125.55</b>	<b>218,927,248.78</b>
<b>Excess (Deficiency) Before Transfers and Special Items</b>	<b>1,899,535.73</b>	<b>17,189,280.61</b>	<b>(7,837.32)</b>	<b>61,682.32</b>	<b>1,891,698.41</b>	<b>17,250,962.93</b>
Transfers In (Out)	45,696.17		(45,696.17)			
Special Item - Consortium Net Assets Sent to Washington County District School Board			(104,393.04)		(104,393.04)	
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 1,945,231.90</b>	<b>\$ 17,189,280.61</b>	<b>\$ (157,926.53)</b>	<b>\$ 61,682.32</b>	<b>\$ 1,787,305.37</b>	<b>\$ 17,250,962.93</b>

Significant changes in revenues and expenses that contribute to the change in net assets were as follows:

- Program Revenues: Capital grants and contributions decreased by \$8,542,083.37, or 62.59 percent, mainly due to a decrease in the revenue recognized for Classrooms for Kids funding received from the State.
- General Revenues: Property tax revenues increased by \$3,685,016.09, or 5.78 percent, due to an increase in the taxable value of county properties and millage levied by the District. Grants and contributions not

restricted to specific programs decreased by \$11,093,019.94, or 8.63 percent, mainly due to a decrease in Florida Education Finance Program revenues from the State due in part to declining enrollment.

- Instruction expenses remain at approximately half of the total governmental activities expenses. This function, as well as total expenses, decreased by approximately 1 percent due to continued cost containment measures (e.g., reducing supplies expense) implemented by the District.
- The decrease in net assets of \$157,926.53 for the business-type activities resulted from the District transferring fiscal agent responsibilities for the Gateway Student System Consortium to Washington County District School Board.

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

**Major Governmental Funds**

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$13,778,680.45, while the total fund balance is \$18,635,694.75. The unreserved fund balance decreased by \$3,721,226.49, while the total fund balance decreased by \$3,612,386.25 during the fiscal year. Key factors in this decrease are as follows:

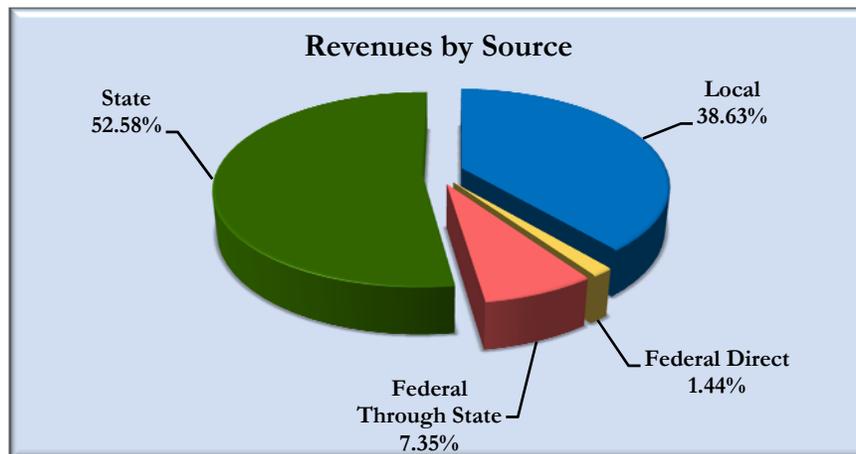
- Total expenditures decreased by \$4,524,943.86, or 2.51 percent, due mainly to Districtwide efforts to reduce expenditures and preserve fund balance.
- Total revenues decreased by \$8,427,946.76, or 4.76 percent, due mainly to Statewide budget reductions in conjunction with decreased student enrollment.

The Special Revenue – Other Fund accounts for certain grants that do not recognize revenues until expenditures are incurred. Therefore, this fund does not accumulate a fund balance. However, expenditures did not change significantly from the 2007-08 fiscal year.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$7,982,408.32, of which \$1,988,637.96 is reserved for encumbrances and \$5,993,770.36 is unreserved. The fund balance decreased by 4.79 percent due to an increase totaling \$1.2 million in facilities acquisition and construction expenses and an increase in transfers out related to property casualty premiums totaling approximately \$1 million.

The Capital Projects – Other Fund has a total fund balance of \$16,674,382.30, of which \$9,846,180.10 is reserved for encumbrances and \$6,828,202.20 is unreserved. The fund balance decreased by 29.49 percent during the current fiscal year due mainly to a decrease in State revenue from Classrooms for Kids funding.

In the governmental funds, revenues by source for the 2008-09 fiscal year were as follows:



The largest revenue source is the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for funding specific projects. State revenues decreased by \$19,480,196.07, or 14.57 percent, primarily due to Statewide budget reductions.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budgets are prepared and amendments are made according to Florida Law. The most significant budgeted fund is the General Fund. During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted expenditures amounting to \$2,353,620.68, or 1.26 percent. At the same time, final budgeted revenues were less than the original budgeted amounts by \$1,767,896.90. This contributed to a final budgeted ending fund balance of \$6,478,835.81, or 22.36 percent less than the ending fund balance included in the original budget.

Actual revenues were \$690,399.34 less than the final budgeted amounts, whereas actual expenditures were \$13,467,720.78 less than final budgeted amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. Positive variances occurred in all functions. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$12,156,858.94.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$233,560,199.45 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Construction projects completed during the fiscal year included classroom additions at numerous school locations, a field house addition, and a cafeteria expansion. New construction projects include classroom additions at several school locations and cafeteria and media center additions. Additionally, the District purchased property located in the south end of the county to be used for future facilities.

Additional information on the District's capital assets and the District's major remaining construction contract commitments can be found in Notes 4 and 15, respectively, to financial statements.

#### **Long-Term Debt**

At June 30, 2009, the District has total long-term debt outstanding of \$40,834,207.00. This amount is comprised of \$7,045,000.00 of bonds payable and \$33,789,207.00 of certificates of participation payable. During the fiscal year, retirement of debt amounted to \$1,914,364.60.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to financial statements.

### OTHER MATTERS OF SIGNIFICANCE

The District plans to build a new school facility for Jay High School. Once the District completes its 2009-10 fiscal year budget process, it will begin looking at funding options. The District will either issue certificates of participation or bonds to finance construction of this facility. The District estimates that it will need approximately \$10 million to construct the first phase of this facility, which should be completed within two years after construction begins. After the completion of the first phase, the District will evaluate whether to use local dollars or issue additional certificates of participation or bonds to finish the facility.

Effective for the 2009-10 fiscal year, the District will begin receiving one-time appropriations under the American Recovery and Reinvestment Act of 2009 (ARRA). The intent of these funds is to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. Depending on the program, these funds are available for only two to three years. There are specific reporting requirements for these ARRA dollars to prevent fraud and abuse.

The District established a budget task force committee to identify viable ways to reduce District expenditures. Also, because of decreases in funding due to declining full-time equivalent student enrollment and increases in operating costs, the Board decided to close Munson Elementary School effective June 30, 2009. The District anticipates that closing this school will generate potential cost savings of over \$375,000 annually.

### REQUESTS FOR INFORMATION

Questions concerning information provided in the Management's Discussion and Analysis, financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent for Finance, Santa Rosa County District School Board, 5086 Canal Street, Milton, Florida 32570. Information is also available on the World Wide Web at <http://www.santarosa.k12.fl.us/finance>.

**BASIC FINANCIAL STATEMENTS**

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2009**

	Primary Government		Component Units	
	Governmental Activities	Business-Type Activities		Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 47,961,932.20	\$	\$ 47,961,932.20	\$ 204,583.00
Investments	337,755.93		337,755.93	
Accounts Receivable	3,193.66		3,193.66	10,317.00
Prepaid Item				4,028.00
Due from Other Agencies	10,541,387.53		10,541,387.53	
Inventories	452,885.17		452,885.17	
Capital Assets:				
Nondepreciable Capital Assets	18,793,615.14		18,793,615.14	185,000.00
Depreciable Capital Assets, Net	214,766,584.31		214,766,584.31	126,575.00
<b>TOTAL ASSETS</b>	<b>\$ 292,857,353.94</b>	<b>\$ 0.00</b>	<b>\$ 292,857,353.94</b>	<b>\$ 530,503.00</b>
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 2,866,962.72	\$	\$ 2,866,962.72	\$ 3,362.00
Payroll Deductions and Withholdings	1,412,615.75		1,412,615.75	
Accounts Payable	183,065.48		183,065.48	7,426.00
Construction Contracts Payable - Retainage	441,095.27		441,095.27	
Due to Other Agencies	2,517.00		2,517.00	
Deposits Payable	130,996.22		130,996.22	
Estimated Insurance Claims Payable	918,347.25		918,347.25	
Long-Term Liabilities:				
Portion Due Within One Year	6,639,968.32		6,639,968.32	14,603.00
Portion Due After One Year	54,592,419.92		54,592,419.92	86,543.00
<b>Total Liabilities</b>	<b>67,187,987.93</b>		<b>67,187,987.93</b>	<b>111,934.00</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	194,320,571.98		194,320,571.98	210,429.00
Restricted for:				
State Categorical Programs	2,437,901.70		2,437,901.70	
Debt Service	1,889,251.19		1,889,251.19	
Capital Projects	28,643,189.73		28,643,189.73	46,878.00
Other Purposes				95,087.00
Unrestricted	(1,621,548.59)		(1,621,548.59)	66,175.00
<b>Total Net Assets</b>	<b>225,669,366.01</b>		<b>225,669,366.01</b>	<b>418,569.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 292,857,353.94</b>	<b>\$ 0.00</b>	<b>\$ 292,857,353.94</b>	<b>\$ 530,503.00</b>

