



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
Financial and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

Sarasota County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Dr. Carol Todd, Vice-Chairman to 11-21-05, Chairman from 11-22-05</i>	<i>1</i>
<i>John P. Lewis</i>	<i>2</i>
<i>Frank H. Kovach, Vice-Chairman from 11-22-05</i>	<i>3</i>
<i>Laura Benson</i>	<i>4</i>
<i>Dr. Kathy Kleinlein, Chairman to 11-21-05</i>	<i>5</i>

*Dr. Gary Norris, Superintendent*

## AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

SARASOTA COUNTY DISTRICT SCHOOL BOARD

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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

The Sarasota County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

**Summary of Report on Internal Control and Compliance**

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Improving Teacher Quality 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.

**Audit Objectives and Scope**

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

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

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, 2006. We obtained an understanding of internal control and assessed control risk 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, administrative 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*.

This audit was conducted by Derick B. Boston, CPA, and supervised by Robert D. Jones, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at [davidmartin@aud.state.fl.us](mailto:davidmartin@aud.state.fl.us) or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site [www.state.fl.us/audgen](http://www.state.fl.us/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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**FINANCIAL SECTION**

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***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS******MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

- EXHIBIT – A***    *Statement of Net Assets.*
- EXHIBIT – B***    *Statement of Activities.*
- EXHIBIT – C***    *Balance Sheet – Governmental Funds.*
- EXHIBIT – D***    *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*
- EXHIBIT – E***    *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*
- EXHIBIT – F***    *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*
- EXHIBIT – G***    *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund.*
- EXHIBIT – H***    *Statement of Net Assets – Proprietary Funds.*
- EXHIBIT – I***    *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.*
- EXHIBIT – J***    *Statement of Cash Flows – Proprietary Funds.*
- EXHIBIT – K***    *Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*
- EXHIBIT – L***    *Notes to Financial Statements.*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sarasota County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed on page 1. 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 19 percent of the assets and 34 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 provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the aggregate discretely presented component units, is 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. 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.

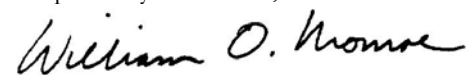
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Sarasota County District School Board as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund 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 Sarasota County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative 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 4 through 15) is not a required part of the basic financial statements but is 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 thereon.

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's *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,



William O. Monroe, CPA

January 19, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2005-06 fiscal year are as follows:

- The District's financial position improved during the fiscal year ended June 30, 2006. In total, net assets increased by \$61,676,430 or 12 percent over the course of the year.
- General revenues total \$470,845,680 or 91 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$46,847,537 or 9 percent. Total revenues increased from \$450,368,609 in fiscal year 2005 to \$517,693,217 in fiscal year 2006. The change is attributed to increased property tax valuations, increased State operating revenues of \$8,425,761 from the Class Size Reduction Amendment, and investment earnings.
- Expenses total \$456,016,787; only \$46,847,537 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues exceed total expenses by \$61,676,430. Total expenses increased \$47,016,035 or 11 percent, from \$409,000,752 in the 2004-05 fiscal year. This change is attributed to the increase in instructional salaries and benefits of \$23,259,961 from the 2004-05 fiscal year, due to an increase in the number of teaching positions, a cost-of-living increase, and an extended duty day.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$47,308,999 at June 30, 2006, or 13 percent of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

#### **Government-wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial



information about the governmental activities of the Primary Government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. 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 two categories:

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

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

### **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 entity-wide perspective contained in the government-wide statements.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources

as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

### **GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position and provides a perspective of the District as a whole. The following is a summary of the District's net assets as of June 30, 2006, compared to net assets as of June 30, 2005:

	Net Assets, End of Year		Increase (Decrease)	Percentage Change
	Governmental Activities			
	6-30-2006	6-30-2005		
Current and other assets	\$ 182,062,315	\$ 183,710,405	\$ (1,648,090)	
Capital assets, net	575,648,924	516,811,789	58,837,135	
<b>Total assets</b>	<b>757,711,239</b>	<b>700,522,194</b>	<b>57,189,045</b>	<b>8%</b>
Other liabilities	40,078,094	33,320,756	6,757,338	
Long-term liabilities	150,732,205	161,976,928	(11,244,723)	
<b>Total liabilities</b>	<b>190,810,299</b>	<b>195,297,684</b>	<b>(4,487,385)</b>	<b>-2%</b>
Net assets				
Invested in capital assets, net of related debt	466,284,259	416,463,542	49,820,717	
Restricted	79,306,831	61,796,213	17,510,618	
Unrestricted	21,309,850	26,964,755	(5,654,905)	
<b>Total net assets</b>	<b>\$ 566,900,940</b>	<b>\$ 505,224,510</b>	<b>\$ 61,676,430</b>	<b>12%</b>

The largest portion of the District's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

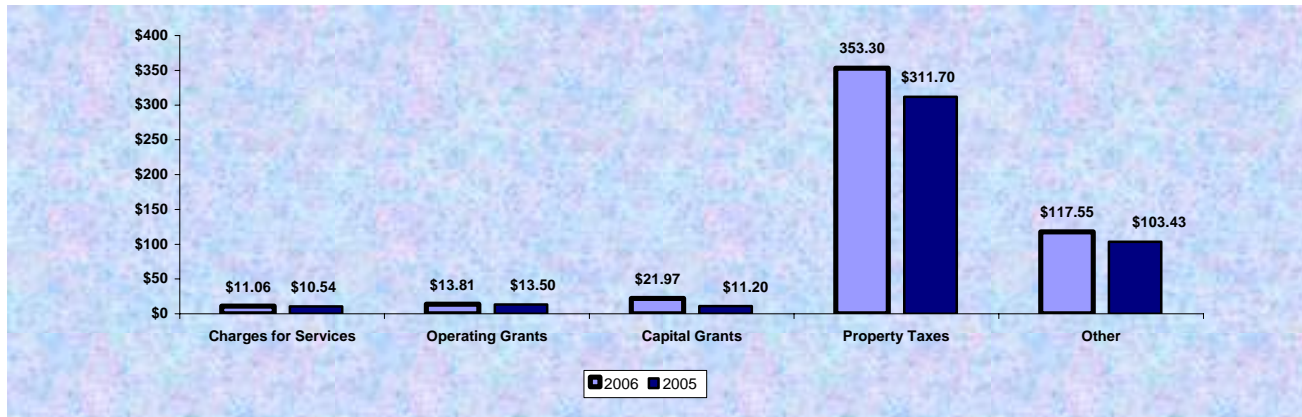
The restricted portion of the District's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2006, and June 30, 2005, are shown in the following table and graphs:

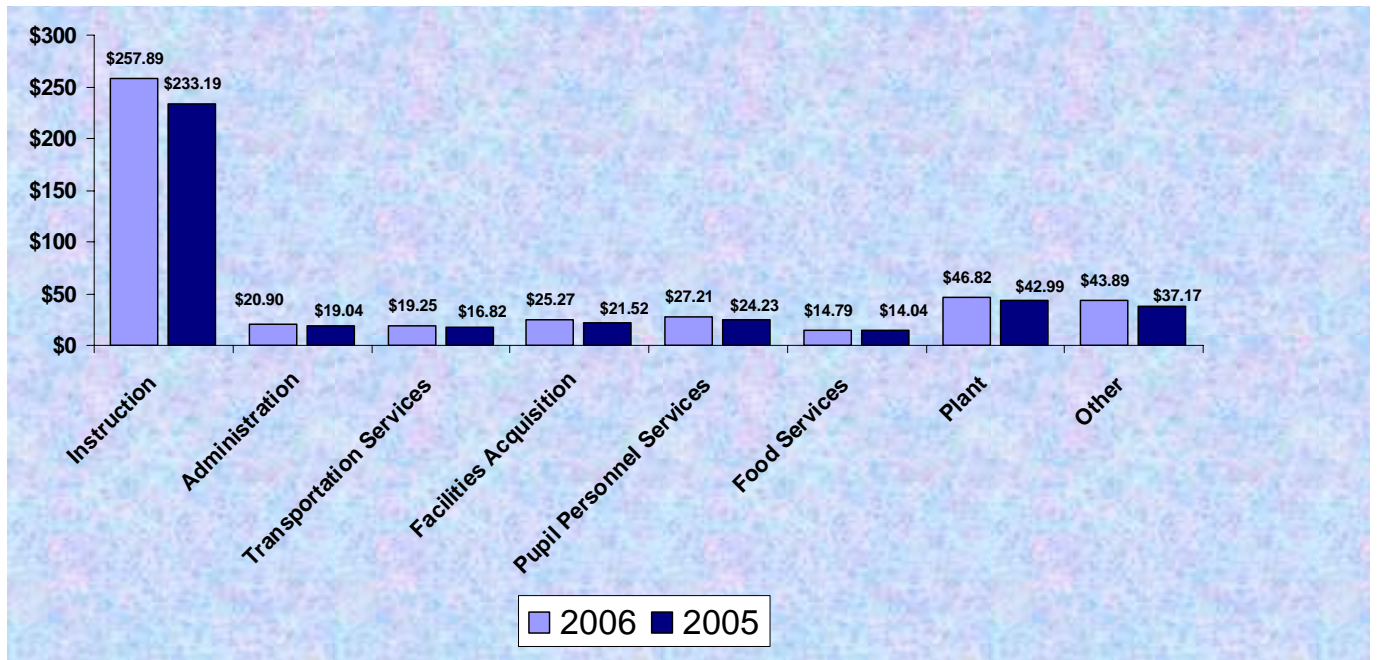
## Changes in Net Assets from Operating Results