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

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**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 118,909,174.04	\$ 1,700,904.21	\$	\$
Pupil Personnel Services	9,090,483.24			
Instructional Media Services	2,809,056.97			
Instruction and Curriculum Development Services	5,146,700.84			
Instructional Staff Training Services	1,395,195.40			
Instruction Related Technology	2,433,230.75			
Board of Education	461,919.17			
General Administration	875,771.42			
School Administration	12,909,980.79			
Facilities Acquisition and Construction	2,414,804.02			3,249,860.16
Fiscal Services	1,125,169.87			
Food Services	10,919,386.41	5,479,557.94	5,173,304.21	
Central Services	2,029,774.74			
Pupil Transportation Services	12,361,344.20	254,325.16	5,753,295.00	
Operation of Plant	13,398,953.96			
Maintenance of Plant	8,760,180.25			1,065,278.73
Administrative Technology Services	1,671,714.87			
Community Services	1,471,296.83			
Interest on Long-Term Debt	1,992,708.30			789,447.27
Unallocated Depreciation Expense	5,088,096.28			
Loss on Disposal of Capital Assets	729,959.40			
<b>Total Governmental Activities</b>	<b>215,994,901.75</b>	<b>7,434,787.31</b>	<b>10,926,599.21</b>	<b>5,104,586.16</b>
<b>Business-Type Activities:</b>				
Gateway Student System Consortium	9,223.80			
<b>Total Primary Government</b>	<b>\$ 216,004,125.55</b>	<b>\$ 7,434,787.31</b>	<b>\$ 10,926,599.21</b>	<b>\$ 5,104,586.16</b>
<b>Component Units</b>				
Foundation/Charter School	\$ 1,142,404.00	\$ 0.00	\$ 441,565.00	\$ 24,607.00

General Revenues:  
 Taxes:  
     Property Taxes, Levied for Operational Purposes  
     Property Taxes, Levied for Capital Projects  
     Local Sales Taxes  
 Grants and Contributions Not Restricted to Specific Programs  
 Unrestricted Investment Earnings  
 Miscellaneous  
 Transfers  
 Special Item:  
     Consortium Net Assets Sent to Washington County District School Board

**Total General Revenues, Transfers, and Special Item**

**Change in Net Assets**

Net Assets - Beginning

**Net Assets - Ending**

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Units
	Business-Type Activities	Total	
\$ (117,208,269.83)	\$	\$ (117,208,269.83)	\$
(9,090,483.24)		(9,090,483.24)	
(2,809,056.97)		(2,809,056.97)	
(5,146,700.84)		(5,146,700.84)	
(1,395,195.40)		(1,395,195.40)	
(2,433,230.75)		(2,433,230.75)	
(461,919.17)		(461,919.17)	
(875,771.42)		(875,771.42)	
(12,909,980.79)		(12,909,980.79)	
835,056.14		835,056.14	
(1,125,169.87)		(1,125,169.87)	
(266,524.26)		(266,524.26)	
(2,029,774.74)		(2,029,774.74)	
(6,353,724.04)		(6,353,724.04)	
(13,398,953.96)		(13,398,953.96)	
(7,694,901.52)		(7,694,901.52)	
(1,671,714.87)		(1,671,714.87)	
(1,471,296.83)		(1,471,296.83)	
(1,203,261.03)		(1,203,261.03)	
(5,088,096.28)		(5,088,096.28)	
(729,959.40)		(729,959.40)	
<u>(192,528,929.07)</u>		<u>(192,528,929.07)</u>	
	(9,223.80)	(9,223.80)	
<u>(192,528,929.07)</u>	<u>(9,223.80)</u>	<u>(192,538,152.87)</u>	
			<u>(676,232.00)</u>
54,723,557.96		54,723,557.96	
12,736,969.46		12,736,969.46	
5,991,307.81		5,991,307.81	
117,386,600.04		117,386,600.04	598,418.00
382,638.81	1,386.48	384,025.29	2,695.00
3,207,390.72		3,207,390.72	620.00
45,696.17	(45,696.17)		
	<u>(104,393.04)</u>	<u>(104,393.04)</u>	
<u>194,474,160.97</u>	<u>(148,702.73)</u>	<u>194,325,458.24</u>	<u>601,733.00</u>
1,945,231.90	(157,926.53)	1,787,305.37	(74,499.00)
<u>223,724,134.11</u>	<u>157,926.53</u>	<u>223,882,060.64</u>	<u>493,068.00</u>
<u>\$ 225,669,366.01</u>	<u>\$ 0.00</u>	<u>\$ 225,669,366.01</u>	<u>\$ 418,569.00</u>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009**

	General Fund	Special Revenue - Other Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 22,357,989.16	\$ 1,697.24
Investments	50,331.89	
Accounts Receivable	3,193.66	
Due from Other Funds	640,696.31	
Due from Other Agencies	92,779.48	956,544.89
Inventories	330,243.06	
	<b>\$ 23,475,233.56</b>	<b>\$ 958,242.13</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Salaries and Benefits Payable	\$ 2,618,785.74	\$ 211,737.52
Payroll Deductions and Withholdings	1,287,197.25	105,295.88
Accounts Payable	12,691.57	1,443.91
Construction Contracts Payable - Retainage		
Due to Other Funds		639,764.82
Due to Other Agencies	2,517.00	
Deposits Payable		
Estimated Insurance Claims Payable	918,347.25	
	<b>4,839,538.81</b>	<b>958,242.13</b>
<b>Total Liabilities</b>		
Fund Balances:		
Reserved for State Categorical Programs	2,437,901.70	
Reserved for Encumbrances	2,080,393.34	
Reserved for Inventories	330,243.06	
Reserved for Debt Service		
Reserved for Other Purposes	8,476.20	
Unreserved:		
Designated, Reported in General Fund:		
Designated for Local Carryover Projects	4,636,175.30	
Undesignated, Reported in:		
General Fund	9,142,505.15	
Special Revenue Funds		
Capital Projects Funds		
	<b>18,635,694.75</b>	
<b>Total Fund Balances</b>	<b>18,635,694.75</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,475,233.56</b>	<b>\$ 958,242.13</b>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,162,963.92	\$ 12,325,223.29 133,729.96	\$ 5,114,058.59 153,694.08	\$ 47,961,932.20 337,755.93 3,193.66 640,696.31
4,292.64	4,434,060.73	5,053,709.79 122,642.11	10,541,387.53 452,885.17
<u>\$ 8,167,256.56</u>	<u>\$ 16,893,013.98</u>	<u>\$ 10,444,104.57</u>	<u>\$ 59,937,850.80</u>
\$ 184,848.24	\$ 218,631.68	\$ 36,439.46 20,122.62 168,930.00 37,615.35 931.49 130,996.22	\$ 2,866,962.72 1,412,615.75 183,065.48 441,095.27 640,696.31 2,517.00 130,996.22 918,347.25
<u>184,848.24</u>	<u>218,631.68</u>	<u>395,035.14</u>	<u>6,596,296.00</u>
1,988,637.96	9,846,180.10	2,825,492.14 122,642.11 1,889,251.19	2,437,901.70 16,740,703.54 452,885.17 1,889,251.19 8,476.20
5,993,770.36	6,828,202.20	2,204,515.57 3,007,168.42	4,636,175.30 9,142,505.15 2,204,515.57 15,829,140.98
<u>7,982,408.32</u>	<u>16,674,382.30</u>	<u>10,049,069.43</u>	<u>53,341,554.80</u>
<u>\$ 8,167,256.56</u>	<u>\$ 16,893,013.98</u>	<u>\$ 10,444,104.57</u>	<u>\$ 59,937,850.80</u>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

**Total Fund Balances - Governmental Funds** \$ 53,341,554.80

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 233,560,199.45

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Certificates of Participation Payable	\$ 33,789,207.00	
Bonds Payable	7,045,000.00	
Other Postemployment Benefits Payable	1,982,143.00	
Compensated Absences Payable	18,416,038.24	(61,232,388.24)

**Total Net Assets - Governmental Activities** \$ 225,669,366.01

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

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**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - Other Fund
<b>Revenues</b>		
Intergovernmental:		
Federal Direct	\$ 613,274.74	\$ 2,521,000.17
Federal Through State and Local	489,745.60	10,427,061.67
State	108,745,485.06	
Local:		
Property Taxes	54,723,557.96	
Local Sales Taxes		
Charges for Services - Food Service		
Miscellaneous	4,184,908.75	
<b>Total Revenues</b>	<b>168,756,972.11</b>	<b>12,948,061.84</b>
<b>Expenditures</b>		
Current - Education:		
Instruction	110,523,808.73	7,009,809.67
Pupil Personnel Services	7,607,307.71	1,396,441.80
Instructional Media Services	2,686,248.77	1,008.32
Instruction and Curriculum Development Services	2,448,738.17	2,626,171.50
Instructional Staff Training Services	505,317.74	828,729.30
Instruction Related Technology	2,135,194.56	183,561.91
Board of Education	456,461.64	
General Administration	508,781.66	358,963.29
School Administration	12,595,174.08	200,164.79
Facilities Acquisition and Construction	3,474.95	11,485.00
Fiscal Services	1,108,958.99	
Food Services		
Central Services	1,884,199.07	44,181.93
Pupil Transportation Services	11,933,583.49	221,385.47
Operation of Plant	13,336,481.03	41,008.49
Maintenance of Plant	4,594,682.37	21,658.31
Administrative Technology Services	1,616,078.39	
Community Services	1,315,499.48	124,657.01
Fixed Capital Outlay:		
Facilities Acquisition and Construction		
Other Capital Outlay	529,565.67	185,240.72
Debt Service:		
Principal		
Interest and Fiscal Charges		
<b>Total Expenditures</b>	<b>175,789,556.50</b>	<b>13,254,467.51</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,032,584.39)</b>	<b>(306,405.67)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In	3,729,997.17	306,405.67
Loss Recoveries	14,567.78	
Transfers Out	(324,366.81)	
<b>Total Other Financing Sources (Uses)</b>	<b>3,420,198.14</b>	<b>306,405.67</b>
<b>Net Change in Fund Balances</b>	<b>(3,612,386.25)</b>	
Fund Balances, Beginning	22,248,081.00	
<b>Fund Balances, Ending</b>	<b>\$ 18,635,694.75</b>	<b>\$ 0.00</b>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 3,134,274.91
	133,310.30	5,054,284.21	15,971,091.48
		5,298,225.93	114,177,021.29
12,736,969.46			67,460,527.42
	5,991,307.81		5,991,307.81
		5,479,557.94	5,479,557.94
<u>65,765.21</u>	<u>750,080.54</u>	<u>(60,491.38)</u>	<u>4,940,263.12</u>
<u>12,802,734.67</u>	<u>6,874,698.65</u>	<u>15,771,576.70</u>	<u>217,154,043.97</u>
			117,533,618.40
			9,003,749.51
			2,687,257.09
			5,074,909.67
			1,334,047.04
			2,318,756.47
			456,461.64
			867,744.95
			12,795,338.87
928,192.13	1,437,520.02	34,131.92	2,414,804.02
			1,108,958.99
		10,794,361.05	10,794,361.05
			1,928,381.00
			12,154,968.96
			13,377,489.52
93,789.85	688,906.09	464,859.51	5,863,896.13
			1,616,078.39
			1,440,156.49
4,738,159.06	10,804,028.74	1,445,894.71	16,988,082.51
1,067,232.93	1,878,899.09	1,008,225.02	4,669,163.43
		1,865,000.00	1,865,000.00
		<u>2,042,072.90</u>	<u>2,042,072.90</u>
<u>6,827,373.97</u>	<u>14,809,353.94</u>	<u>17,654,545.11</u>	<u>228,335,297.03</u>
<u>5,975,360.70</u>	<u>(7,934,655.29)</u>	<u>(1,882,968.41)</u>	<u>(11,181,253.06)</u>
	982,504.28	2,865,905.91	7,884,813.03
	135,397.73		149,965.51
<u>(6,376,649.77)</u>	<u>(155,596.00)</u>	<u>(982,504.28)</u>	<u>(7,839,116.86)</u>
<u>(6,376,649.77)</u>	<u>962,306.01</u>	<u>1,883,401.63</u>	<u>195,661.68</u>
(401,289.07)	(6,972,349.28)	433.22	(10,985,591.38)
<u>8,383,697.39</u>	<u>23,646,731.58</u>	<u>10,048,636.21</u>	<u>64,327,146.18</u>
<u>\$ 7,982,408.32</u>	<u>\$ 16,674,382.30</u>	<u>\$ 10,049,069.43</u>	<u>\$ 53,341,554.80</u>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

**Net Change in Fund Balances - Governmental Funds** \$ (10,985,591.38)

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

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

Capital Outlay - Facilities Acquisition and Construction - Capitalized	\$ 16,988,082.51	
Capital Outlay - Other Capital Outlay - Capitalized	4,669,163.43	
Depreciation Expense	(9,209,526.11)	12,447,719.83

Capital assets not requiring capital outlays during the current period increase net assets in the government-wide statements, but are not financial resources and, therefore, are not reported in the governmental funds. 590,428.00

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (729,959.40)

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

Bonds Payable	625,000.00	
Certificates of Participation Payable	1,240,000.00	1,865,000.00

Premiums on debt are reported in the governmental funds in the year the debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities. This is the current year premium amortization. 49,364.60

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (331,784.75)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (959,945.00)

**Change in Net Assets - Governmental Activities** \$ 1,945,231.90

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
June 30, 2009**

	Business-Type Activities - Nonmajor Enterprise Fund Gateway Student System Consortium
<b>ASSETS</b>	<u>\$ 0.00</u>
<b>LIABILITIES</b>	<u>\$</u>
<b>NET ASSETS</b>	<u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 0.00</u>

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2009**

	Business-Type Activities - Nonmajor Enterprise Fund
	Gateway Student System Consortium
<b>OPERATING REVENUES</b>	<b>\$</b>
<b>OPERATING EXPENSES</b>	
Purchased Services	9,223.80
<b>Operating Loss</b>	<b>(9,223.80)</b>
<b>NONOPERATING REVENUES</b>	
Interest	1,386.48
<b>Loss Before Transfers and Special Item</b>	<b>(7,837.32)</b>
Transfers Out	(45,696.17)
Special Item: Consortium Net Assets Sent to Washington County District School Board	(104,393.04)
<b>Change in Net Assets</b>	<b>(157,926.53)</b>
Total Net Assets - Beginning	157,926.53
<b>Total Net Assets - Ending</b>	<b>\$ 0.00</b>

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2009**

	Business-Type Activities - Nonmajor Enterprise Fund Gateway Student System Consortium
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Payments to Suppliers for Goods and Services	\$ (9,223.80)
Cash Payments to Employees for Services	(193,162.42)
<b>Net Cash Used by Operating Activities</b>	<u>(202,386.22)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers Out	(45,696.17)
Consortium Net Assets Sent to Washington County District School Board	(104,393.04)
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(150,089.21)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	1,386.48
<b>Net Decrease in Cash and Cash Equivalents</b>	(351,088.95)
Cash and Cash Equivalents, Beginning	<u>351,088.95</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 0.00</u>

**Reconciliation of Operating Loss to Net Cash Used by Operating Activities:**

Operating Loss	\$ (9,223.80)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Salaries and Benefits Payable	(1,318.97)
Decrease in Payroll Deductions and Withholdings Payable	(606.74)
Decrease in Compensated Absences Payable	(191,236.71)
<b>Total Adjustments</b>	<u>(193,162.42)</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ (202,386.22)</u>

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2009**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,944,166.69
<b>LIABILITIES</b>	
Employee Flexible Benefits Plan Payable	\$ 156,545.16
Accounts Payable	164,072.00
Internal Accounts Payable	2,623,549.53
<b>TOTAL LIABILITIES</b>	<b>\$ 2,944,166.69</b>

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Santa Rosa County School District is considered part of the Florida system of public education. The governing body of the school district is the Santa Rosa County District School Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Santa Rosa 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 Santa Rosa School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the Santa Rosa County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of the District's other component units.

The Santa Rosa Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The Learning Academy, Inc. (Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Santa Rosa County District School Board. The Charter School is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Foundation's and Charter School's audited financial statements for the fiscal year ended June 30, 2009. The audit reports are filed in the District's administrative offices.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

➤ **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 School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units and distinguish between governmental activities of the District and those that are considered business-type activities.

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 and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense that is clearly identifiable to a particular function is allocated to the function, while depreciation expense not readily associated with a particular function is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements, except for the net residual amounts between governmental and business-type activities.

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 – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, debt service payments on certificates of participation, and payments on operating leases for relocatable school buildings.
- Capital Projects – Other Fund – to account for various financial resources (e.g., certificates of participation, capital outlay sales tax, hurricane-related loss recoveries) to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and payments on operating leases for relocatable school buildings.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

- Enterprise Fund – to account for the financial resources of the Gateway Student System Consortium for which the District was the fiscal agent. During the 2008-09 fiscal year, the District transferred fiscal agent responsibilities to Washington County District School Board.
- Agency Funds – to account for resources of the District’s flexible benefits plan and the school internal funds, which are used to administer moneys collected at the 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 fund 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 fiscal year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board (FASB) through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. The District has opted not to follow FASB pronouncements after that date. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 proprietary fund are charges for services to members of the Gateway Student System Consortium. Operating expenses include purchased services. Interest revenues are reported as nonoperating revenues. During the 2008-09 fiscal year, the District transferred fiscal agent responsibilities for the Gateway Student System Consortium to Washington County District School Board.

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 Santa Rosa Education Foundation, Inc., reported as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

The District's charter school, The Learning Academy, Inc., reported as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include money market mutual funds and 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.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows for the proprietary fund considers cash and cash equivalents as those accounts used as demand deposit accounts.

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in LGIP 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 investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, 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 0.51370946 at June 30, 2009. 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 LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

Investments made locally consist of money market mutual funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Most inventories are stated at cost on a moving-average basis, except that transportation fuel inventory is stated at the last invoice cost which approximates the first-in, first-out basis. The 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. Although the costs of inventories are recorded as expenditures when used rather than purchased, inventory balances are offset by a fund balance reserve in the applicable governmental funds to indicate these balances do not constitute available, expendable resources even though they are a component of current assets.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, except for buildings and improvements other than buildings which are defined as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. 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	10 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	15 years
Audio Visual Materials and Computer Software	5 - 7 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Certificates of participation (Certificates) premiums and discounts are deferred and amortized over the life of the Certificates, and the Certificates are reported net of the applicable premium or discount.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as occurrences of employee resignations and retirements.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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 the original reporting. Such amendments may impact funding allocations for subsequent fiscal 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 fiscal 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 fund 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.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 11, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

➤ **Capital Outlay Surtax**

In March 2007, the voters of Santa Rosa County approved a one-half cent school capital outlay surtax on sales for 10 years, effective October 1, 2008, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

➤ **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.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**3. INVESTMENTS**

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1) (2)	46 Day Average	\$ 14,676,589.43
Fund B Surplus Funds Trust Fund (Fund B) (2)	6.87 Year Average	184,230.59
Debt Service Accounts	6 Months	153,525.34
Dreyfus Treasury Prime Cash Management - Investor		
Shares Money Market Mutual Fund (1) (2)	51 Day Average	869,119.63
Total Investments, Primary Government		\$ 15,883,464.99

Notes: (1) Investments reported as cash equivalents.

(2) Pursuant to the trust agreements, the trustee of the District's Certificates of Participation, Series 1997, 2003, and 2006 holds all or part of these investments in trust accounts as follows: LGIP, \$1,414,916.53; Fund B, \$133,898.70; and Dreyfus, \$869,119.63.