	Governmental Activities			
	6-30-2006	6-30-2005	Increase (Decrease)	Percentage Change
<b>Revenues:</b>				
Program revenues				
Charges for services	\$ 11,064,911	\$ 10,541,518	\$ 523,393	5%
Operating grants and contributions	13,812,394	13,499,585	312,809	2%
Capital grants and contributions	21,970,232	11,199,114	10,771,118	96%
General revenues				
Property taxes - general	263,419,295	237,166,152	26,253,143	11%
Property taxes - capital projects	89,881,339	74,530,028	15,351,311	21%
Local sales taxes	16,601,829	15,472,027	1,129,802	7%
Grants and contributions not restricted to specific programs	84,374,487	79,305,558	5,068,929	6%
Miscellaneous	7,887,638	4,079,285	3,808,353	93%
Unrestricted investment earnings	8,681,092	4,575,342	4,105,750	90%
<b>Total revenues</b>	<b>\$ 517,693,217</b>	<b>\$ 450,368,609</b>	<b>\$ 67,324,608</b>	<b>15%</b>
<b>Expenses</b>				
Instruction	\$ 257,897,300	\$ 233,185,107	\$ 24,712,193	11%
Pupil personnel services	27,207,302	24,232,443	2,974,859	12%
Instructional media services	5,575,610	6,672,205	(1,096,595)	-16%
Instruction and curriculum development services	5,386,657	5,183,796	202,861	4%
Instructional staff training services	8,195,277	5,874,238	2,321,039	40%
Instruction related technology	5,713,311		5,713,311	
Board of education	1,226,200	949,399	276,801	29%
General administration	3,318,674	2,962,401	356,273	12%
School administration	17,583,450	16,074,405	1,509,045	9%
Facilities acquisition and construction	25,269,288	21,520,131	3,749,157	17%
Fiscal services	2,078,552	1,875,597	202,955	11%
Food services	14,788,117	14,044,865	743,252	5%
Central services	7,091,071	9,537,256	(2,446,185)	-26%
Pupil transportation services	19,250,296	16,821,952	2,428,344	14%
Operation of plant	30,327,497	27,720,445	2,607,052	9%
Maintenance of plant	16,481,878	15,265,066	1,216,812	8%
Administrative technology services	2,097,590		2,097,590	
Community services	1,326,509	1,774,211	(447,702)	-25%
Interest on long-term debt	4,621,914	3,495,834	1,126,080	32%
Loss on disposal of capital assets	580,294	1,811,401	(1,231,107)	-68%
<b>Total expenses</b>	<b>456,016,787</b>	<b>409,000,752</b>	<b>47,016,035</b>	<b>11%</b>
<b>Increase in net assets</b>	<b>\$ 61,676,430</b>	<b>\$ 41,367,857</b>	<b>\$ 20,308,573</b>	<b>49%</b>

Revenues by Source - Governmental Activities - in Millions of Dollars



Expenses – Governmental Activities – in Millions of Dollars



Overall total revenues increased by 15 percent from the fiscal year ended June 30, 2005. Revenue increases are primarily due to increased property tax valuations, increased operating State revenues from the Class Size Reduction Amendment, and increased interest investment earnings.

Total expenses increased by \$47,016,035 or 11 percent from the fiscal year ended June 30, 2005. The increase in instructional expenses of \$24,712,193 is directly attributed to increased payroll costs and employee benefits. During the 2005-06 fiscal year, the District added 163 new teaching positions, 71 for the Class Size Reduction Amendment, granted a cost-of-living increase of 4.25 percent, and had an additional 7.1 percent increase to instructional staff for January through June, due to a longer workday.

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

The District completed the year with a total governmental fund balance of \$122,476,770, a decrease of \$11,297,271 over last year's ending fund balance of \$133,774,041.

**Major Governmental Funds**

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

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 345,194,447	\$ 310,395,196	\$ 34,799,251	11%
Other financing sources	16,529,164	16,149,808	379,356	2%
Beginning fund balance	61,592,413	66,084,372	(4,491,959)	-7%
Increase (decrease) in inventory reserve	4,399	6,004	(1,605)	27%
<b>Total</b>	<b><u>\$ 423,320,423</u></b>	<b><u>\$ 392,635,380</u></b>	<b><u>\$ 30,685,043</u></b>	<b>8%</b>
Expenditures	\$ 371,394,085	\$ 330,173,506.00	\$ 41,220,579.00	12%
Other financing uses	845,503	869,461	(23,958)	-3%
Ending fund balance	51,080,835	61,592,413	(10,511,578)	-17%
<b>Total</b>	<b><u>\$ 423,320,423</u></b>	<b><u>\$ 392,635,380</u></b>	<b><u>\$ 30,685,043</u></b>	<b>8%</b>

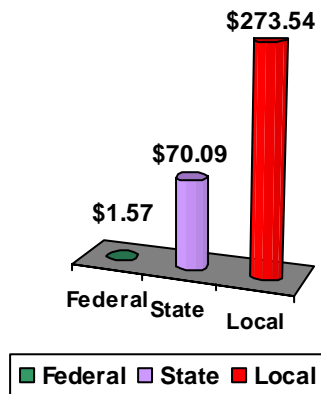
The District's ending fund balance decreased by \$10,511,578 or 17 percent.

**Revenues** – Overall revenues increased by \$34,799,251 or 11 percent as follows:

**Revenues By Source - General Fund**

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Federal	\$ 1,569,749	\$ 1,069,191	\$ 500,558	47%
State	70,089,174	64,048,939	6,040,235	9%
Local	273,535,524	245,277,066	28,258,458	12%
<b>Total</b>	<b><u>\$ 345,194,447</u></b>	<b><u>\$ 310,395,196</u></b>	<b><u>\$ 34,799,251</u></b>	<b>11%</b>

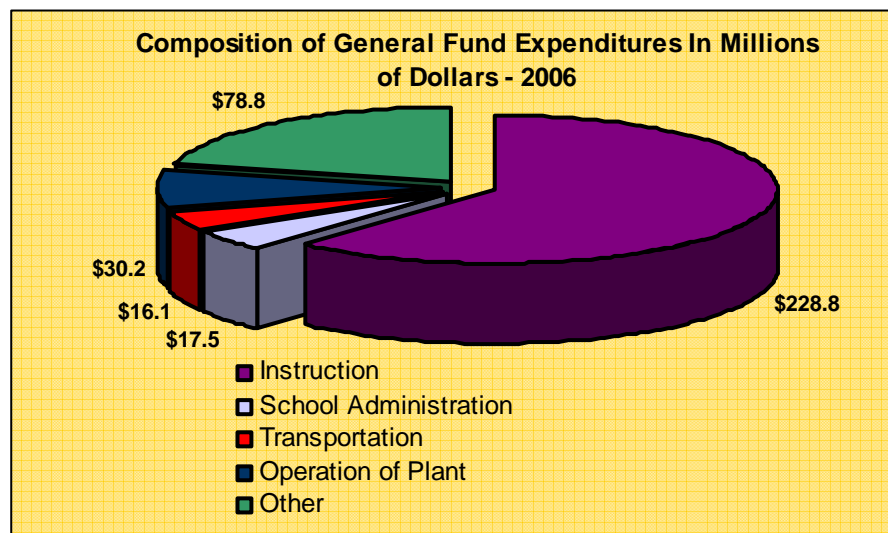
**Composition of Revenues In  
Millions of Dollars - 2006**



State sources increased by \$6,040,235, or 9 percent, mainly attributed to the State categorical funding of \$23,828,029 for the Class Size Reduction Program.

Local sources increased by \$28,258,458, or 12 percent, mainly as a result of an increase in property tax revenues of \$26,253,143.

**Expenditures** - Total General Fund expenditures increased from \$330,173,506 to \$371,394,085 for the 2005-06 fiscal year. The major increases are reflected in the areas of salary and employee benefits. Instructional expenditures increased by \$24,882,840 from the 2004-05 fiscal year, primarily due to new hires, step increases, a cost-of-living increase of 4.25 percent, and an additional increase of 7.1 percent for an additional half hour on the duty day.