Interest Rate Risk

- The District's investment policy states that the highest priority shall be given to the safety and liquidity of funds. The policy limits the types of authorized investments as a means of managing its exposure to fair value losses from increasing interest rates.
- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. 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. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to SBA LGIP, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to funds placed in qualified public depositories; 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; and other investments, if specifically authorized.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

- The District’s investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2009, the District’s investment in LGIP is rated AAAM by Standard & Poor’s. Fund B is unrated.
- The District’s investment in the Dreyfus Treasury Prime Cash Management – Investor Shares Money Market Mutual Fund is rated AAAM by Standard & Poor’s.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 4,798,100.42	\$ 2,005,283.78	\$	\$ 6,803,384.20
Land Improvements - Nondepreciable	1,832,298.76	91,146.94		1,923,445.70
Construction in Progress	11,333,360.10	13,733,035.23	14,999,610.09	10,066,785.24
<b>Total Capital Assets Not Being Depreciated</b>	<b>17,963,759.28</b>	<b>15,829,465.95</b>	<b>14,999,610.09</b>	<b>18,793,615.14</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	19,968,206.06	1,113,771.04		21,081,977.10
Buildings and Fixed Equipment	256,657,812.76	18,627,067.04	823,937.00	274,460,942.80
Furniture, Fixtures, and Equipment	14,106,480.00	1,378,182.00	2,127,972.00	13,356,690.00
Motor Vehicles	5,492,192.00	140,363.00	1,222,145.00	4,410,410.00
Audio Visual Materials and Computer Software	5,647,796.00	158,435.00	196,395.00	5,609,836.00
<b>Total Capital Assets Being Depreciated</b>	<b>301,872,486.82</b>	<b>21,417,818.08</b>	<b>4,370,449.00</b>	<b>318,919,855.90</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	9,422,550.95	889,535.29	(23,214.80) (1)	10,335,301.04
Buildings and Fixed Equipment	70,419,469.71	6,697,744.15	294,672.62	76,822,541.24
Furniture, Fixtures, and Equipment	9,877,701.18	981,759.20	2,088,436.62	8,771,023.76
Motor Vehicles	4,315,608.76	285,989.30	1,101,985.21	3,499,612.85
Audio Visual Materials and Computer Software	4,548,904.48	354,498.17	178,609.95	4,724,792.70
<b>Total Accumulated Depreciation</b>	<b>98,584,235.08</b>	<b>9,209,526.11</b>	<b>3,640,489.60</b>	<b>104,153,271.59</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>203,288,251.74</b>	<b>12,208,291.97</b>	<b>729,959.40</b>	<b>214,766,584.31</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 221,252,011.02</b>	<b>\$ 28,037,757.92</b>	<b>\$ 15,729,569.49</b>	<b>\$ 233,560,199.45</b>

Note: (1) This amount is a correction of a prior fiscal year error.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 458,273.24
Pupil Personnel Services	38,846.73
Instructional Media Services	102,915.78
Instruction and Curriculum Development Services	30,761.68
Instructional Staff Training Services	53,854.77
Instruction Related Technology	98,088.49
Board of Education	3,711.48
General Administration	4,151.28
School Administration	10,189.79
Fiscal Services	7,564.43
Food Services	90,543.11
Central Services	89,074.83
Pupil Transportation Services	177,832.98
Operation of Plant	16,699.89
Maintenance of Plant	2,873,601.70
Administrative Technology Services	45,071.34
Community Services	20,248.31
Unallocated	5,088,096.28
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 9,209,526.11</b>

**5. CERTIFICATES OF PARTICIPATION**

The District previously entered into financing arrangements with the Santa Rosa School Board Leasing Corporation (Leasing Corporation), pursuant to which the District has authorized several certificates of participation debt issues, characterized as lease-purchase agreements. The following schedule describes the status of these issues at June 30, 2009:

Series	Original	Principal		Refunded By Series	Balance 6-30-09
	Amount	Paid to Date	Refunded		
1992	\$ 15,490,000.00	\$ 4,625,000.00	\$ 5,340,000.00	1997-1 2003	\$ 1,480,000.00
1997-1	5,660,000.00	4,180,000.00	5,525,000.00		
1997-2	7,330,000.00	720,000.00	6,610,000.00	2006-1	185,000.00
2003	4,685,000.00	4,500,000.00			12,370,000.00
2006-1	12,370,000.00				18,870,000.00
2006-2	18,870,000.00				<u>\$ 32,905,000.00</u>

**SANTA ROSA COUNTY  
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As a condition of the financing arrangements, the District has given a ground lease on District property to the Leasing Corporation. The ground lease on the properties associated with the Series 1992, 1997-1, and 2003 Certificates ends on the earlier of (a) the date on which the Series 1997-1 and Series 2003 Certificates have been paid in full or provision for their payment has been made, or (b) June 30, 2022. The ground lease for the properties associated with the Series 1997-2 and Series 2006 Certificates ends on the earlier of (a) the date on which the Series 2006 Certificates and any series of certificates refunding the Series 2006 Certificates have been paid in full or provision for their payment has been made, or (b) ten years from the final maturity of the Series 2006 Certificates and any series of certificates refunding the Series 2006 Certificates. It is not expected that the ground lease term with respect to the properties associated with the Series 1997-2 Certificates will exceed March 11, 2037, and it is not expected that the ground lease term with respect to the property associated with the Series 2006 Certificates will exceed April 13, 2046. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender use, control, and possession of the projects under the ground leases for the benefit of the securers of the certificates for a period of time specified by the arrangements.

The District properties included in the ground leases under these arrangements include:

- Series 1992, 1997-1, and 2003:
  - Berryhill Elementary School
  - Holley-Navarre Middle School
  - Rhodes Elementary School – Additions
  - Holley-Navarre Primary School
  - S.S. Dixon Intermediate School
  
- Series 1997-2 and Series 2006 (as amended):
  - Navarre High School – Gymnasium, Classrooms, and Maintenance Building
  - Navarre High School – Cafeteria Expansion, Fieldhouse, and North Wing Addition
  - Thomas L. Sims Middle School – Classroom Spaces and Accoutrements
  - Bennett C. Russell Elementary School
  - Woodlawn Beach Middle School – Classroom Additions

The lease payments are payable by the District semiannually, on February 1 and August 1 at interest rates ranging from 5.125 to 5.25 percent for the Series 1997-1 Certificates, 3.15 percent for the Series 2003 Certificates, 4.34 percent for the Series 2006-1 Certificates, and 4.25 to 5.25 percent for the Series 2006-2

**SANTA ROSA COUNTY  
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Certificates. The following is a schedule by fiscal year of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 2,508,429.37	\$ 910,000.00	\$ 1,598,429.37
2011	2,507,293.65	950,000.00	1,557,293.65
2012	2,506,327.38	995,000.00	1,511,327.38
2013	2,509,473.87	1,045,000.00	1,464,473.87
2014	2,507,143.15	1,090,000.00	1,417,143.15
2015-2019	12,509,838.43	6,185,000.00	6,324,838.43
2020-2024	12,404,205.51	7,575,000.00	4,829,205.51
2025-2029	12,341,500.00	9,580,000.00	2,761,500.00
2030-2031	4,938,300.00	4,575,000.00	363,300.00
<b>Total Minimum Lease Payments</b>	<b>54,732,511.36</b>	<b>32,905,000.00</b>	<b>21,827,511.36</b>
<b>Plus: Unamortized Premium</b>	<b>884,207.00</b>	<b>884,207.00</b>	
<b>Total Certificates of Participation</b>	<b>\$ 55,616,718.36</b>	<b>\$ 33,789,207.00</b>	<b>\$ 21,827,511.36</b>

**6. BONDS PAYABLE**

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<b>State School Bonds:</b>			
Series 1999A	\$ 445,000	4.375 - 4.750	2019
Series 2002B, Refunding	385,000	4.000 - 5.375	2014
Series 2003A	500,000	3.00 - 4.25	2023
Series 2004A	175,000	3.350 - 4.625	2024
Series 2005A	3,130,000	4.0 - 5.0	2025
Series 2005B, Refunding	905,000	5.0	2018
Series 2006A	255,000	4.000 - 4.625	2026
<b>District Revenue Bonds:</b>			
Racetrack, Series 1996	1,250,000	5.8	2016
<b>Total Bonds Payable</b>	<b>\$ 7,045,000</b>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

The Series 1996 Racetrack Revenue Bonds are authorized by Chapter 73-616, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Santa Rosa 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 Florida Department of Financial Services to the District. As required by the bond resolution, the District has established a sinking fund.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2010	\$ 807,881.25	\$ 530,000.00	\$ 277,881.25
2011	801,962.50	550,000.00	251,962.50
2012	805,007.50	580,000.00	225,007.50
2013	807,520.00	610,000.00	197,520.00
2014	802,520.00	635,000.00	167,520.00
2015-2019	2,698,285.00	2,305,000.00	393,285.00
2020-2024	586,752.50	505,000.00	81,752.50
2025-2026	84,993.75	80,000.00	4,993.75
<b>Total State School Bonds</b>	<b>7,394,922.50</b>	<b>5,795,000.00</b>	<b>1,599,922.50</b>
<b>District Revenue Bonds:</b>			
2010	193,875.00	125,000.00	68,875.00
2011	196,335.00	135,000.00	61,335.00
2012	193,360.00	140,000.00	53,360.00
2013	194,950.00	150,000.00	44,950.00
2014	195,960.00	160,000.00	35,960.00
2015-2017	588,140.00	540,000.00	48,140.00
<b>Total District Revenue Bonds</b>	<b>1,562,620.00</b>	<b>1,250,000.00</b>	<b>312,620.00</b>
<b>Total</b>	<b>\$ 8,957,542.50</b>	<b>\$ 7,045,000.00</b>	<b>\$ 1,912,542.50</b>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**7. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable	\$ 34,145,000.00	\$	\$ 1,240,000.00	\$ 32,905,000.00	\$ 910,000.00
Unamortized Premium on Certificates	933,571.60		49,364.60	884,207.00	49,364.60
Total Certificates of Participation Payable	35,078,571.60		1,289,364.60	33,789,207.00	959,364.60
Bonds Payable	7,670,000.00		625,000.00	7,045,000.00	655,000.00
Compensated Absences Payable	18,084,253.49	6,025,292.76	5,693,508.01	18,416,038.24	5,025,603.72
Other Postemployment Benefits Payable	1,022,198.00	1,863,535.00	903,590.00	1,982,143.00	
Total Governmental Activities	<u>\$ 61,855,023.09</u>	<u>\$ 7,888,827.76</u>	<u>\$ 8,511,462.61</u>	<u>\$ 61,232,388.24</u>	<u>\$ 6,639,968.32</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Compensated Absences Payable	\$ 191,236.71	\$ 0.00	\$ 191,236.71	\$ 0.00	\$ 0.00

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

**8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 640,696.31	\$
Special Revenue:		
Other		639,764.82
Nonmajor Governmental		931.49
Total	<u>\$ 640,696.31</u>	<u>\$ 640,696.31</u>

The amounts due to the General Fund represent temporary loans to other funds and are expected to be repaid within one year.