**Expenditures By Function - General Fund**

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Instruction	\$ 228,780,124	\$ 203,897,284	\$ 24,882,840	12%
School administration	17,492,210	15,873,689	1,618,521	10%
Pupil transportation	16,150,907	14,532,481	1,618,426	11%
Operation of plant	30,208,183	27,591,558	2,616,625	9%
Other	78,762,661	68,278,494	10,484,167	15%
Total	<u>\$ 371,394,085</u>	<u>\$ 330,173,506</u>	<u>\$ 41,220,579</u>	12%

**Debt Service – Other Debt Service Fund**

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

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 41,909	\$ 15,203	\$ 26,706	176%
Other financing sources	16,728,654	11,862,610	4,866,044	41%
Beginning fund balance	11,901	28,267	(16,366)	-58%
Total	<u>\$ 16,782,464</u>	<u>\$ 11,906,080</u>	<u>\$ 4,876,384</u>	41%
Expenditures	\$ 16,028,231	\$ 11,894,179	\$ 4,134,052	35%
Ending fund balance	754,233	11,901	742,332	6238%
Total	<u>\$ 16,782,464</u>	<u>\$ 11,906,080</u>	<u>\$ 4,876,384</u>	41%

**Capital Projects – Local Capital Improvement Tax Fund**

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

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 93,426,315	\$ 75,872,451	\$ 17,553,864	23%
Other financing sources		469,793	(469,793)	-100%
Beginning fund balance	43,819,266	26,277,136	17,542,130	67%
Total	<u>\$ 137,245,581</u>	<u>\$ 102,619,380</u>	<u>\$ 34,626,201</u>	34%
Expenditures	\$ 63,414,861	\$ 37,491,126	\$ 25,923,735	69%
Other financing uses	28,628,854	21,308,988	7,319,866	34%
Ending fund balance	45,201,866	43,819,266	1,382,600	3%
Total	<u>\$ 137,245,581</u>	<u>\$ 102,619,380</u>	<u>\$ 34,626,201</u>	34%

During the 2005-06 fiscal year, expenditures in the Capital Projects – Local Capital Improvement Tax Fund increased by \$25,923,735, or 69 percent. Completion of the schools listed in the Certificates of Participation, Series 2004, was the reason for most of this increase. See further discussion of the Certificates of Participation in the Other Capital Projects section below.

**Capital Projects - Other Capital Projects Fund**

The District’s other capital projects fund is primarily used to report revenues and expenditures from sales tax collections and expenditures from the District’s Series 2004, Certificates of Participation, issuance. An overall analysis of this fund is presented below:



	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue	\$ 32,349,156	\$ 22,006,785	\$ 10,342,371	47%
Other financing sources	1,299,696	49,348,990	(48,049,294)	-97%
Beginning fund balance	25,909,028	15,692,863	10,216,165	65%
Total	<u>\$ 59,557,880</u>	<u>\$ 87,048,638</u>	<u>\$ (27,490,758)</u>	-32%
Expenditures	\$ 35,437,470	\$ 61,139,610	\$ (25,702,140)	-42%
Other financing uses	726,519		726,519	100%
Ending fund balance	23,393,891	25,909,028	(2,515,137)	-10%
Total	<u>\$ 59,557,880</u>	<u>\$ 87,048,638</u>	<u>\$ (27,490,758)</u>	-32%

Other financing sources and expenditures decreased by \$48,049,294 and \$25,702,140, respectively, during the fiscal year ended June 30, 2006. Decreases are attributed to the District's issuance of \$50,000,000 in Certificates of Participation in the prior year for the construction of Phillippi Shores, Venice, and Wilkinson Elementary schools, during fiscal year ended June 30, 2005.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Most District operations are funded in the General Fund. Total General Fund revenues during the 2005-06 fiscal year were \$3,447,709 more than originally budgeted. Amendments of \$7,001,259 were made to local revenues to adjust for increases in actual collections for property taxes beyond the 95 percent original budgeted amounts.

Budget amendments for expenditures were relatively minor.

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

At June 30, 2006, the District had \$575,648,924 invested in a broad range of capital assets, including land, buildings and improvements, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$58,837,135, or 11 percent, from last fiscal year.

**Governmental Activities**

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Change</u>	<u>Percentage Change</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 27,311,641	\$ 23,436,338	\$ 3,875,303	17%
Land improvements	33,010,806	26,993,834	6,016,972	22%
Construction in progress	72,196,053	63,447,154	8,748,899	14%
<b>Capital assets being depreciated:</b>				
Improvements other than buildings	31,419,349	28,476,853	2,942,496	10%
Buildings and fixed equipment	542,046,276	496,827,306	45,218,970	9%
Furniture, fixtures, and equipment and Audio visual materials	51,066,819	49,349,409	1,717,410	3%
Motor vehicles	22,775,179	20,272,633	2,502,546	12%
Property under capital leases	1,678,034	1,678,034		0%
Computer software	<u>6,090,243</u>	<u>5,333,841</u>	<u>756,402</u>	14%
Total Capital Assets	787,594,400	715,815,402	71,778,998	10%
Less accumulated depreciation	<u>(211,945,476)</u>	<u>(199,003,613)</u>	<u>(12,941,863)</u>	7%
Total Capital Assets, net	<u>\$ 575,648,924</u>	<u>\$ 516,811,789</u>	<u>\$ 58,837,135</u>	11%

Detailed information regarding the District’s capital asset balances and activity for the fiscal year ended June 30, 2006, is provided in Note 5 to the financial statements.

**Long-Term Debt**

At June 30, 2006, the District had \$102,518,916 in bonds payable, obligations under capital leases, and certificates of participation versus \$114,060,501 last fiscal year, a decrease of 10 percent. A summary of the long-term debt obligations are listed in the following table:

**Summary of Long-Term Debt Obligations**

	<u>6-30-2006</u>	<u>6-30-2005</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Obligations under Capital Lease	\$ 585,690	\$ 935,223	\$ (349,533)	-37%
State School Bonds	15,543,118	14,780,000	763,118	5%
Race Track Revenue Bonds	2,565,000	2,905,000	(340,000)	-12%
Certificates of Participation	82,525,412	95,440,278	(12,914,866)	-14%
Qualified Zone Academy Bonds	<u>1,299,696</u>	<u>1,299,696</u>	<u>1,299,696</u>	
Total	<u>\$ 102,518,916</u>	<u>\$ 114,060,501</u>	<u>\$ (11,541,585)</u>	-10%

The District’s decrease in debt was primarily the result of payments on the current outstanding debt.

For more details concerning capital assets and long-term debt, refer to Notes 6 through 11 to the financial statements.

The District has been given the following bond ratings:

	<b>Certificates of Participation</b>	
	<b><u>Insured</u></b>	<b><u>Underlying</u></b>
Moody's	Aaa	Aa2
Fitch IBCA	AAA	AA

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bruce Monson, Executive Director of Financial Services, 1960 Landings Boulevard, Sarasota, Florida 34231.

**EXHIBIT - A**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

	Primary Governmental Activities	Component Units
<b>ASSETS</b>		
Cash	\$ 1,363,432	\$ 555,231
Investments	174,242,575	
Accounts Receivable, Net	154,916	203,386
Deposit Receivable	75,000	
Deferred Charges	825,886	
Due from Other Agencies	3,667,928	
Inventories	1,704,457	
Prepaid Items	28,121	379,992
Capital Assets:		
Land	27,311,641	
Land Improvements - Nondepreciable	33,010,806	1,167,194
Construction in Progress	72,196,053	
Improvements Other Than Buildings, Net	13,044,189	
Buildings and Fixed Equipment, Net	402,530,754	7,662,687
Furniture, Fixtures, and Equipment, Net	15,046,670	
Motor Vehicles, Net	9,453,608	
Property Under Capital Leases, Net	971,452	
Audio Visual Materials and Computer Software, Net	2,083,751	
	<u>\$ 757,711,239</u>	<u>\$ 9,968,490</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 1,823,862	\$ 140,289
Payroll Deductions and Withholdings	745,777	
Accounts Payable	8,228,600	776,729
Construction Contracts Payable	12,152,346	
Matured Bonds	12,744,000	
Matured Interest Payable	1,488,222	
Accrued Interest Payable	431,892	
Deposits Payable	19,800	
Due to Other Agencies	2,101,438	
Deferred Revenue	342,157	
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable		269,148
Obligations Under Capital Leases	300,116	50,859
Bonds Payable	1,195,000	185,223
Estimated Insurance Claims Payable	3,589,242	
Compensated Absences Payable	8,010,264	10,923
Certificates of Participation Payable	12,985,000	
Early Retirement Incentive Payable	766,815	
Portion Due After One Year:		
Notes Payable		1,497,621
Obligations Under Capital Leases	285,574	21,855
Bonds Payable	16,913,118	4,993,269
Qualified Zone Academy Bonds Payable	1,299,696	
Estimated Insurance Claims Payable	4,320,663	
Compensated Absences Payable	26,289,851	30,692
Certificates of Participation Payable	69,540,412	
Early Retirement Incentive Payable	5,236,454	
	<u>190,810,299</u>	<u>7,976,608</u>
<b>Total Liabilities</b>		
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	466,284,259	2,075,703
Restricted for:		
State Categorical Programs	706,042	
Debt Service	13,917,057	
Capital Projects	63,728,007	
Other Purposes	955,725	
Unrestricted	21,309,850	(83,821)
	<u>566,900,940</u>	<u>1,991,882</u>
<b>Total Net Assets</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	<u>\$ 757,711,239</u>	<u>\$ 9,968,490</u>