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 3,729,997.17	\$ 324,366.81
Special Revenue:		
Other	306,405.67	
Capital Projects:		
Local Capital Improvement		6,376,649.77
Other	982,504.28	155,596.00
Nonmajor Governmental	2,865,905.91	982,504.28
Nonmajor Enterprise		45,696.17
Total	\$ 7,884,813.03	\$ 7,884,813.03

The District made transfers to the General Fund to cover payments on the District’s transportation contract, to pay for property casualty insurance premiums, and to account for the District’s portion of the net assets relating to the Gateway Student System Consortium. The District made transfers to the nonmajor governmental funds to facilitate debt service payments on certificates of participation, payment of school recognition bonuses to food service personnel, and to cover costs of certain grant programs. The District made transfers to the Capital Projects Fund – Other to return excess moneys transferred to the nonmajor governmental funds in prior fiscal years.

**9. RESERVE FOR ENCUMBRANCES**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$65,997.78 at June 30, 2009.

**SANTA ROSA COUNTY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**10. SPECIAL ITEM – CONSORTIUM NET ASSETS SENT TO WASHINGTON COUNTY DISTRICT SCHOOL BOARD**

Effective July 1, 2008, the District transferred fiscal agent responsibilities for the Gateway Student System Consortium to Washington County District School Board. The transfer of net assets, totaling \$104,393.04, is reported as a special item.

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 70,971,592.00
Categorical Educational Programs:	
Class Size Reduction	23,963,953.00
Transportation	5,753,295.00
Instructional Materials	2,555,329.00
School Recognition	1,738,473.00
Other	1,097,448.37
Gross Receipts Tax (Public Education Capital Outlay)	4,001,094.00
Workforce Development Program	1,749,447.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	968,094.43
Discretionary Lottery Funds	573,848.00
State Forest Funds	168,848.11
Food Service Supplement	120,090.00
Charter School Capital Outlay	60,349.00
Adults with Disabilities	40,396.00
Workforce Education Performance Incentive	40,182.00
State License Tax	37,945.49
Miscellaneous	336,636.89
	336,636.89
Total	\$ 114,177,021.29

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

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
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JUNE 30, 2009**

**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.272	\$ 50,671,686.87
Basic Discretionary Local Effort	0.498	4,786,513.67
Supplemental Discretionary Local Effort	0.250	2,402,868.31
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.400	13,456,062.52
Total	7.420	\$71,317,131.37

**13. FLORIDA RETIREMENT SYSTEM**

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

Employees in the Plan vest at six 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. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, 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, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 384 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$1,048,349.84.

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
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 0.05 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, 2007, June 30, 2008, and June 30, 2009, totaled \$9,643,391.60, \$10,035,093.99, and \$10,040,596.16, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary 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 supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**SANTA ROSA COUNTY  
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**14. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description.** The Other Postemployment Benefits Plan (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 are eligible to participate in the District's health plan for medical, dental, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan 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 offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

**Funding Policy.** The District has established contribution requirements for Plan members and the contribution requirements may be amended through recommendations of the Insurance Committee and 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, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 440 retirees received other postemployment benefits. The District provided required contributions of \$903,590 toward the annual OPEB cost, comprised of payments made on behalf of retirees, and net of retiree contributions totaling \$4,232,346, which represents 5.8 percent of covered payroll.

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

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Description	Amount
Normal Cost (service cost for one year)	\$ 865,359
Amortization of Unfunded Actuarial Accrued Liability	944,028
Interest on Normal Cost and Amortization	72,375
Annual Required Contribution	1,881,762
Interest on Net OPEB Obligation	40,888
Adjustment to Annual Required Contribution	(59,115)
Annual OPEB Cost (Expense)	1,863,535
Contribution Toward the OPEB Cost	(903,590)
Increase in Net OPEB Obligation	959,945
Net OPEB Obligation, Beginning of Year	1,022,198
Net OPEB Obligation, End of Year	\$ 1,982,143

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2009, and the preceding fiscal year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-07	\$		\$ 0
2007-08	1,806,469	43.4%	1,022,198
2008-09	1,863,535	48.5%	1,982,143

***Funded Status and Funding Progress.*** As of July 1, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$16,977,124 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$16,977,124 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$72,637,328 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.4 percent.

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

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

The District's OPEB actuarial valuation as of July 1, 2008, used the unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 fiscal year annual required contribution. This method was chosen because it is generally easier to understand and is widely used for the valuation of postemployment benefits other than pensions. Because the OPEB liability is currently unfunded, the actuarial assumptions included 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 included an annual healthcare cost trend rate of 8.5 percent for medical and 9.5 percent for prescription drugs initially for the 2008-09 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after seven years for medical and after nine years for prescription drugs, respectively. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

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DISTRICT SCHOOL BOARD  
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**15. CONSTRUCTION CONTRACT COMMITMENTS**

The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Avalon Middle School - Classrooms/Art Room/ESE Rooms:			
Architect	\$ 83,760.00	\$ 62,820.00	\$ 20,940.00
Contractor	871,392.51	381,544.68	489,847.83
Avalon Middle School - Fire/Sprinkler System:			
Architect	14,454.00	14,000.00	454.00
Contractor	262,800.00		262,800.00
Berryhill Elementary School - Reroof Phase I:			
Contractor	400,832.18		400,832.18
S.S. Dixon Primary School - Kitchen Cafeteria Construction:			
Architect	217,601.25	183,329.06	34,272.19
Contractor	3,047,550.48	1,491,539.84	1,556,010.64
East Milton Elementary School - Cafeteria to Classroom Renovation:			
Architect	209,077.20	146,354.04	62,723.16
Contractor	2,328,000.00	23,000.00	2,305,000.00
Gulf Breeze Middle/High School - Classroom Addition and Building 5 Renovations:			
Architect	86,580.00	64,935.00	21,645.00
Contractor	1,282,770.37	84,054.00	1,198,716.37
Holley Navarre Intermediate School - Classroom Additions:			
Architect	91,800.00	40,015.00	51,785.00
Contractor	950,397.52	213,040.22	737,357.30
King Middle School - Band Suite:			
Architect	52,073.71	42,309.88	9,763.83
Contractor	713,853.68	279,262.45	434,591.23
Milton High School - ESE Classrooms/Toilet Renovation:			
Architect	39,060.00	29,295.00	9,765.00
Contractor	651,000.00		651,000.00
Pace High School - Renovation/Kitchen and Media Center Addition:			
Architect	168,540.00	126,405.00	42,135.00
Contractor	2,809,000.00		2,809,000.00
Pace High School - Gymnasium HVAC Replacement:			
Contractor	341,000.00	25,412.33	315,587.67
Pea Ridge Elementary School - Classroom Additions:			
Architect	182,700.00	116,471.25	66,228.75
Contractor	1,974,468.00	187,476.87	1,786,991.13
Woodlawn Beach Middle School - Classroom Additions:			
Architect	170,880.00	168,744.00	2,136.00
Contractor	2,349,407.47	1,967,137.00	382,270.47
<b>Total</b>	<b>\$ 19,298,998.37</b>	<b>\$ 5,647,145.62</b>	<b>\$ 13,651,852.75</b>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**16. RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Florida School Boards Insurance Trust (Trust). The Trust is a self-insurance fund for Florida school boards established under the authority set forth in Section 1001.42, Florida Statutes. The Trust was established for the purpose of pooling certain exposures, including property, general and automotive liability, and workers' compensation; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for participating Florida school boards. Through its participation in the Trust, the District had acquired various types of insurance coverage, including property, general and automotive liability, errors and omissions, workers' compensation, employee benefits liability, boiler and machinery, crime, special events, pollution, legal liability, professional liability, directors and officers liability, employment practices liability, school crisis risk, transit, additional expenses, and personal accident insurance. Catastrophic student accident, flood, and storage tank liability insurance are provided through purchased commercial insurance. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Trust reduced the maximum amount of combined property insurance coverage for member school boards from \$200 million to \$150 million, effective May 1, 2009.

Employee health and hospitalization, life, and dental coverage are provided through purchased commercial insurance.

Prior to July 1, 1997, the District was self-insured for workers' compensation exposures up to specified limits. At June 30, 2009, a liability in the amount of \$918,347.25 was recorded to cover future claims payments relating to this former self-insurance program.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 977,009.49	\$ (175,150.78)	\$ (222,136.71)	\$ 579,722.00
2008-09	579,722.00	768,326.40	(429,701.15)	918,347.25

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**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**17. LITIGATION**

The District is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by District management and the Board's legal counsel, should not materially affect the financial condition of the District.

**18. SUBSEQUENT EVENT**

On December 1, 2009, the District issued Certificates of Participation, Series 2009, in the amount of \$12,500,000. The proceeds will be used for construction of phase I of the new Jay High School, not to exceed \$10 million, and for construction of new classrooms and cafeteria at Central School, not to exceed \$2.5 million.

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2009**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 500,000.00	\$ 613,274.74	\$ 613,274.74	\$
Federal Through State and Local	248,258.00	489,714.10	489,745.60	31.50
State	113,473,423.50	109,015,085.14	108,745,485.06	(269,600.08)
Local:				
Property Taxes	55,136,967.00	54,969,322.86	54,723,557.96	(245,764.90)
Miscellaneous	1,856,619.85	4,359,974.61	4,184,908.75	(175,065.86)
<b>Total Revenues</b>	<b>171,215,268.35</b>	<b>169,447,371.45</b>	<b>168,756,972.11</b>	<b>(690,399.34)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	114,891,510.86	116,101,162.08	110,523,808.73	5,577,353.35
Pupil Personnel Services	8,671,748.63	8,171,176.23	7,607,307.71	563,868.52
Instructional Media Services	2,999,643.86	3,201,871.38	2,686,248.77	515,622.61
Instruction and Curriculum Development Services	3,112,139.29	2,864,331.05	2,448,738.17	415,592.88
Instructional Staff Training Services	726,847.98	656,018.53	505,317.74	150,700.79
Instruction Related Technology	2,099,836.33	2,220,998.06	2,135,194.56	85,803.50
Board of Education	382,831.31	470,052.76	456,461.64	13,591.12
General Administration	501,683.16	528,794.83	508,781.66	20,013.17
School Administration	12,774,349.02	12,902,681.58	12,595,174.08	307,507.50
Facilities Acquisition and Construction	3,971.94	3,971.94	3,474.95	496.99
Fiscal Services	1,141,876.09	1,191,978.41	1,108,958.99	83,019.42
Central Services	2,014,625.31	2,068,332.98	1,884,199.07	184,133.91
Pupil Transportation Services	15,151,293.59	15,085,779.08	11,933,583.49	3,152,195.59
Operation of Plant	14,855,311.80	14,474,659.21	13,336,481.03	1,138,178.18
Maintenance of Plant	5,171,895.59	5,154,213.64	4,594,682.37	559,531.27
Administrative Technology Services	1,852,338.27	1,821,839.25	1,616,078.39	205,760.86
Community Services	551,753.57	1,809,850.60	1,315,499.48	494,351.12
Fixed Capital Outlay:				
Other Capital Outlay		529,565.67	529,565.67	
<b>Total Expenditures</b>	<b>186,903,656.60</b>	<b>189,257,277.28</b>	<b>175,789,556.50</b>	<b>13,467,720.78</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(15,688,388.25)</b>	<b>(19,809,905.83)</b>	<b>(7,032,584.39)</b>	<b>12,777,321.44</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,454,751.00	3,729,997.17	3,729,997.17	
Insurance Loss Recoveries		14,567.78	14,567.78	
Transfers Out	(289,744.89)	(324,366.81)	(324,366.81)	
<b>Total Other Financing Sources (Uses)</b>	<b>1,165,006.11</b>	<b>3,420,198.14</b>	<b>3,420,198.14</b>	
<b>Net Change in Fund Balances</b>	<b>(14,523,382.14)</b>	<b>(16,389,707.69)</b>	<b>(3,612,386.25)</b>	<b>12,777,321.44</b>
Fund Balances, Beginning	22,868,543.50	22,868,543.50	22,248,081.00	(620,462.50)
<b>Fund Balances, Ending</b>	<b>\$ 8,345,161.36</b>	<b>\$ 6,478,835.81</b>	<b>\$ 18,635,694.75</b>	<b>\$ 12,156,858.94</b>

Original Budget	Special Revenue - Other Fund		Variance with Final Budget - Positive (Negative)
	Final Budget	Actual	
\$ 1,493,667.15	\$ 2,521,000.17	\$ 2,521,000.17	\$
9,893,361.25	10,427,061.67	10,427,061.67	
<u>11,387,028.40</u>	<u>12,948,061.84</u>	<u>12,948,061.84</u>	
6,632,871.36	7,009,809.67	7,009,809.67	
1,183,058.62	1,396,441.80	1,396,441.80	
	1,008.32	1,008.32	
2,319,980.64	2,626,171.50	2,626,171.50	
579,778.65	828,729.30	828,729.30	
23,164.22	183,561.91	183,561.91	
277,906.26	358,963.29	358,963.29	
158,331.86	200,164.79	200,164.79	
11,485.00	11,485.00	11,485.00	
14,354.17	44,181.93	44,181.93	
366,626.01	221,385.47	221,385.47	
23,877.72	41,008.49	41,008.49	
3,455.78	21,658.31	21,658.31	
81,883.00	124,657.01	124,657.01	
	<u>185,240.72</u>	<u>185,240.72</u>	
<u>11,676,773.29</u>	<u>13,254,467.51</u>	<u>13,254,467.51</u>	
<u>(289,744.89)</u>	<u>(306,405.67)</u>	<u>(306,405.67)</u>	
	306,405.67	306,405.67	
	<u>306,405.67</u>	<u>306,405.67</u>	
(289,744.89)			
<u>\$ (289,744.89)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2007	\$ 0	\$ 16,273,708	\$ 16,273,708	0.0%	\$ 69,060,185	23.6%
July 1, 2008	0	16,977,124	16,977,124	0.0%	72,637,328	23.4%

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 948,722.75
National School Lunch Program	10.555	300	3,237,622.14
Summer Food Service Program for Children	10.559	323	74,504.79
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	583,772.70
<b>Total Child Nutrition Cluster</b>			<b>4,844,622.38</b>
Florida Department of Education:			
Fresh Fruit and Vegetable Program	10.582	330, 331	234,392.62
Florida Department of Financial Services:			
Secure Payments for States and Counties Containing Federal Lands	10.665	None	31.50
<b>Total United States Department of Agriculture</b>			<b>5,079,046.50</b>
<b>United States Department of Labor:</b>			
Indirect:			
Workforce Escarosa, Inc.:			
WIA Youth Activities	17.259	None	153,418.37
<b>United States Department of Education:</b>			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	5,703.00
Federal Work-Study Program	84.033	N/A	744.26
Federal Pell Grant Program	84.063	N/A	81,623.60
<b>Total Student Financial Assistance Cluster</b>			<b>88,070.86</b>
Impact Aid	84.041 (3)	N/A	613,274.74
<b>Total Direct</b>			<b>701,345.60</b>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	4,974,000.34
Special Education - Preschool Grants	84.173	267	145,914.67
University of South Florida:			
Special Education - Grants to States	84.027	None	9,362.29
<b>Total Special Education Cluster</b>			<b>5,129,277.30</b>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	250,548.66
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	3,197,142.83
Career and Technical Education - Basic Grants to States	84.048	151, 161	282,520.44
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	77,048.25
Education for Homeless Children and Youth	84.196	127	147,430.69
Education Technology State Grants	84.318	121	25,203.34
English Language Acquisition Grants	84.365	102	19,066.83
Improving Teacher Quality State Grants	84.367	224	928,644.13
Northwest Florida State College:			
Even Start - State Educational Agencies	84.213	None	158,406.04
<b>Total Indirect</b>			<b>10,215,288.51</b>
<b>Total United States Department of Education</b>			<b>10,916,634.11</b>

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600 (4)	N/A	\$ 2,223,177.96
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Division of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036 (5)	None	135,397.73
Hazard Mitigation Grant	97.039 (2)(B)	None	367,316.06
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	190,495.54
<b>Total United States Department of Homeland Security</b>			<b>693,209.33</b>
<b>United States Department of Defense:</b>			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	53,189.33
Navy Junior Reserve Officers Training Corps	None	N/A	193,359.96
<b>Total United States Department of Defense</b>			<b>246,549.29</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 19,312,035.56</b>

- Notes (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have
- (2) Noncash Assistance.
- (A) National School Lunch Program - Represents the amount of donated food received during the fiscal year. Commodities are valued at fair value as determined at the time of donation.
- (B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator.
- (3) Impact Aid. Expenditures include \$108,497.66 for award number/program year S041B-2006-1262 and \$504,777.08 for award number/program year S041B-2009-1262.
- (4) Head Start. Expenditures include \$1,233,640.87 for grant number/program year 04CH0384/18 and \$989,537.09 for grant number/program year 04CH0384/19.
- (5) Disaster Grants - Public Assistance (Presidentially Declared Disasters). The amount disclosed as expenditures represents hurricane loss recoveries for the 2008-09 fiscal year as follows: \$133,749.61 for large projects that the District is required to make an accounting of eligible costs for each approved project and \$1,648.12 for allowable administrative costs.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Rosa County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Santa Rosa County District School Board's financial statements. For The Learning Academy, Inc., Charter School, this report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Santa Rosa Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding Nos. 1 and 2, which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we consider Financial Statement Finding No. 1 to be a material weakness.

### **Compliance and Other Matters**

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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
February 23, 2010



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Santa Rosa County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

### Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
February 23, 2010

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$579,361
Auditee qualified as low-risk auditee?	No

**SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

**Finding No. 1: Financial Reporting**

One of the principal ways that a school district can document accountability for the public resources it receives is to report its financial position and activities in its annual financial report. As such, District personnel should ensure that the report is accurate and that it contains all required disclosures so users such as the Board, the Superintendent, District management, and other interested parties can appropriately evaluate District operations and assess the District’s financial condition. The exhibits and schedules included in the report are required to be prepared in accordance with generally accepted accounting principles (GAAP). These principles require that the District present fund-level financial statements similar to historically presented governmental financial statements and entitywide financial statements similar to private-sector accounting. Our review of the District’s 2008-09 fiscal year annual financial report, as presented for audit, disclosed errors in both the fund-level and entitywide financial statements. Examples of errors made in the fund-level financial statements include the following:

- Preparation of fund financial statements pursuant to GAAP requires an analysis to determine the major funds that must have separate columnar presentation. The District is required to report a fund as major when the fund’s assets or liabilities represent at least 10 percent of the total governmental funds for these respective classifications. However, because District personnel misreported approximately \$957,000 of due from other agencies as a reduction of due to other agencies in the Special Revenue – Other Fund, District personnel did not identify and consider that the Special Revenue – Other Fund met the requirements to be separately reported as a major fund. Separately reporting major funds allows financial statement users to readily identify the District’s most significant funds and their related balances and transactions, ensures compliance with GAAP, and ensures that all major funds receive the appropriate level of audit attention.
- District personnel overreported approximately \$849,000 in cash equivalents and \$134,000 in investments in the Other Governmental Funds, although these assets belonged to the Capital Projects – Other Fund. As a result, the District overstated assets and total fund equity in the other governmental funds and understated these accounts in the Capital Projects – Other Fund by approximately \$983,000. When the District misreports fund ownership of its assets, financial statement users may inaccurately assess the District’s need for capital outlay financing.
- During the fiscal year, the District transferred its fiscal agent responsibilities for the Gateway Student System Consortium (Consortium) to another member district. However, District personnel inadvertently misreported an ending cash and cash equivalents balance of approximately \$315,000 for the Consortium on the proprietary fund statement of cash flows, resulting in this account exceeding the cash and cash equivalents reported on the statement of net assets by this amount. Inconsistent reporting of cash and cash equivalent amounts, when the amounts should be the same on different financial statements, may cause financial statement users to misunderstand the amounts available.

Examples of errors made in the entitywide financial statements include the following:

- District personnel incorrectly reported an other postemployment benefits obligation (OPEB) asset of approximately \$2 million. Reporting such is appropriate only if the District funds the OPEB liability; however, the District elected not to fund it. Consequently, the District overstated assets and ending net assets by approximately \$2 million each, and understated expenditures and overstated beginning net assets by approximately \$1 million each. Without accurate OPEB amounts reported, financial statement users may not understand the District’s intent to finance or fund its OPEB liabilities.
- GAAP provide that amounts representing unfilled purchased orders, referred to as encumbrances, should be included in the amount reported as unrestricted net assets; however, District personnel misreported approximately \$16.7 million of encumbrances as net assets restricted for other purposes. As a result, the District underreported approximately \$14.4 million in net assets restricted for capital projects and approximately \$2.3 million as unrestricted net assets. Underreporting restricted net assets may cause financial statement users to misunderstand the amount externally restricted for future use.