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

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**EXHIBIT - B**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2006**

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	\$ 257,897,300	\$ 2,299,622	\$	\$
Pupil Personnel Services	27,207,302			
Instructional Media Services	5,575,610			
Instruction and Curriculum Development Services	5,386,657			
Instructional Staff Training Services	8,195,277			
Instruction Related Technology	5,713,311			
Board of Education	1,226,200			
General Administration	3,318,674			
School Administration	17,583,450			
Facilities Acquisition and Construction	25,269,288			17,408,577
Fiscal Services	2,078,552			
Food Services	14,788,117	8,765,289	6,375,363	
Central Services	7,091,071			
Pupil Transportation Services	19,250,296		7,437,031	
Operation of Plant	30,327,497			
Maintenance of Plant	16,481,878			2,739,436
Administrative Technology Services	2,097,590			
Community Services	1,326,509			
Interest on Long-Term Debt	4,621,914			1,822,219
Loss on Disposal of Capital Assets	580,294			
<b>Total Primary Government</b>	<b>\$ 456,016,787</b>	<b>\$ 11,064,911</b>	<b>\$ 13,812,394</b>	<b>\$ 21,970,232</b>
<b>Component Units</b>				
Charter Schools	\$ 13,971,653	\$ 2,177	\$ 481,546	\$ 0

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

**Total General Revenues**

**Change in Net Assets**

Net Assets - July 1, 2005

**Net Assets - June 30, 2006**

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

**EXHIBIT - B**

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (255,597,678)	\$
(27,207,302)	
(5,575,610)	
(5,386,657)	
(8,195,277)	
(5,713,311)	
(1,226,200)	
(3,318,674)	
(17,583,450)	
(7,860,711)	
(2,078,552)	
352,535	
(7,091,071)	
(11,813,265)	
(30,327,497)	
(13,742,442)	
(2,097,590)	
(1,326,509)	
(2,799,695)	
(580,294)	
<u>(409,169,250)</u>	
	<u>(13,487,930)</u>
263,419,295	
89,881,339	
16,601,829	
84,374,487	14,032,596
8,681,092	
<u>7,887,638</u>	<u>223,261</u>
<u>470,845,680</u>	<u>14,255,857</u>
61,676,430	767,927
<u>505,224,510</u>	<u>1,223,955</u>
<u>\$ 566,900,940</u>	<u>\$ 1,991,882</u>

**EXHIBIT - C  
SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2006**

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Tax Fund
<b>ASSETS</b>			
Cash	\$ 1,166,017	\$	\$ 162
Investments	55,107,729	14,937,582	59,385,792
Accounts Receivable, Net	101,484		
Due from Other Funds	1,139,740		86,303
Due from Other Agencies	390,809		144,218
Inventories	1,161,177		
Prepaid Items	7,500		
	<u>59,074,456</u>	<u>14,937,582</u>	<u>59,616,475</u>
<b>TOTAL ASSETS</b>	<b>\$ 59,074,456</b>	<b>\$ 14,937,582</b>	<b>\$ 59,616,475</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 1,769,653	\$	\$
Payroll Deductions and Withholdings	745,777		
Accounts Payable	3,220,295		3,854,374
Construction Contracts Payable			6,558,880
Construction Contracts Payable - Retainage			3,523,972
Matured Bonds Payable		12,725,000	
Matured Interest Payable		1,458,349	
Due to Other Funds	149,114		477,383
Due to Other Agencies	2,088,982		
Deposits Payable	19,800		
Deferred Revenue			
	<u>7,993,621</u>	<u>14,183,349</u>	<u>14,414,609</u>
<b>Total Liabilities</b>	<b>7,993,621</b>	<b>14,183,349</b>	<b>14,414,609</b>
Fund Balances:			
Reserved for State Categorical Programs	706,042		
Reserved for Encumbrances	2,917,060		30,875,084
Reserved for Inventories	148,734		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	47,308,999		
Debt Service Funds		754,233	
Special Revenue Funds			
Capital Projects Funds			14,326,782
	<u>51,080,835</u>	<u>754,233</u>	<u>45,201,866</u>
<b>Total Fund Balances</b>	<b>51,080,835</b>	<b>754,233</b>	<b>45,201,866</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 59,074,456</b>	<b>\$ 14,937,582</b>	<b>\$ 59,616,475</b>

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





**EXHIBIT - D  
SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**Total Fund Balances - Governmental Funds** \$ 122,476,770

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. 575,648,924

Debt issuance costs and underwriter's discounts are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt in the statement of activities. 825,886

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (431,892)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 11,120,738

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:

Bonds Payable	\$ (18,108,118)	
Qualified Zone Academy Bonds Payable	(1,299,696)	
Certificates of Participation Payable	(82,525,412)	
Obligations Under Capital Leases	(585,690)	
Early Retirement Incentive Payable	(6,003,269)	
Compensated Absences Payable	(34,217,301)	
	(142,739,486)	(142,739,486)

**Total Net Assets - Governmental Activities** \$ 566,900,940

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

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**EXHIBIT - E**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2006**

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Tax Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 263,915	\$	\$
Federal Through State	1,305,834		109,262
State	70,089,174		178,765
Local	273,535,524	41,909	93,138,288
<b>Total Revenues</b>	<b>345,194,447</b>	<b>41,909</b>	<b>93,426,315</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	228,780,124		
Pupil Personnel Services	25,771,564		
Instructional Media Services	5,576,087		
Instruction and Curriculum Development Services	3,206,383		
Instructional Staff Training Services	5,607,156		
Instruction Related Technology	5,683,072		
Board of Education	1,215,142		
General Administration	2,437,199		
School Administration	17,492,210		
Facilities Acquisition and Construction	19,573		22,504,737
Fiscal Services	2,005,249		
Food Services	76,275		
Central Services	6,525,368		
Pupil Transportation Services	16,150,907		
Operation of Plant	30,208,183		
Maintenance of Plant	15,726,868		
Administrative Technology Services	1,918,449		
Community Services	1,062,771		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			40,910,124
Other Capital Outlay	1,931,505		
Debt Service:			
Principal		13,074,533	
Interest		2,948,698	
Dues, Fees, and Issuance Costs		5,000	
Miscellaneous Expenditures			
<b>Total Expenditures</b>	<b>371,394,085</b>	<b>16,028,231</b>	<b>63,414,861</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(26,199,638)</b>	<b>(15,986,322)</b>	<b>30,011,454</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	16,090,399	16,728,654	
Bonds Issued			
Refunding Bonds Issued			
Premium on Refunding Bonds			
Discount on Bonds			
Payment to Escrow Agent for Refunded Bonds			
Loss Recoveries	438,765		
Transfers Out	(845,503)		(28,628,854)
<b>Total Other Financing Sources (Uses)</b>	<b>15,683,661</b>	<b>16,728,654</b>	<b>(28,628,854)</b>
<b>Net Change in Fund Balances</b>	<b>(10,515,977)</b>	<b>742,332</b>	<b>1,382,600</b>
Fund Balances, July 1, 2005	61,592,413	11,901	43,819,266
Increase in Inventory Reserve	4,399		
<b>Fund Balances, June 30, 2006</b>	<b>\$ 51,080,835</b>	<b>\$ 754,233</b>	<b>\$ 45,201,866</b>

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



**EXHIBIT - F  
SARASOTA 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, 2006**

**Net Change in Fund Balances - Governmental Funds** \$ (11,301,670)

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.	59,423,881
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.	(580,293)
The net change in the liability for early retirement benefits is reported in the government-wide statements, but not in the governmental funds until due.	1,088,805
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 amount is the net effect of these differences in the treatment of long-term debt related items. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	11,284,278
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities	18,605
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 vacation and sick leave earned in excess of the amount paid in the current period.	(2,259,059)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	4,001,883