The above errors occurred because District personnel did not perform effective review procedures to ensure that amounts were accurate and properly classified on the financial statements. We extended our audit procedures to determine the adjustments necessary to properly report the amounts on the audited financial statements, and the District accepted these adjustments. A similar finding was noted in our report No. 2009-161.

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**Recommendation:** To facilitate necessary financial reporting, the District should improve procedures to properly report financial statement account balances and transactions. Such procedures may include enhanced review procedures to ensure the accuracy and completeness of the financial statements.

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**SIGNIFICANT DEFICIENCY**

**Finding No. 2: Payroll Processing**

Effective internal controls designed to safeguard assets generally require that employees who have access to the assets should not also be responsible for maintaining the accounting records for the assets. This separation of responsibilities discourages individuals from misappropriating the assets because they cannot also conceal the misappropriation by manipulating the accounting records relating to the asset. When an organization cannot separate incompatible duties, to compensate for this control deficiency, there should be an effective monitoring or review process to ensure that transactions appropriately account for activities relating to the assets.

Payroll department employees are responsible for accounting for payroll transactions such as time and attendance records, including leave records. However, as part of their normal job responsibilities, four payroll department employees have the ability to void and reissue payroll checks, generate payroll checks for nonroutine payments, and update employee leave records. When these employees perform these activities, the payroll checks are returned to them for subsequent distribution to appropriate employees. Since these employees were assigned the duties of accounting for payroll assets (payroll checks) that they also received, the District should have effective compensating controls, such as an independent review and approval of payroll change transactions to ensure that the transactions are appropriate and supported by adequate documentation. District personnel indicated that payroll edit and change reports listing these types of transactions are generated by the payroll system; however, these reports are not routinely reviewed and approved by an independent supervising employee. In absence of such review, payroll expenditure errors or misappropriations may occur and not be timely detected and corrected.

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**Recommendation:** The District should enhance its procedures to restrict access to payroll checks from employees who are responsible for processing payroll transactions. To compensate for this weakness, the District could provide for effective monitoring procedures, such as an independent review and approval of payroll edit and change reports, to ensure that payroll transactions are appropriate and sufficiently supported by District records.

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**ADDITIONAL MATTERS**

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**Finding No. 3: Information Technology – Risk Management and Assessment**

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Risk management is the process of identifying vulnerabilities and threats to information technology (IT) resources used by an entity in achieving its goals and objectives and of deciding what measures, if any, to take to reduce risk to an acceptable level. Risk assessment is a tool that can be used in providing valuable information in defining an IT strategic plan, designing and implementing controls, and in monitoring and evaluating those controls.

As similarly noted in our report No. 2009-161, our audit disclosed controls related to the District’s risk management and risk assessment practices that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. The absence of appropriate risk management and risk assessment practices may result in inadequate or improperly implemented controls, increasing the risk that sensitive or critical IT resources will not be sufficiently protected.

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**Recommendation:** The District should implement appropriate risk management and risk assessment practices to provide assurance that IT-related risks are properly identified and managed.

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**Finding No. 4: Information Technology – Disaster Recovery Planning**

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Disaster recovery planning establishes response and recovery procedures to manage the availability of critical data and computer resources in the event of a disruption to operations or disaster. The success of the plan may further depend on ensuring third-party providers’ commitment to contingency requirements. Although District management reviewed and approved the District’s disaster recovery plan, the plan did not identify contact information for key recovery personnel, establish written agreements for alternate processing sites, or incorporate response procedures needed to be performed by the District related to a disruption or disaster event occurring at Northwest Regional Data Center (NWRDC) where the District’s administrative application systems are processed. The absence of contact information for personnel responsible for executing the plan and agreements outlining the commitments of another entity to provide space, processing capacity, or telecommunications support may prevent a timely recovery. In addition, given the potential impact of a disaster at NWRDC on District operations, it is important for management to understand and document those responsibilities and procedures necessary to minimize the impact of a disaster. A similar finding was disclosed in our report No. 2009-161.

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**Recommendation:** The District should identify contact information for key recovery personnel and establish written agreements with other entities to use as alternate processing sites. In addition, the District should incorporate applicable elements of NWRDC’s disaster recovery plan within its plan related to the procedures and responsibilities District staff would assume should NWRDC experience a disruption in service availability.

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**Finding No. 5: Information Technology – Management of Access Privileges and User Authentication**


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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to management of access privileges and user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

In addition, our audit disclosed that security controls related to former employee access needed improvement. One of 45 former employees whose access privileges were included in our test on August 31, 2009, continued to have mainframe and student system access following termination of employment on June 30, 2009. In response to our inquiry, District management indicated that the access was removed on October 7, 2009. By not timely removing a former employee's access privileges to the District's IT resources, the risk is increased that the access privileges could be misused by the former employee or others.

Similar findings were noted in our report No. 2009-161. In these circumstances, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:**     **The District should improve security controls in the areas described above to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

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**Finding No. 6: Accounting for Restricted Capital Project Resources**


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The District receives financial resources to be used for educational capital outlay needs, including new construction, renovation, and remodeling projects, from a variety of restricted capital outlay resources such as Public Education Capital Outlay, Motor Vehicle License Tax, capital outlay millage proceeds, and sales taxes for local capital improvements. State law and regulations establish appropriate uses for these restricted resources. For example, Section 1011.71, Florida Statutes, restricts use of capital outlay millage proceeds to certain purposes, such as new construction, maintenance, repair, and renovations, and other allowable uses explicitly provided for in statute that are properly advertised pursuant to Section 200.065(10), Florida Statutes. As a result, the District must establish procedures to ensure that expenditures from these resources are appropriate and authorized by law.

Generally, the District solicits construction contracts by school location. Each location may have several different needs and the District may pay for each need from different restricted capital outlay resources, but not all may be paid from one source. As a result, the District may be required to use several different restricted capital outlay resources to pay for a project. To help monitor the proper use of restricted capital outlay resources, the District developed work sheets to identify the resources and amounts allocated for each segment of the project. As a matter of convenience, the District pays for the contracted goods and services by expending the amount allocated for one restricted capital outlay resource before using the next capital outlay resource, regardless of the actual goods and services claimed on the vendor invoice. The District typically follows this process until it pays for the contracted amount.

For example, the District entered into a contract for construction to be performed at an elementary school, designating class size reduction construction funds to pay for additional classrooms, and capital outlay millage proceeds for relocating a road and parking lot. Further, since the District did not initially intend to use capital outlay millage proceeds to pay for the additional classrooms, the classrooms were not listed on the District's capital outlay tax levy advertisement. However on one progress payment, the District used capital outlay millage proceeds totaling

\$217,000 to pay the contractor, and the payment included additional classroom costs of \$174,000. Although the District's method of allocating payments between the different funding sources may ultimately result in the different funding sources being appropriately charged based on actual costs over the term of the projects, this method resulted in the District overcharging capital outlay millage proceeds on this payment and results in questioned costs totaling \$174,000.

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**Recommendation:** To ensure the appropriate use of restricted capital outlay resources, the District should establish procedures to ensure that it identifies and charges the costs to the appropriate restricted capital outlay source for each payment. In addition, the District should document the allowability of the questioned costs, totaling \$174,000, from capital outlay millage proceeds, or restore these moneys to the Capital Projects – Local Capital Improvement Fund.

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### Finding No. 7: High School Diplomas

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During the 2008-09 fiscal year, the District had 1,640 high school graduates, including 320 graduates from Gulf Breeze High School. Our review of the procedures used to process diplomas at this high school disclosed the following:

- The school did not have a written agreement with the printing company that specified procedures to be followed for diploma orders and District employees authorized to submit the orders. Written agreements may establish District expectations and staff responsible for diploma orders and reduce potential misunderstandings related to the orders.
- One employee at the school had the incompatible duties of submitting a listing of students to the printing company for diplomas to be printed and receiving the signed diplomas from the printing company. No other employee verified the propriety or accuracy of the details of the order. In these circumstances, one employee had control over the ordering and receipting of the diplomas such that errors or irregularities, should they occur, might not be detected in a timely manner.
- Once received, the school stored the diplomas in a secured location. However, we noted that several employees at the school had access to this location and the diplomas. In these circumstances, the District would not be able to fix responsibility to one employee if diplomas went missing or were otherwise unaccounted for.

These deficiencies occurred, in part, because personnel did not understand the importance of establishing written responsibilities in an agreement, separating incompatible duties, and limiting access to diplomas. A similar finding was noted in our report No. 2009-161.

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**Recommendation:** The District should enhance controls over its processing of high school diplomas to ensure that diplomas are properly controlled and distributed only to those students who meet the eligibility requirements for graduation.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Federal Awards Finding No. 1:**

**Federal Agency: United States Department of Agriculture**

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

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

**Finding Type: Noncompliance and Significant Deficiency**

**Questioned Costs: Not Applicable**

**Program Administration – Commodities.** During March 2009, the Florida Department of Agriculture and Consumer Services (FDACS) conducted a review of the District’s commodity (donated foods) program. The FDACS review included record keeping, usage, storage facilities, and management practices of the donated foods program at selected locations throughout the District. Examples of control deficiencies noted by the review are shown below:

- At the school level, the District did not provide sufficient oversight of the food service management company’s control and use of food inventory. FDACS suggested that the District consider randomly participating in monthly inventory counts at the schools and randomly checking the schools’ meal production records for proper use of Federally-donated foods. In response to FDACS, District personnel indicated that they would increase the number of random checks they perform.
- Storage spaces were not in good condition at several locations. The reviewer noted frozen storage spaces with ice build-up, dry storage spaces with gaps or holes that could potentially allow pests to enter, dry storage spaces with peeling or chipping paint near food storage, and coolers with evidence of rust or mold on the wall. In response to FDACS, District personnel indicated that repairs have been or will be made to the storage spaces.

Without proper monitoring procedures over commodity inventory usage, cafeterias may not use inventory timely, increasing the risk of spoilage. In addition, adequate storage facilities may help maintain the quality of inventories.

**Recommendation: The District should continue its efforts to establish effective controls over the administration of its commodity food program.**

District Contact Person: Joseph B. Harrell, Assistant Superintendent for Administrative Services

**Federal Awards Finding No. 2:**

**Federal Agency: United States Department of Education**

**Pass-Through Entity: Florida Department of Education**

**Program: Special Education – Grants to States (CFDA No. 84.027)**

**Finding Type: Noncompliance**

**Questioned Costs: Not Applicable**

**Procurement - Contract Administration.** Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- For contracts in excess of \$10,000, a provision for termination for cause and convenience by the grantee or subgrantee, including the manner by which it will be effected and the basis for settlement.
- For contracts in excess of the simplified acquisition threshold of \$100,000, administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate.
- Access to records of the contractor which are directly pertinent to the contract.

- Retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

We reviewed documentation relating to five vendor contracts totaling approximately \$752,000 for the 2008-09 fiscal year that were paid from Special Education – Grants to States funds to determine whether the contracts contained these required provisions. Our review disclosed that all five contracts did not include one or more of the required provisions noted above. Failure to enter into a written contract which includes the required Federal contract provisions could limit the District’s actions if disputes with the vendor arose and could result in disallowance of grant expenditures by the grantor.

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**Recommendation:** The District should strengthen controls to ensure that required provisions are included in Federally funded contracts as required by law.

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District Contact Person: Linda Novota, Director – Exceptional Student Education

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-161.

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*SANTA ROSA COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2006-127 (4)	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) / Allowable Costs/ Cost Principles	The District requested and received hurricane-related loss recoveries for the same costs from both flood insurance and the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program. The duplicate loss recoveries of \$776,268 received from the Disaster Grants - Public Assistance (Presidentially Declared Disasters) program represent questioned costs subject to disallowance by the grantor.	Partially corrected	Questioned costs have not been resolved. District personnel have requested the grantor make a determination concerning the allowability of the questioned costs.
2007-122 (6)	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) / Allowable Costs/ Cost Principles	The District received \$13,197.14 in reimbursements for 22 science tables not specifically identified as being damaged on approved project worksheets.	Partially corrected	Questions costs have not been resolved. District personnel indicated that these questioned costs will be addressed during project close-out.
2008-056 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) / Procurement	Contrary to the District's agreement with a food service management company, the District did not obtain an audit to determine the adequacy of the company's internal controls over transactions relating to the District's food service operations. Additionally, the District did not sufficiently monitor activities relating to the District's food service operations that were performed by the company.	Corrected	

EXHIBIT A  
MANAGEMENT'S RESPONSE



Timothy S. Wyrosdick  
Superintendent of Schools

5086 Canal Street Milton, Florida 32570-6706

Phone: 850/983-5012

Suncom: 689-5012

Facsimile: 850/983-5013

E-mail: wyrosdickt@mail.santarosa.k12.fl.us

February 23, 2010

David Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, I am submitting to you, in writing, statements of explanation (compiled from the responses as received from those in positions of responsibility of a given area) concerning some of the items presented in the preliminary and tentative audit findings for the fiscal year ended June 30, 2009. As a matter of organization and clarification, the responses can be referenced using the headings as submitted from your office.

**Finding No. 1: Financial Reporting**

**Response:** Listed below are five responses to the finding noted in this audit regarding Financial Reporting. The finding states that the errors are due to ineffective review procedures. While we have made a tremendous effort to better report the Annual Financial Report (AFR), we feel some of the findings are not necessarily due to our negligence. Our thoughts are explained in the bullets below.

- GAAP (Generally Accepted Accounting Principles) requirement for reporting major funds: The District reported \$956,544.89 as a negative payable on the Balance Sheet. Prior to compiling the Annual Financial Report (AFR), a phone call was made by the District to the Department of Education (DOE) in regards to reporting negative amounts. The DOE template for the AFR restricts any negative numbers from being reported in the ESE 348. However, negative amounts are acceptable on the ESE 145. Therefore, the negative was reported "as is". Although acceptable to DOE, the District will try to report negatives more in line with GAAP's stance in the future.
- Misreporting of cash equivalents and investments: Approximately \$983,000 was reported as cash equivalents and investments in Other Governmental Funds. Upon the issue of the 2006 Certificates of Participation (COPs), one of the District's book accounts included both capital projects dollars as well as debt service dollars. This particular book account has been reported this way since that time. The District has made changes in the system to separate COPs proceeds from debt service dollars. Although the monies were reported in the incorrect fund, the District does want to point out that all monies were reported.
- Reporting of Consortium assets: Approximately \$315,000 was reported in error as cash and cash equivalents on the proprietary fund statement of cash flows. The District is no longer responsible for the Consortium; therefore reporting for it will no longer be an issue.
- Reporting of other postemployment benefits (OPEB): The District has thus far reported OPEB within the limitations of DOE's AFR template even though the template is for a funded OPEB, which the District's OPEB is not. The District is now aware of how to manipulate the AFR's governmental conversion worksheet template to deal with this.
- Reporting of net assets: The District believed that net assets were correctly reported. The corrections to restricted and unrestricted net assets are being reviewed to ensure that they are appropriately reported in the future.

Response to Audit Findings for Year Ending June 30, 2009  
 February 23, 2010  
 Page 2

The audit states that the errors occurred because the District does not perform an effective review of the financial statement. For the first year ever, each accountant and the Assistant Superintendent for Finance were all given a copy of the AFR to review. The District has a sign-off sheet which shows each person that reviewed the AFR along with which portions of the AFR were reviewed. Due to time constraints and a decrease in staff, a review that would find all errors within the AFR would be virtually impossible.

**Finding No. 2: Payroll Processing**

**Response:** An Administrator in the Human Resource Department will receive a monthly leave edit report that shows the updates payroll made to the employee leave records. The Administrator in the Human Resource Department will then review and approve the leave edit report.

An Administrator in the Human Resource Department will receive a monthly payroll report that shows voided and re-issued checks and non-routine check payments made to employees. The Administrator in the Human Resource Department will then review and approve the payroll report.

This new process will provide a separation of duties and an independent review and approval of changes made by the Payroll Department.

**Finding No. 3: Information Technology – Risk Management and Assessment**

**Response:** We cannot disclose specific details in order to avoid the possibility of compromising District data and IT resources. We will continue to make efforts to make sure we continually assess any vulnerability in the system.

**Finding No. 4: Information Technology – Disaster Recovery Planning**

**Response:**

- We will continue to discuss the finding regarding identification of key recovery personnel.
- Santa Rosa County School Board's (SRCSB) Memorandum of Understanding with Northwest Regional Data Center (NWRDC) includes storage of, access to and operating environment for disaster recovery equipment placed at NWRDC. On an annual basis this equipment is removed from storage, assembled/installed and tested in a dedicated work area provided by NWRDC. Testing includes verification of: connectivity to NWRDC, access to mainframe systems, upload/download of data files, processing of data on PC application and printing reports to NWRDC mainframe printer.
- NWRDC's disaster recovery plan includes an alternate processing site. On an annual basis NWRDC conducts testing at this site and we participate in the test to verify our ability to connect and access our data. Use of this alternate site in the event of a disaster is included with fees we pay NWRDC.
- SRCSB is not dependent upon NWRDC for business resumption in the event of a disaster in Santa Rosa County or in the Tallahassee area. In the event of a disaster or disruption at any location, SRCSB would employ our disaster response procedures to whatever level was necessary.

**Finding No. 5: Information Technology – Management of Access Privileges and User Authentication**

**Response:** Improvements in authentication of users will be implemented during this current fiscal year.

**Finding No. 6: Accounting for Restricted Capital Project Resources**

**Response:**

- To ensure the appropriate use of restricted capital outlay resources: When a construction project is funded with both advertised and unadvertised dollars, the contractor will be required to separate the dollar amounts for the advertised portion of the project as part of their bid package. This will serve as verification of advertised monies that the District will allocate to a specific portion of the project. The District will then allocate the advertised portion of the project on a separate purchase order to keep these monies separate and identifiable. Each pay application will be required to have a schedule of values verifying the amount that should be paid from the appropriate budget line in an effort to ensure that all restricted capital resources are being used to pay legitimate expenses as they occur.

Response to Audit Findings for Year Ending June 30, 2009  
February 23, 2010  
Page 3

- Documentation of allowable costs from capital outlay millage proceeds: The District will make the appropriate journal entry to restore capital outlay millage proceeds in the amount of \$174,000.

**Finding No. 7: High School Diplomas**

**Response:** In an effort to correct this finding, we are requiring the following criteria:

- Each school will develop a written agreement with the diploma printing company that specifies the school employees authorized to order diplomas. A copy of this agreement will be kept on file at the school and with the high school director.
- Each school will establish an employee responsible for developing the student list submitted to the diploma printing company and another employee responsible for receiving the diplomas and verifying their accuracy; correcting irregularities if any exist. A copy of this designation will be kept on file at the school and with the high school director.
- Each school will establish an employee responsible for custody and control of the diplomas; indicating specifically those employees allowed access to the diplomas. A copy of this designation will be kept on file at the school and with the high school director.
- Each school will store diplomas in a secure location, with access limited to those designated for access.

**Federal Awards Finding No. 1: Program Administration -- Commodities**

**Response:** The District has established efforts to affect controls over the administration of its commodity food program, and will continue to provide effective oversight.

**Federal Awards Finding No. 2: Procurement -- Contract Administration**

**Response:**

- Bid application boilerplates for all contracts utilizing federal funds are being reviewed to ensure the addition of federal provisions verbiage will be included in all applications via the Purchasing Department.
- All contracts utilizing federal funds are being reviewed to ensure an addendum process is initiated for the inclusion of the mentioned provisions for contracted services.

In conclusion, let me reflect the sincere feeling of our school board and staff concerning the professional manner in which your staff conducted this audit. In the process of the audit, there always exists a mutual professional respect and consideration of each one's responsibility.

Sincerely,



Timothy S. Wyrosdick  
Superintendent of Schools

/chm