**Change in Net Assets - Governmental Activities** \$ 61,676,430

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

**EXHIBIT - G**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2006**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 240,955	\$ 240,955	\$ 263,915	\$ 22,960
Federal Through State	720,712	959,045	1,305,834	346,789
State	73,786,330	71,000,000	70,089,174	(910,826)
Local	266,998,741	274,000,000	273,535,524	(464,476)
<b>Total Revenues</b>	<b>341,746,738</b>	<b>346,200,000</b>	<b>345,194,447</b>	<b>(1,005,553)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	231,412,035	229,172,873	228,780,124	392,749
Pupil Personnel Services	25,531,981	25,932,674	25,771,564	161,110
Instructional Media Services	7,329,428	6,316,528	5,576,087	740,441
Instruction and Curriculum Development Services	3,016,505	3,216,505	3,206,383	10,122
Instructional Staff Training Services	5,096,314	5,761,776	5,607,156	154,620
Instruction Related Technology		5,885,900	5,683,072	202,828
Board of Education	684,707	1,255,314	1,215,142	40,172
General Administration	2,715,515	2,460,600	2,437,199	23,401
School Administration	18,008,645	17,508,645	17,492,210	16,435
Facilities Acquisition and Construction	17,324	22,566	19,573	2,993
Fiscal Services	2,061,266	2,061,266	2,005,249	56,017
Food Services	47,551	87,551	76,275	11,276
Central Services	9,892,189	6,549,131	6,525,368	23,763
Pupil Transportation Services	16,450,281	16,200,281	16,150,907	49,374
Operation of Plant	31,110,076	30,250,123	30,208,183	41,940
Maintenance of Plant	16,404,844	15,754,844	15,726,868	27,976
Administrative Technology Services		1,933,796	1,918,449	15,347
Community Services	1,649,422	1,073,342	1,062,771	10,571
Fixed Capital Outlay:				
Other Capital Outlay	2,995,246	2,995,246	1,931,505	1,063,741
<b>Total Expenditures</b>	<b>374,423,329</b>	<b>374,438,961</b>	<b>371,394,085</b>	<b>3,044,876</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(32,676,591)</b>	<b>(28,238,961)</b>	<b>(26,199,638)</b>	<b>2,039,323</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	14,861,969	17,000,000	16,090,399	(909,601)
Loss Recoveries			438,765	438,765
Transfers Out	(845,503)	(845,503)	(845,503)	
<b>Total Other Financing Sources (Uses)</b>	<b>14,016,466</b>	<b>16,154,497</b>	<b>15,683,661</b>	<b>(470,836)</b>
<b>Net Change in Fund Balance</b>	<b>(18,660,125)</b>	<b>(12,084,464)</b>	<b>(10,515,977)</b>	<b>1,568,487</b>
Fund Balance, July 1, 2005	61,592,413	61,592,413	61,592,413	
Increase in Inventory Reserve			4,399	4,399
<b>Fund Balance, June 30, 2006</b>	<b>\$ 42,932,288</b>	<b>\$ 49,507,949</b>	<b>\$ 51,080,835</b>	<b>\$ 1,572,886</b>

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

**EXHIBIT - H**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS -**  
**PROPRIETARY FUNDS**  
**June 30, 2006**

		Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash	\$	10,591
Investments		19,103,491
Deposits Receivable		75,000
Due From Other Funds		10,041
Prepaid Items		10,579
		19,209,702
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>19,209,702</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$	83,764
Due to Other Funds		25
Due to Other Agencies		12,456
Estimated Insurance Claims Payable		3,589,242
		3,685,487
<b>Total Current Liabilities</b>		<b>3,685,487</b>
Noncurrent Liabilities:		
Liability for Compensated Absences		82,814
Estimated Insurance Claims Payable		4,320,663
		4,403,477
<b>Total Noncurrent Liabilities</b>		<b>4,403,477</b>
<b>Total Liabilities</b>		<b>8,088,964</b>
<b>NET ASSETS</b>		
Unrestricted		11,120,738
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>19,209,702</b>

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



**EXHIBIT - I  
SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services	\$	6,190,356
<b>Total Operating Revenues</b>		6,190,356
<b>OPERATING EXPENSES</b>		
Salaries		288,435
Employee Benefits		70,520
Purchased Services		872,013
Materials and Supplies		2,775
Capital Outlay		271
Claims Expense		2,362,355
<b>Total Operating Expenses</b>		3,596,369
<b>Operating Income</b>		2,593,987
<b>NONOPERATING REVENUES</b>		
Interest		711,637
<b>Income Before Transfers</b>		3,305,624
Transfer In		696,259
<b>Change in Net Assets</b>		4,001,883
Total Net Assets, July 1, 2005		7,118,855
<b>Total Net Assets, June 30, 2006</b>	\$	11,120,738

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

**EXHIBIT - J  
SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Interfund Services Provided	\$	6,191,961
Cash Payments to Suppliers for Goods and Services		(30,837)
Cash Payments to Employees for Services		(349,506)
Cash Payments for Insurance Claims		(3,210,231)
Cash Payments for Other Expenses		(871,340)
		<u>1,730,047</u>
<b>Net Cash Provided by Operating Activities</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from Other Funds		696,259
		<u>696,259</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments		1,885,813
Purchase of Investments		(5,148,338)
Interest Income		711,637
		<u>(2,550,888)</u>
<b>Net Cash Used by Investing Activities</b>		
<b>Net Decrease in Cash</b>		(124,582)
Cash, Beginning		135,173
		<u>135,173</u>
<b>Cash, Ending</b>	<b>\$</b>	<b>10,591</b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$	2,593,987
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Due From Other Funds		1,605
Increase in Prepaid Items		(503)
Decrease in Accounts Payable		(28,062)
Increase in Due to Other Funds		25
Increase in Due to Other Agencies		1,422
Decrease in Estimated Insurance Claims Payable		(847,876)
Increase in Compensated Absences		9,449
		<u>9,449</u>
<b>Total Adjustments</b>		<u>(863,940)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b>1,730,047</b>

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

**EXHIBIT - K**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**FIDUCIARY FUNDS**  
*June 30, 2006*

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$	5,187,010
Accounts Receivable, Net		204,648
Inventory		<u>132,482</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>5,524,140</u></b>
<b>LIABILITIES</b>		
Accounts Payable	\$	60,092
Sales Tax Payable		4,154
Due to Other Funds		33,371
Internal Accounts Payable		<u>5,426,523</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>5,524,140</u></b>

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

**EXHIBIT – L**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**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 Sarasota County School District is considered part of the Florida system of public education. The governing body of the school district is the Sarasota County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Sarasota County.

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

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

- **Blended Component Unit.** The Financing Corporation for the School Board of Sarasota County, Florida (Corporation), was founded to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Sarasota County School Board and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- **Discretely Presented Component Units.** The component units columns in the basic financial statements, Exhibits A and B, include the financial data of the District's other component units. The component units are as follows:

Sarasota School of Arts and Sciences, Inc., Suncoast School for Innovative Studies, Inc., Island Village Montessori School, Inc., Island Village Middle School, Inc., Island Village Montessori North, Inc., Student Leadership Academy of Venice, Sarasota Suncoast Academy, and Sarasota Military Academy, Inc. (charter schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by their sponsor, the School Board of Sarasota County, Florida, and are responsible for the prudent use of public funds received for providing an appropriate educational program for their targeted enrollment. Audits of the charter schools for the fiscal year ended June 30, 2006, were conducted by independent certified public accountants and are filed at the District's administrative office.

- **Related Organization.** The Richard Milburn Academy of Sarasota is a related organization but does not meet the criteria for classification of a component organization and therefore is not presented as a blended or discretely presented component unit.

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

➤ **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.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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

The effects of interfund activity have been eliminated from the government-wide financial statements. Interfund transactions, consisting of transactions involving the internal service funds, were eliminated by allocating the change in net assets of internal service funds in direct proportion as they were charged as expenses to the various functions.

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.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for the long-term certificates of participation.
- Capital Projects – Local Capital Improvement Tax Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Funds – to account for the financial resources, such as sales tax proceeds, impact fees, and certificates of participation, which are used for capital outlay needs.

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

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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

➤ **Basis of Accounting**

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

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

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

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from 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 internal service funds are charges for workers' compensation and employee dental insurance. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

Investments made locally consist of treasury money market 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. Inventories are stated at cost on the weighted average basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures at the time individual inventory items are requisitioned for consumption, except transportation parts. Transportation parts inventory balance is offset on the balance sheet by a fund balance reserve account, which indicates that it does not constitute "available expendable resources" even though it is a component of the current assets.

➤ **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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

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

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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

➤ **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable that they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and State laws.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as accrued salaries and benefits to the extent that the amounts are expected to be paid. The balance of the liability is not recorded. The liability at year-end includes salary related payments such as Social Security, Medicare, and Florida Retirement System contributions.

Changes in compensated absences liability for the current year are reported 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. Bond and certificates of participation premiums and discounts, differences between the reacquisition price and net carrying amount of old debt, and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable bond premium or discounts and differences between the reacquisition price and net carrying amount of the old debt.

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

Changes in long-term liabilities for the current 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 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 years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and



**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental 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 also received an allocation under the Classrooms for Kids Program. 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 Sarasota County Property Appraiser, and property taxes are collected by the Sarasota County Tax Collector.

The School Board adopted the 2005 tax levy on September 6, 2005. 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 delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **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.

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**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 function level (e.g., instruction, pupil personnel services, and school administration) within the fund 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.

**3. INVESTMENTS**

As of June 30, 2006, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	27 Day Average	\$ 153,923,764
State Board of Administration Debt Service Accounts	6 Months	368,624
Treasury Money Market Fund	50 Day Average	10,266,532
Government Money Market Fund	19 Day Average	8,941,324
United States Treasury and Agency Obligations - FNMA Discount Note (1)	8/1/2006	<u>742,331</u>
Total Investments, Primary Government		<u>\$ 174,242,575</u>

Note: (1) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds financing arrangement. (See Note 10)

**Interest Rate Risk**

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act as provided by 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 or savings accounts in qualified public depositories as defined in Florida Statute, and direct obligations of the U.S. Treasury.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- As of June 30, 2006, the District's investment in the Local Government Surplus Funds Trust Fund Investment Pool is unrated.
- The District's investment in the Wells Fargo Advantage 100% Treasury Money Market Fund, as well as investments in the Wells Fargo Advantage Government Money Market Fund are rated AAAM-G by Standard & Poor's and Aaa by Moody's investor Services.
- The District's investment in United States Treasury Obligations is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds paying agent. The forward delivery agreement authorizes the investment of the available sinking fund amount in certain eligible securities, including, without limitation, the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). The eligible securities must have a maturity date that is on or before the November 16, 2021.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- The District's \$19,207,858 investment in Money Market Funds, comprised of short-term money market instruments, U.S. Government obligations, repurchase agreements collateralized by

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

the U.S. government obligations, and U.S. Treasury obligations, are held by the trust department of the investment's counterparty, in the name of the District.

- Investments at June 30, 2006, are comprised of 89 percent in State Board of Administration investment pool.

Concentration of Credit Risk

- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

**4. RECEIVABLES**

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

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 23,436,338	\$ 3,875,303	\$	\$ 27,311,641
Land Improvements - Nondepreciable	26,993,834	6,018,815	1,843	33,010,806
Construction in Progress	63,447,154	52,427,773	43,678,874	72,196,053
Total Capital Assets Not Being Depreciated	<u>113,877,326</u>	<u>62,321,891</u>	<u>43,680,717</u>	<u>132,518,500</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	28,476,853	3,239,063	296,567	31,419,349
Buildings and Fixed Equipment	496,827,306	46,569,890	1,350,920	542,046,276
Furniture, Fixtures, and Equipment	49,230,778	9,303,805	7,588,804	50,945,779
Motor Vehicles	20,272,633	4,118,089	1,615,543	22,775,179
Property Under Capital Leases	1,678,034			1,678,034
Audio Visual Materials	118,631	6,894	4,485	121,040
Computer Software	5,333,841	770,793	14,391	6,090,243
Total Capital Assets Being Depreciated	<u>601,938,076</u>	<u>64,008,534</u>	<u>10,870,710</u>	<u>655,075,900</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	17,430,549	1,173,357	228,746	18,375,160
Buildings and Fixed Equipment	128,810,162	11,785,685	1,080,325	139,515,522
Furniture, Fixtures, and Equipment	35,974,362	7,313,348	7,388,601	35,899,109
Motor Vehicles	12,557,164	2,337,842	1,573,435	13,321,571
Property Under Capital Leases	706,582			706,582
Audio Visual Materials	106,856	1,454	4,485	103,825
Computer Software	3,417,938	615,984	10,215	4,023,707
Total Accumulated Depreciation	<u>199,003,613</u>	<u>23,227,670</u>	<u>10,285,807</u>	<u>211,945,476</u>
Total Capital Assets Being Depreciated, Net	<u>402,934,463</u>	<u>40,780,864</u>	<u>584,903</u>	<u>443,130,424</u>
Governmental Activities Capital Assets, Net	<u>\$ 516,811,789</u>	<u>\$ 103,102,755</u>	<u>\$ 44,265,620</u>	<u>\$ 575,648,924</u>

The classes of property under capital leases are presented in Note 6.

Depreciation expense was charged to functions as follows:

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**SARASOTA COUNTY**  
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<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 18,562,264
Pupil Personnel Services	48,151
Instructional Media Services	98,606
Instruction and Curriculum Development Services	161,572
Instructional Staff Training Services	65,849
Board of Education	11,117
General Administration	240,820
School Administration	8,153
Facilities Acquisition and Construction	24,128
Fiscal Services	12,830
Food Services	81,480
Central Services	568,810
Pupil Transportation Services	2,484,202
Operation of Plant	33,278
Maintenance of Plant	775,363
Administrative Technology Services	37,271
Community Services	<u>13,776</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 23,227,670</u></u>

**6. OBLIGATIONS UNDER CAPITAL LEASES**

The classes and amounts of property being acquired under capital leases are as follows:

	<u>Asset Balance</u>
Copiers	\$ 1,017,904
Computer Equipment	<u>660,130</u>
Total	<u><u>\$ 1,678,034</u></u>

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 317,812	\$ 300,116	\$ 17,696
2008	149,244	140,677	8,567
2009	<u>149,244</u>	<u>144,897</u>	<u>4,347</u>
Total Minimum Lease Payments	<u><u>\$ 616,300</u></u>	<u><u>\$ 585,690</u></u>	<u><u>\$ 30,610</u></u>

The imputed interest rates range from 3.0 to 8.6 percent.

**EXHIBIT - L (Continued)**  
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**7. CERTIFICATES OF PARTICIPATION**

The District entered into a financing arrangement on June 1, 2003, which arrangement was characterized as a lease-purchase agreement, with the Financing Corporation for the School Board of Sarasota County, Florida (Corporation), whereby the District secured refinancing of various educational facilities in the total amount of \$59,865,000. The refinancing was accomplished through the issuance of Refunding Certificates of Participation, Series 2003, to be repaid from the proceeds of rents paid by the District.

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

As a condition of the financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of \$10 per year. The 2003 and 2004 leases have an original term extending to the date that the Certificates of Participation are paid, or prior to July 1, 2015. If the District fails to provide for the rent payments through to term, the District may be required to surrender the sites and financed improvements to the Corporation.

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

Series 2003, Certificates of Participation

Booker Middle School	Pine View School
Laurel Middle School	Purchasing and Transportation Complex
North County School Bus Depot	Sarasota Middle School
North Port Toledo Blade Elementary School	Venice High Media Center
Oak Park School	

Series 2004, Certificates of Participation

Phillippi Shores Elementary School  
Venice Elementary School  
Wilkinson Elementary School

The lease payments are payable by the District, semiannually, on June 15 and December 15, with interest rates ranging from 2.50 to 5.00 percent. The following is a schedule by years of future minimum lease payments as of June 30:

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Fiscal Year Ending June 30	Total	Series 2003	Series 2004
2007	\$ 15,647,198	\$ 9,561,150	\$ 6,086,048
2008	15,647,574	9,563,775	6,083,799
2009	15,641,274	9,557,475	6,083,799
2010	15,648,461	9,566,112	6,082,349
2011	6,081,355		6,081,355
2012-2015	<u>24,334,475</u>		<u>24,334,475</u>
 Total Minimum Lease Payments	 <u>93,000,337</u>	 <u>38,248,512</u>	 <u>54,751,825</u>
Add: Unamortized Premium on Debt	1,834,168	806,909	1,027,259
Less: Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	(343,756)	(343,756)	
Less: Interest	<u>(11,965,337)</u>	<u>(2,813,512)</u>	<u>(9,151,825)</u>
 Total Certificates of Participation	 <u>\$ 82,525,412</u>	 <u>\$ 35,898,153</u>	 <u>\$ 46,627,259</u>

**8. BONDS PAYABLE**

Bonds payable at June 30, 2006, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A	\$ 895,000	4.5	2008
Series 1999A	2,360,000	4.00 - 4.75	2019
Series 2000A	620,000	5.0 - 6.0	2010
Series 2003A	890,000	3.0 - 5.0	2023
Series 2004A	1,120,000	3.000 - 4.625	2024
Series 2005B, Refunding	7,825,000	5.0	2020
Series 2006A	1,515,000	4.0 - 5.0	2026
District Revenue Bonds:			
Race Track Revenue, Series 2003	<u>2,565,000</u>	2.75 - 3.60	2013
 Subtotal	 17,790,000		
Add: Unamortized Premium on Debt	739,873		
Less: Difference between Reacquisition Price and Net Carrying Amount of Old Debt	<u>(421,755)</u>		
 Total Bonds Payable	 <u>\$ 18,108,118</u>		

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



**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
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➤ **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. Additionally, the State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District Revenue Bonds**

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2007	\$ 1,918,846	\$ 845,000	\$ 1,073,846
2008	1,918,321	880,000	1,038,321
2009	1,588,009	920,000	668,009
2010	1,582,321	955,000	627,321
2011	1,478,165	985,000	493,165
2012-2016	7,473,799	5,725,000	1,748,799
2017-2021	4,326,645	3,885,000	441,645
2022-2026	<u>1,066,663</u>	<u>1,030,000</u>	<u>36,663</u>
Total State School Bonds	<u>21,352,769</u>	<u>15,225,000</u>	<u>6,127,769</u>
District Revenue Bonds:			
2007	431,480	350,000	81,480
2008	431,855	360,000	71,855
2009	426,055	365,000	61,055
2010	435,105	385,000	50,105
2011	438,170	400,000	38,170
2012-2013	<u>740,590</u>	<u>705,000</u>	<u>35,590</u>
Total District Revenue Bonds	<u>2,903,255</u>	<u>2,565,000</u>	<u>338,255</u>
Total	<u>\$ 24,256,024</u>	<u>\$17,790,000</u>	<u>\$ 6,466,024</u>

**EXHIBIT - L (Continued)**  
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**9. DEFEASED DEBT**

The Florida Department of Education issued Capital Outlay Refunding Bonds, 2005 Series B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance-refund callable portions of the District's State School Bonds, Series 1998A and 2000A. The Refunding Bonds are being issued to advance-refund the \$6,510,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009, and \$1,630,000 principal amount of the District's State School Bonds, Series 2000A, that mature on or after January 1, 2011. The District's pro rata share of net proceeds totaling \$8,595,518 (after deduction of \$29,573 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result, \$8,140,000 of the State School Bonds, Series 1998A and 2000A, are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2005B bonds were issued to reduce the total debt service payments over the next 15 years by approximately \$607,621 and to obtain an economic gain of \$466,562.

**10. QUALIFIED ZONE ACADEMY BONDS PAYABLE**

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

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

The financing proceeds were designated for the following improvements at Glenallen Elementary School: complete interior demolition and remodeling of the existing 17,200 square foot Building 100, incorporating new Administrative Offices, six new classrooms, two resource rooms and a student activities room; and a

**EXHIBIT - L (Continued)**  
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31,100 square foot cafetorium addition, including a multipurpose/dining room, stage, kitchen including all kitchen equipment, art lab, music lab, and custodial receiving area.

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

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Estimated Insurance Claims Payable	\$ 8,757,781	\$ 2,362,355	\$ 3,210,231	\$ 7,909,905	\$ 3,589,242
Obligations Under Capital Leases	935,223		349,533	585,690	300,116
Bonds Payable	17,710,516	9,375,000	8,977,398	18,108,118	1,195,000
Certificates of Participation Payable	95,440,278		12,914,866	82,525,412	12,985,000
Early Retirement Incentive Payable	7,092,074		1,088,805	6,003,269	766,815
Compensated Absences Payable	32,041,056	10,834,902	8,575,843	34,300,115	8,010,264
Qualified Zone Academy Bonds		1,299,696		1,299,696	
<b>Total Governmental Activities</b>	<b>\$ 161,976,928</b>	<b>\$ 23,871,953</b>	<b>\$ 35,116,676</b>	<b>\$ 150,732,205</b>	<b>\$ 26,846,437</b>

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

**12. 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 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

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

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

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
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Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 1,139,740	\$ 149,114
Capital Projects:		
Local Capital Improvement Tax	86,303	477,383
Other Capital Projects	1,439,787	
Nonmajor Governmental Funds	1,249	2,017,227
Internal Service Funds	10,041	25
Fiduciary Funds		33,371
Total	<u>\$ 2,677,120</u>	<u>\$ 2,677,120</u>

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement. All amounts will be repaid within the 2006-07 fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 16,090,399	\$ 845,503
Debt Service:		
Other Debt Service	16,728,654	
Capital Projects:		
Local Capital Improvement Tax		28,628,854
Other Capital Projects		726,519
Nonmajor Governmental Funds		3,314,436
Internal Service Funds	696,259	
Total	<u>\$ 33,515,312</u>	<u>\$ 33,515,312</u>

Interfund transfers of money represent permanent transfers of moneys between funds. The transfer from the General Fund to the Internal Service Funds was to reimburse the workers' compensation self-insurance fund for claims paid and to fund the general liability and auto liability self-insurance funds. Transfers from the Local Capital Improvement Tax Fund were for the purpose of funding maintenance and equipment expenditures in the General Fund and for paying debt service expenditures in the Other Debt Service Fund. The transfers from the Nonmajor Governmental Funds were for the purpose of reimbursing the General Fund for custodial/utilities expenditures and Public Education Capital Outlay maintenance expenditures.

**EXHIBIT - L (Continued)**  
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**14. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2005-06 fiscal year:

<u>Source</u>	<u>Amount</u>
Categorical Educational Programs:	
Class Size Reduction	\$ 23,828,029
Transportation	7,437,031
Instructional Materials	3,881,815
Discretionary Lottery Funds	2,043,992
School Recognition Funds	1,992,906
Excellent Teaching Program	1,392,061
Public School Technology	787,504
Other	696,888
Florida Education Finance Program	15,326,282
Workforce Development	10,284,210
Gross Receipts Tax (Public Education Capital Outlay)	9,624,202
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,799,430
Adults with Disabilities	868,659
Pari-Mutuel Tax	446,500
Mobile Home License Tax	274,633
Miscellaneous	<u>1,669,094</u>
Total	<u>\$ 82,353,236</u>

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

**15. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.254	\$ 197,538,072
Basic Discretionary Local Effort	0.510	23,682,279
Supplemental Discretionary Local Effort	0.097	4,504,277
Voted Tax:		
Special Tax School District No. 1	1.000	46,435,842
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>92,871,684</u>
Total	<u>7.861</u>	<u>\$ 365,032,154</u>

**EXHIBIT - L (Continued)**  
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**16. STATE RETIREMENT PROGRAM**

**Defined Benefit Plan.** All regular employees of the District are covered by the Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS.

Benefits in the Plan vest at six years of service. All 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, but imposes a penalty 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.

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

**Funding Policy.** The contribution rates for members are established, and may be amended, by the State of Florida. During the 2005-06 fiscal year, contribution rates were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Florida Retirement System, Special Risk	0.00	18.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the 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 ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$14,100,685, \$15,545,294, and \$17,713,926, respectively, which were equal to the required contributions for each fiscal year.

**Defined Contribution Plan.** Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 555 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$1,438,974.

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

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**17. SPECIAL TERMINATION BENEFITS**

On May 18, 1993, the Board approved the establishment of a one-time early retirement incentive program for members of the instructional and classified collective bargaining units and its administrative personnel who signed an agreement to participate in the program and agreed to retire from employment under the provisions of the Florida Retirement System as explained in Note 16. The early out program was offered only until August 15, 1993. Participating employees were required to select an option under the existing provisions of the Florida Retirement System which pays over the life of the employee the maximum retirement benefit payable, forfeiting an option which would pay decreased retirement benefits for the lifetime of both the employee and a joint annuitant (Survivor). To compensate for the loss of these extended survivor benefits, the School Board, as part of the early out program, purchased on behalf of participating employees a flexible premium universal life insurance policy to be paid for over the life of the retiree, providing death benefits upon qualified employee's death equaling the amount the survivor would have received, including a 3 percent annual cost of living adjustment (COLA), had the qualified employee selected the Florida Retirement System option which paid survivor benefits. Premiums are to be paid for over the life of the participating employee. The District reported a liability of \$6,003,269 in the Statement of Net Assets representing the present value of the estimated future payments for life insurance coverage for the 138 employees who elected to retire during the 1992-93 and 1993-94 fiscal years and participate in the program.

**18. OTHER POSTEMPLOYMENT BENEFITS**

Pursuant to Section 112.0801, Florida Statutes, the District allows retired former employees to participate in the health care, dental care, and life insurance programs provided for District employees. All of the District's employees may become eligible for these postemployment benefits if they reach normal retirement age. The cost of continued participation in any of these programs is paid by the retired employees.

**19. CONSTRUCTION CONTRACT COMMITMENTS**

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



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Project	Contract Amount	Completed to Date	Balance Committed
Ashton Elementary School:			
Architect	\$ 445,671	\$ 344,770	\$ 100,901
Contractor	4,061,061	3,309,249	751,812
Bay Haven School:			
Design-builder	249,954		249,954
Cranberry Elementary School:			
Design-builder	334,756		334,756
Glenallen Elementary School:			
Architect	727,903	580,374	147,529
Contractor	6,176,411	2,969,542	3,206,869
Lamarque Elementary School:			
Architect	1,171,040	979,961	191,079
Contractor	17,824,053	16,740,053	1,084,000
North Port 2nd Middle School:			
Architect	1,891,885	544,255	1,347,630
North Port High School:			
Architect	1,114,158	939,673	174,485
Contractor	12,088,971	11,115,356	973,615
Oak Park School:			
Engineer	852,460	652,237	200,223
Contractor	6,684,255	3,141,007	3,543,248
Pine View School:			
Design-builder	150,380	134,316	16,064
Riverview High School:			
Architect	4,579,662	705,326	3,874,336
Contractor	345,000		345,000
Design-builder	452,480	216,432	236,048
Sarasota High School:			
Design-builder/Historical Grant	450,000	100,000	350,000
Design-builder	1,828,140	351,951	1,476,189
Southside Elementary School:			
Architect	1,532,027	911,306	620,721
Contractor	10,425,781	3,761,258	6,664,523
Tatum Ridge Elementary School:			
Design-builder	334,756		334,756
Taylor Ranch Elementary School:			
Engineer	284,950	203,249	81,701
Contractor	3,039,954	905,889	2,134,065
Technical Center:			
Architect	1,058,444	112,626	945,818
Tuttle Elementary School:			
Design-builder	162,812		162,812
Venice High School:			
Design-builder	3,518,180	1,823,874	1,694,306
Wilkinson Elementary School:			
Architect	1,351,076	1,080,669	270,407
Contractor	11,645,853	11,029,915	615,938
Districtwide:			
Design-builder	393,738		393,738
<b>Total</b>	<b>\$ 95,175,811</b>	<b>\$ 62,653,288</b>	<b>\$ 32,522,523</b>

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**20. RISK MANAGEMENT PROGRAMS**

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability coverage, and certain dental benefits contained within the District's cafeteria plan, are being provided on a self-insured basis up to specified limits. The District has entered into an agreement with an insurance company for its workers' compensation plan to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis and aggregate excess coverage up to \$25 million. The District has contracted with an insurance administrator to administer the workers' compensation and dental benefits self-insurance programs, including the processing, investigating, and payment of claims. For general liability coverage, the District depends on the Florida Sovereign Immunity Act, Section 768.28, Florida Statutes, to limit potential tort liability to \$100,000 per person or \$200,000 per occurrence.

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

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

A liability in the amount of \$7,808,831 for the workers' compensation, general liability, auto liability, and the dental benefits program funds was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2006, and is net of excess insurance recoverable on unpaid claims. A liability in the amount of \$101,074 relates to the District's cafeteria plan fund. Nonincremental claims expense has been included as part of the liabilities.

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

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

<u>Fiscal Year</u>	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2004-05	\$ 9,158,632	\$ 3,035,609	\$ (3,436,460)	\$ 8,757,781
2005-06	8,757,781	2,362,355	(3,210,231)	7,909,905

**21. INTERNAL SERVICE FUNDS**

The following is a summary of financial information as reported in the Internal Service Funds for the 2005-06 fiscal year:

	<u>Total</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Cafeteria Plan</u>		<u>Automobile Liability Insurance</u>
				<u>Dental Insurance</u>	<u>Cafeteria</u>	
Total Assets	\$ 19,209,702	\$ 13,273,505	\$ 2,523,923	\$ 1,095,229	\$ 195,273	\$ 2,121,772
Liabilities and Net Assets:						
Accounts Payable	\$ 83,764	\$ 44,097	\$ 1,346	\$ 38,321	\$	\$
Payroll Deductions and Withholdings Payable	25				25	
Due to Other Funds	12,456	4,769	2,885		1,917	2,885
Estimated Insurance Claims Payable	7,909,905	6,534,247	769,221	180,000	101,074	325,363
Compensated Absences Payable	82,814	31,707	19,180		12,747	19,180
Net Assets:						
Invested in Capital Assets						
Unrestricted Net Assets	11,120,738	6,658,685	1,731,291	876,908	79,510	1,774,344
Total Liabilities and Net Assets	\$ 19,209,702	\$ 13,273,505	\$ 2,523,923	\$ 1,095,229	\$ 195,273	\$ 2,121,772
Revenues:						
Charges for Services	\$ 6,190,356	\$ 3,999,305	\$	\$ 1,988,893	\$ 202,158	\$
Interest Income	711,637	477,111	103,846	35,772	7,775	87,133
Total Revenues	6,901,993	4,476,416	103,846	2,024,665	209,933	87,133
Total Expenses	(3,596,369)	(929,093)	(327,596)	(1,918,594)	(135,634)	(285,452)
Transfers In	696,259		495,614			200,645
Change in Net Assets	\$ 4,001,883	\$ 3,547,323	\$ 271,864	\$ 106,071	\$ 74,299	\$ 2,326

**EXHIBIT - L (Continued)**  
**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**22. CONTINGENT LIABILITIES**

The District is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Management believes that any liability arising from such claims would be immaterial to the financial statements.

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

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FEDERAL REPORTS AND SCHEDULES

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*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*

*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*

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sarasota County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included 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 Sarasota County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

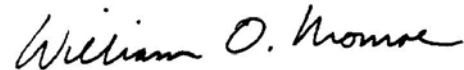
***Compliance and Other Matters***

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, administrative 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 matters that we reported to District management in our operational report No. 2007-030, dated October 2006.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

January 19, 2007



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## 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 District'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, 2006. The District's major Federal programs are identified in the ***SUMMARY OF AUDIT RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. 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 the District's 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, 2006.

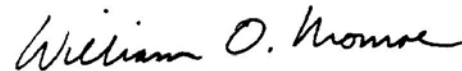
***Internal Control Over Compliance***

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 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 and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA  
January 19, 2007

**SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Florida Department of Agriculture and Consumer Services: Food Donation	10.550(2)	None	\$ 771,796	\$
Florida Department of Education: Child Nutrition Cluster:				
School Breakfast Program	10.553	321	929,097	
National School Lunch Program	10.555	300	4,280,397	
Summer Food Service Program for Children	10.559	323, 324	274,270	
<b>Total Child Nutrition Cluster</b>			<b>5,483,764</b>	
Child and Adult Care Food Program	10.558	302	105,779	
<b>Total United States Department of Agriculture</b>			<b>6,361,339</b>	
<b>United States Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	81,269	
Federal Pell Grant Program	84.063	N/A	171,777	
<b>Total Student Financial Assistance Cluster</b>			<b>253,046</b>	
Safe and Drug-free Schools and Communities - National Programs	84.184	N/A	87,735	
Fund for the Improvement of Education	84.215	N/A	528,507	
<b>Total Direct</b>			<b>869,288</b>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	8,325,468	
Special Education - Preschool Grants	84.173	266, 267	332,636	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	13,306	
<b>Total Special Education Cluster</b>			<b>8,671,410</b>	
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191, 193	407,268	
Title I Grants to Local Educational Agencies	84.010	212, 223	4,384,777	
Migrant Education - State Grant Program	84.011	217	10,941	
Vocational Education - Basic Grants to States	84.048	151	323,936	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	181,258	
Education for Homeless Children and Youth	84.196	127	84,082	
Fund for the Improvement of Education	84.215	143	12,120	
Charter Schools	84.282	298	660,607	660,607
Twenty-First Century Community Learning Centers	84.287	244	1,351,241	
State Grants for Innovative Programs	84.298	113	152,209	
Education Technology State Grants	84.318	121	150,011	
Reading First State Grants	84.357	211	306,462	
Voluntary Public School Choice	84.361	299	185,366	
English Language Acquisition Grants	84.365	102	236,201	
Improving Teacher Quality State Grants	84.367	224	1,498,903	
Hurricane Education Recovery	84.938	None	177,975	
<b>Total Indirect</b>			<b>18,794,767</b>	<b>660,607</b>
<b>Total United States Department of Education</b>			<b>19,664,055</b>	<b>660,607</b>

**SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education: Learn and Serve America - School and Community Based Programs	94.004	232	\$ 13,451	\$
<b>Department of Homeland Security:</b>				
Indirect:				
Florida Department of Community Affairs: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	526	188,171	
Homeland Security Grant Program	97.067	None	109,757	
Florida Department of Law Enforcement: Homeland Security Grant Program	97.067	None	21,735	
<b>Total Department of Homeland Security</b>			<u>319,663</u>	
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	179,330	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	32,661	
Navy Junior Reserve Officers Training Corps	None	N/A	25,361	
<b>Total United States Department of Defense</b>			<u>237,352</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 26,595,860</u>	<u>\$ 660,607</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2005-06 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2005-06 fiscal year. Commodities are valued at fair value as determined at the time of donation.

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**SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**SUMMARY OF AUDIT RESULTS**

As required by United States Office of Management and Budget *Circular A-133*, Section \_\_.505, the following is a summary of the results of the audit of the Sarasota County District School Board for the fiscal year ended June 30, 2006:

- An unqualified opinion was issued on the financial statements.
- No reportable conditions involving the internal control and its operation were reported.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), Summer Food Service Program for Children (CFDA No. 10.559)]; and Improving Teacher Quality State Grants (CFDA No. 84.367).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$797,876.
- The low risk entity threshold was applied.

**FINDINGS AND RECOMMENDATIONS**

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section \_\_.510.

*SARASOTA COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2006*

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
Cherry, Bekaert, & Holland, LLP		No prior Federal audit findings.		